

LIQUIDATING TRUST**Dear Beneficiaries:**

We continue to focus on maximizing returns to Beneficiaries through the continued prosecution of our correspondent litigation and managing the timely and efficient wind down of the remaining Trust assets and activities.

RECENT HIGHLIGHTS OF THE TRUST'S ACTIVITIES

On September 1, 2017, the Trust distributed \$1.50 per Unit for a total distribution of \$150 million, with a declaration date of August 2, 2017 and a record date of August 17, 2017.

In the quarter, the final Reinsurance Agreement under the CapRe entity was terminated. The CapRe entity has now begun steps to dissolve the entity. Upon dissolution of the entity, it is anticipated that approximately \$26 million will be transferred from CapRe to the Trust.

As a result of progress made with resolution of claims within the Disputed Claims Reserve (DCR), the Trust Board approved the cancellation of 1,108,677 Units of Beneficial Interest in the Trust that were held in the DCR. As a result of the cancellation of the Units held in the DCR, the total Trust Units outstanding are reduced to 98,891,323 and the Trust Net Asset Value increased by \$28.6 million due to release of liability for previously declared distributions associated with the cancelled units.

CORRESPONDENT LENDER LITIGATION

As of the date of this letter, the Trust is litigating 25 cases against correspondent lenders of Residential Funding Company LLC, for indemnity and breach of contract, which are pending in Federal District Court in Minnesota and Federal Bankruptcy Court for the Southern District of New York.

Since June 30, 2017, the Trust settled 6 correspondent litigation cases for an aggregate amount of \$143.8 million. The Trust has reached settlements totaling approximately \$589.5 million since the inception of the Trust.

The correspondent litigation is now in the expert report phase. The first trial is now set for September 2018.

ASSETS

Due to the mortgage servicing transfer of the assets to LoanCare, the finalization of the previous mortgage asset sale, and the composition of the remaining portfolio, the Trust completed a review of the remaining mortgage portfolio which resulted in recognizing \$30.6

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million in net asset value at the end of the quarter. The value of the mortgage portfolio is based on internal modeling assumptions based upon the net present value of the cash flows expected to be received over the life of each loan and based upon asset resolution strategies. The volatility of the market, status changes of the loan, and government agency claim policies and processes and other factors will impact the future carry value.

The Trust continues to work with LoanCare and HUD to pursue claim recoveries with respect to our remaining insured loan portfolio and the sale of our Real Estate Owned (REO) properties. As of September 30, 2017, our remaining gross balances on mortgage assets totaled \$106.9 million with a carrying value of \$64.6 million.

CLAIMS

We continue to work with the remaining claimant for final resolution of the claim reserved for in the Disputed Claims Reserve. We filed a motion to extend the claim period for an additional 6 months from September 15, 2017 to March 15, 2018.

REGULATORY

The Trust, as successor to the Debtors in the Bankruptcy case, is party to a Consent Order with the Federal Reserve Bank ("FRB") which required that the Trust satisfy its remaining obligations for the Independent Foreclosure Review ("IFR") program. In August, ResCap entered into a final agreement with the Independent Administrator of the IFR program, Rust Consulting, which requires that Rust fulfill the remaining requirements to the FