



## **Third Quarter 2012 Earnings Presentation**

**November 8, 2012**

# Legal Disclaimers

## Disclaimer and Cautionary Note Regarding Forward-Looking Statements

This press release contains forward-looking statements, including forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include, but are not limited to, statements concerning Walter Investment's plans, beliefs, objectives, expectations and intentions and other statements that are not historical or current facts. Forward-looking statements are based on Walter Investment's current expectations and involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied in such forward-looking statements. Factors that could cause Walter Investment's results to differ materially from current expectations include, but are not limited to: Walter Investment's ability to implement its strategic initiatives, particularly as they relate to our ability to develop new business, including the implementation of delinquency flow programs and the receipt of new business, which are both subject to customer demand and approval, and the availability of MSRs at acceptable prices, along with the availability of capital to purchase MSRs; the Company's ability to earn anticipated levels of performance and incentive fees on serviced business; continued performance of the loans and residuals segment; economic, political and market conditions and fluctuations, government and industry regulation, including any new regulation, increased costs, and/or decrease in revenues that may result from increased scrutiny by government regulators and customers on lender-placed insurance; interest rate risk and U.S. competition; and other factors detailed in Walter Investment's 2011 Annual Report on Form 10-K and other periodic reports filed with the U.S. Securities and Exchange Commission. In addition, these statements are based on a number of assumptions that are subject to change. Accordingly, actual results may be materially higher or lower than those projected. The inclusion of such projections herein should not be regarded as a representation by Walter Investment that the projections will prove to be correct. This press release speaks only as of this date. Walter Investment disclaims any duty to update the information herein.

## Non-GAAP Financial Measures

To supplement Walter Investment's consolidated financial statements prepared in accordance with GAAP and to better reflect period-over-period comparisons, Walter Investment uses non-GAAP financial measures of performance, financial position, or cash flows that either exclude or include amounts that are not normally excluded or included in the most directly comparable measure, calculated and presented in accordance with GAAP. Non-GAAP financial measures do not replace and are not superior to the presentation of GAAP financial results, but are provided to (i) measure the Company's financial performance excluding depreciation and amortization costs, corporate and MSR facility interest expense, transaction and merger integration-related costs, certain other non-cash adjustments, the net impact of the consolidated Non-Residual Trust VIEs and certain other items as defined by our first and second lien credit agreements, including, but not limited to pro-forma synergies, (ii) provide investors a means of evaluating our core operating performance and (iii) improve overall understanding of Walter Investment's current financial performance and its prospects for the future. Specifically, Walter Investment believes the non-GAAP financial results provide useful information to both management and investors regarding certain additional financial and business trends relating to financial condition and operating results. In addition, management uses these measures for reviewing financial results and evaluating financial performance. The non-GAAP adjustments for all periods presented are based upon information and assumptions available as of the date of this presentation.

# Walter Investment Highlights

## Strong, stable financial and operational performance continued through Q3.

- Continued earning high levels of incentive and performance-based fees
  - Pro Forma Adjusted EBITDA of \$60.3 MN
- Core earnings after tax of \$22.1 MN, or \$0.75 per diluted share
  - Ended quarter with liquidity of \$128.2 MN including cash of \$38.5 MN

- Further deleveraging with Debt/EBITDA ratio falling to 2.98x vs. 3.93x at July 1, 2011
  - Raised \$556.5 MN of net proceeds through concurrent common stock and convertible senior subordinated notes offerings
  - Completed acquisition of Reverse Mortgage Solutions, Inc.

- Second DQ flow program established with an initial transfer in excess of \$2 BN in UPB on November 1
  - Jointly awarded, with Ocwen, the highest and best bid for the ResCap mortgage servicing and origination platform assets

# Q3 2012 Financial Results

## ➤ Pro Forma Adjusted EBITDA of \$60.3 MN for Q3

- YTD Pro Forma Adjusted EBITDA of \$177.6 MN (annualized = \$236.8 MN)

## ➤ Core earnings after tax of \$22.1 MN, or \$0.75 per diluted share

## ➤ GAAP net income of \$6.4 MN, or \$0.21 per diluted share

- Total revenues of \$160.8 MN, \$8.9 MN higher than Q3 2011
- Strong level of incentive and performance fees of \$25.3 MN, \$1.2 MN higher than Q3 2011

**Solid financial performance through third quarter in-line with expectations.**

# Q3 2012 Segment Highlights

## Servicing Segment Highlights

- Pre-tax core earnings of \$36.7 MN
- Strong portfolio performance generated solid incentive and performance fees
- Second DQ flow program came on line

## Asset Receivable Management (ARM) Segment Highlights

- Pre-tax core earnings of \$4.2 MN compared to \$2.7 MN in Q3 2011 reflects improved rate of collections and higher margins
- Increase of \$2.6 MN in revenue from Q3 2011 due to \$9.0 MN higher gross collections on serviced portfolio and higher recovery fee

## Loans and Residuals Segment Highlights

- Pre-tax core earnings of \$4.4 MN
- Generated interest income of \$38.0 MN
- Levels of REO inventory declined compared to prior year period

## Insurance Segment Highlights

- Pre-tax core earnings of \$9.9 MN
- Revenue declined \$1.9 MN compared to Q3 2011 as a result of runoff in the legacy Walter reinsurance business and fewer set-ups of lender placed policies on the MH portfolio, offset by additional lender placed policies written on the 1<sup>st</sup> lien RRE portfolio

# Capitalization Summary as of September 30, 2012

(Amounts in millions, except credit stat ratios)

	Maturity	Rate	9/30/2012	7/1/2011
MSR acquisition facility	11/30/12	L + 250 bps	\$ 1.7	\$ 14.8
1st Lien Revolver	06/30/16	L + 625 bps	-	23.0
1st Lien Term Loan	06/30/16	L + 625 bps	425.0	500.0
2nd Lien Term Loan	12/31/16	L + 1100 bps	265.0	265.0
Other (Capitalized leases)			1.3	1.3
<b>Total corporate debt (1)</b>			<b>693.0</b>	<b>804.1</b>
Shareholders' equity			555.7	540.9

## Credit Statistics

LTM Adjusted EBITDA	\$ 232.6	\$ 204.8
Corp. debt/Adjusted EBITDA	2.98	3.93
Adjusted EBITDA/Corporate Interest Expense	3.12	2.79

**Corporate debt ratings were affirmed by Moody's and S&P during Q3 2012**

# Pro Forma Capitalization

- Capitalization pro forma for recently completed common stock and convertible notes offerings, RMS acquisition and First Lien Term Loan refinancing

(\$ in millions)	9/30/2012		Common Stock, Convertible Notes and RMS			First Lien Refinancing	
	Standalone Walter	Standalone RMS*	Offering Adjustments	RMS Adjustments <sup>(1)</sup>	9/30/2012 Pro Forma	Refinancing Adjustments	9/30/2012 Pro Forma
Unrestricted cash	\$39	\$20	\$262	(\$95)	\$226	\$135	\$361
Existing First Lien Term Loan <sup>(2)</sup>	425	-			425	(425)	-
New First Lien Term Loan <sup>(2)</sup>	-	-			-	600	600
Second Lien Term Loan <sup>(2)</sup>	265	-	(265)		-		-
Convertible Senior Subordinated Notes <sup>(3)</sup>	-	-	290		290		290
Other	3	-			3		3
<b>Total corporate debt</b>	<b>693</b>	<b>-</b>	<b>25</b>	<b>-</b>	<b>718</b>	<b>175</b>	<b>893</b>
Servicer advance facility	99	-			99		99
Mortgage-backed debt (non-recourse)	2,119	-			2,119		2,119
RMS Warehouse	-	110			110		110
Non-Recourse Financing obligation to GNMA	-	4,872			4,872		4,872
Total debt	2,911	4,982	25	-	7,918	175	8,093
Shareholder's equity (book)	556	25	250	16	847	(13)	834
<b>Total capitalization</b>	<b>\$3,467</b>	<b>\$5,007</b>	<b>\$275</b>	<b>\$16</b>	<b>\$8,765</b>	<b>\$162</b>	<b>\$8,927</b>
<b>Credit statistics</b>							
LTM Adjusted EBITDA	\$233	\$47 <sup>(4)</sup>			\$280		\$280
Corporate debt cash interest expense	73		(26) <sup>(5)</sup>		47	6	52
Corp. debt / Adjusted EBITDA	3.0x				2.6x		3.2x
<b>First lien debt / Adjusted EBITDA</b>	<b>1.8x</b>				<b>1.5x</b>		<b>2.1x</b>
Net First lien debt / Adjusted EBITDA	1.7x				0.7x		0.9x
Adjusted EBITDA / Corp. debt cash int. expense	3.2				6.0		5.4

Source: Company filings

(1) \$95 million cash used to fund a portion of the RMS acquisition. Stock component of purchase price valued at \$37 million for purposes of table

(2) Reflects the face value for purposes of leverage calculations

(3) Reflects face value for purposes of leverage calculations. GAAP accounting will separate into fair values of debt and equity components. The debt components is estimated to be \$207 million and the equity component is estimated to be \$49 million after tax and offering expenses

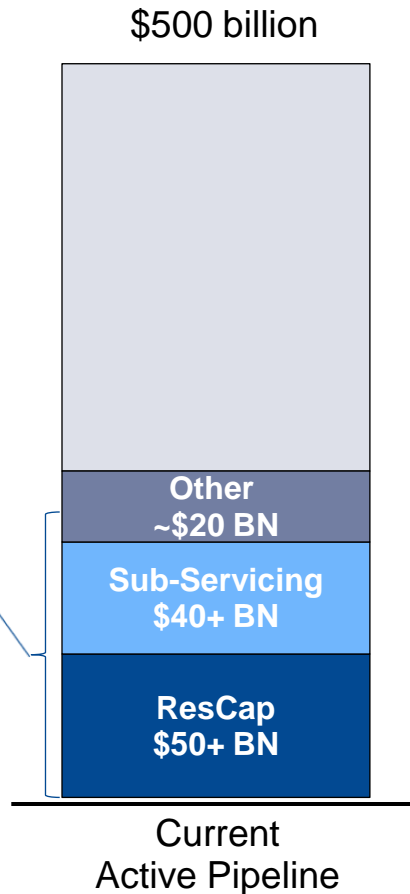
(4) Estimated 2012E run-rate adjusted EBITDA based on a conversion from "gain on sale" accounting methodology to fair value option accounting methodology under GAAP

(5) Run-rate adjustment for repayment of Second Lien Term Loan and issuance of Convertible Notes at 4.50%

\* 9/30/2012 RMS amounts are unaudited estimates presented for illustrative purposes only

# Pipeline<sup>(1)</sup> Opportunity is Accelerating

Market opportunities are increasing and accelerating in a dynamic environment



➤ Walter Investment's pipeline has grown by 67% since June 30, 2012

- Active pipeline of over \$500 BN is a mix of MSR and Sub-Servicing opportunities from Banks, Financial Institutions and GSEs
- Expected to transact in next 12-18 months
- Over \$110 billion of active pipeline is in exclusive negotiation

(1) "Pipeline" refers to opportunities or potential opportunities in the market for products within our strategic profile that we have identified as targets to add to our servicing portfolio through either the acquisition of MSR or sub-servicing contracts. In each case we have contacted the seller or its representative to register our interest, or are currently engaged in discussions or negotiations directly with the seller or its representative. The status of "pipeline opportunities" varies from early stage contact through exclusive negotiations. There can be no guarantee that any of the opportunities in our pipeline will result in purchases or contracts added by the Company.



# ResCap Transaction

- On October 24, 2012 jointly awarded highest and best bid, with Ocwen, for the mortgage servicing and origination and capital markets platform assets<sup>(1)</sup>.
- WAC portion is a \$540.0<sup>(2)</sup> MN bid for FNMA MSR portfolio, related servicing advances and Origination and Capital Markets platforms
- Transaction is expected to close in Q1 2013

## FNMA MSR

- Approximately 400,000 accounts with a UPB of \$50.4 billion as of 8/31/2012
- Higher quality portfolio, less credit sensitive than current GT serviced FNMA product
- Less than 10% DQ rate

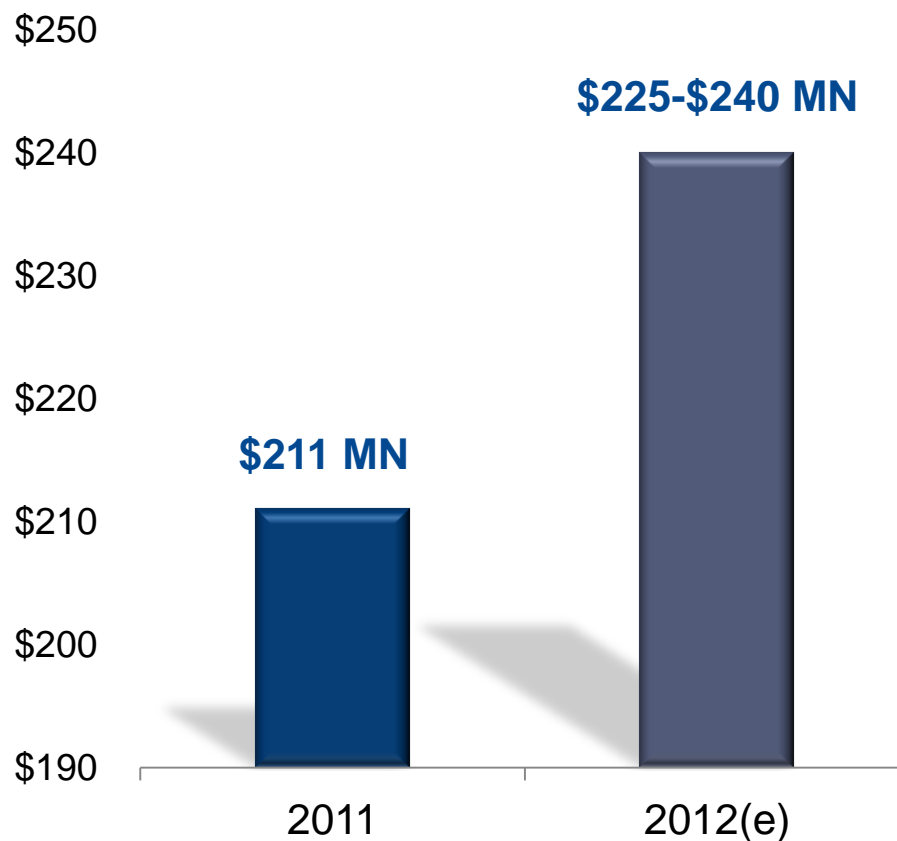
## Servicing Advances

- \$183 million tied to underlying FNMA collateral
- Anticipate securing financing through existing advance facilities

## Originations and Capital Markets Platform

- Well-known originations brand; a leading call center and Internet mortgage loan origination platform
- Three operational centers, Fort Washington, PA, Burbank, CA, and Costa Mesa, CA
- Highly profitable retention and retail origination channels
- Capital Markets team pools originated loans for securitization by the GSEs and delivers the securities to the market through TBAs

# 2012 Pro Forma Adjusted EBITDA



**Strong results through Q3 plus business development opportunities drive confidence in ability to achieve mid-point or higher in range.**

# Summary

## Solid Financial Fundamentals

- Strong balance sheet positioned for accelerating opportunities
- Strong margins across business lines
- Strong YTD 2012 results

## Cyclical and Secular Industry Shift

- Secular shift drives sustainability in the business
- Wave of transfers to specialty servicers occurring from \$10+ trillion market <sup>(1)</sup>
- Regulatory, capital, operational, and compliance issues are a catalyst for servicing transfers

## Strong Pipeline

- Robust pipeline growth from \$300 billion in Q2 to \$500 billion in Q3
- Transactions / opportunities accelerating from first half of 2012
- Exclusivity on over \$110 billion of pipeline opportunities
- Second delinquency flow program established with loan transfer on Nov. 1, 2012

## Differentiated Servicing Model

- Platform positioned to deliver value-added benefits to credit owners
- Ancillary businesses (ARM, Insurance) deliver additional value and drive increased revenue
- High level of compliance drives preferred partner status

**WAC is highly focused on delivering significant returns to shareholders**

(1) Source: Inside Mortgage Finance.



## Appendix

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# Use of Non-GAAP Measures

Generally Accepted Accounting Principles (“GAAP”) is the term used to refer to the standard framework of guidelines for financial accounting. GAAP includes the standards, conventions, and rules accountants follow in recording and summarizing transactions and in the preparation of financial statements. In addition to reporting financial results in accordance with GAAP, the Company has provided non-GAAP financial measures, which it believes are useful to help investors better understand its financial performance, competitive position and prospects for the future.

Core earnings (pre-tax and after-tax), core earnings per share and Pro Forma Adjusted EBITDA are financial measures that are not in accordance with GAAP. See the Non-GAAP Reconciliations above for a reconciliation of these measures to the most directly comparable GAAP financial measures.

Core earnings (pre-tax and after-tax) and core earnings per share measure the Company’s financial performance excluding depreciation and amortization costs related to business combination transactions, transaction and merger integration-related costs, certain other non-cash adjustments, and the net impact of the consolidated Non-Residual Trust VIEs.

Pro Forma adjusted EBITDA measures the Company’s financial performance excluding depreciation and amortization costs, corporate and MSR facility interest expense, transaction and merger integration-related costs, certain other non-cash adjustments, the net impact of the consolidated Non-Residual Trust VIEs and certain other items as defined by our first and second lien credit agreements, including, but not limited to pro-forma synergies.

Core earnings (pre-tax and after-tax) and core earnings per share may also include other adjustments, as applicable based upon facts and circumstances, consistent with the intent of providing investors a means of evaluating our core operating performance.

The Company believes that these Non-GAAP Financial Measures can be useful to investors because they provide a means by which investors can evaluate the Company’s underlying key drivers and operating performance of the business, exclusive of certain adjustments and activities that investors may consider to be unrelated to the underlying economic performance of the business for a given period.

## **Use of Core Earnings and Pro Forma Adjusted EBITDA by Management**

The Company manages the business based upon the achievement of core earnings, Pro Forma Adjusted EBITDA and similar targets and has designed certain management incentives based upon the achievement of Pro Forma Adjusted EBITDA in order to assess the underlying operational performance of the continuing operations of the business for the year and to have a basis to compare underlying operating results to prior and future periods.

## **Limitations on the Use of Core Earnings and Pro Forma Adjusted EBITDA**

Since core earnings (pre-tax and after-tax) and core earnings per share measure the Company’s financial performance excluding depreciation and amortization costs related to acquisitions, transaction and merger integration-related costs, certain other non-cash adjustments, and the net impact of the consolidated Non-Residual Trust VIEs, they may not reflect all amounts associated with our results as determined in accordance with GAAP.

Pro Forma Adjusted EBITDA measures the Company’s financial performance excluding depreciation and amortization costs, corporate and MSR facility interest expense, transaction and merger integration-related costs, certain other non-cash adjustments, the net impact of the consolidated Non-Residual Trust VIEs and certain other items as defined by our first and second lien credit agreements, including, but not limited to pro-forma synergies, they may not reflect all amounts associated with our results as determined in accordance with GAAP.

Core earnings (pre-tax and after-tax), core earnings per share and Pro Forma Adjusted EBITDA involve differences from segment profit (loss), income (loss) before income taxes, net income (loss), basic earnings (loss) per share and diluted earnings (loss) per share computed in accordance with GAAP. Core earnings (pre-tax and after-tax), core earnings per share and Pro Forma Adjusted EBITDA should be considered as supplementary to, and not as a substitute for, segment profit (loss), income (loss) before income taxes, net income (loss), basic earnings (loss) per share and diluted earnings (loss) per share computed in accordance with GAAP as a measure of the Company’s financial performance.

Any non-GAAP measures should be considered in context with the GAAP financial presentation and should not be considered in isolation or as a substitute for GAAP earnings. Further, the non-GAAP measures presented by Walter Investment may be defined or calculated differently from similarly titled measures of other companies.

# Q3 2012 Segment Financial Performance

(\$ in millions)

	Servicing	Asset Receivables Management	Insurance	Loans and Residuals	Other	Eliminations	Total Consolidated
<b>Total revenues</b>	\$96.9	\$9.8	\$17.4	\$38.0	\$3.9	\$(5.2)	\$160.8
<b>Total expenses</b>	\$78.5	\$7.8	\$9.4	\$34.0	\$28.9	\$(5.2)	\$153.3
<b>Other gains (losses)</b>	\$(0.3)	\$ -	\$ -	\$0.5	\$2.9	\$ -	\$3.1
<b>Income (loss) before income taxes</b>	\$18.1	\$2.0	\$8.1	\$4.5	\$(22.1)	\$ -	\$10.6
<b>Core earnings before income taxes</b>	\$36.7	\$4.2	\$9.9	\$4.4	\$(19.6)	\$ -	\$35.6
<b>Pro Forma Adjusted EBITDA</b>	\$41.3	\$4.2	\$9.8	\$4.6	\$0.4	\$ -	\$60.3

**Note:** Columns may not total due to rounding.

# Core Earnings and Pro Forma Adjusted EBITDA

(\$ in millions, except per share amounts)

<u>Core Earnings</u>		<u>Pro Forma Adjusted EBITDA</u>	
	<u>For the three months ended 09/30/2012</u>		<u>For the three months ended 09/30/2012</u>
Income before income taxes	\$ 10.6	Income before income taxes	\$ 10.6
Add back:		Add back:	
Step-up depreciation and amortization	19.1	Depreciation and amortization	23.8
Share-based compensation expense	2.9	Interest expense on debt	19.8
Transaction & integration related costs	3.0	EBITDA	<u>54.2</u>
Non-cash interest expense	0.2	Add back:	
Net impact of Non-Residual Trusts	(0.5)	Non-cash share-based compensation expense	2.9
Other	<u>0.3</u>	Pro forma synergies	-
Pre-tax core earnings	<u>35.6</u>	Provision for loan losses	4.6
		Transaction and integration-related costs	3.0
		Non-cash interest expense	0.2
		Residual Trusts cash flows	0.5
		Sub-total	11.2
After tax core earnings (38% tax rate)	<u>\$ 22.1</u>	Less:	
Shares outstanding	<u>29.4</u>	Non-cash interest income	(4.1)
Core EPS	<u>\$ 0.75</u>	Net Impact of Non-Residual Trusts	(0.5)
		Other	<u>(0.5)</u>
		Sub-total	<u>(5.1)</u>
		Pro Forma Adjusted EBITDA	<u>\$ 60.3</u>

- (1) Pro Forma Adjusted EBITDA is presented in accordance with its definition in the Company's credit agreements and represents income before income taxes, depreciation and amortization, interest expense on corporate debt, transaction and integration related costs, the net effect of the non-residual VIEs and certain other non-cash income and expense items. Pro Forma Adjusted EBITDA also includes an adjustment to reflect pro-forma synergies and, for periods prior to the acquisition, adjustments to reflect Green Tree as having been acquired at the beginning of the year.

# Pro Forma Adjusted EBITDA

## Pro Forma Adjusted EBITDA <sup>(1)</sup>

	Full Year 2011 Combined <sup>(2)</sup>	LTM July 1, 2011	LTM Sept 30, 2012
Income before income taxes	\$ 39.1	110.8	\$ 16.4
Add back:			
Depreciation and amortization	63.9	20.8	100.4
Interest expense on debt	58.9	30.6	82.5
EBITDA	161.9	162.2	199.3
Adjustments			
Transaction and integration costs	19.2	12.9	11.0
Pro forma synergies	16.8	19.0	7.3
Residual Trusts cash flows	9.1	26.4	5.9
Net impact of Non-Residual Trusts	(5.5)	(7.9)	0.7
Provision for loan losses	5.9	4.6	10.9
Non-cash share-based compensation expense	33.9	32.1	13.4
Non-cash interest expense	4.4	4.3	3.0
Non-cash interest income	(21.0)	(22.0)	(21.0)
Pro forma monetized assets	(13.3)	(35.1)	-
Other	(0.4)	8.3	2.1
Pro Forma Adjusted EBITDA	\$ 211.0	\$ 204.8	\$ 232.6

- (1) Pro Forma Adjusted EBITDA is presented in accordance with its definition in the Company's credit agreements and represents income before income taxes, depreciation and amortization, interest expense on corporate debt, transaction and integration related costs, the net effect of the non-residual VIEs and certain other non-cash income and expense items. Pro Forma Adjusted EBITDA also includes an adjustment to reflect pro-forma synergies and, for periods prior to the acquisition, adjustments to reflect Green Tree as having been acquired at the beginning of the year.
- (2) Includes adjustment to reflect Green Tree results on a pro forma basis for the full year.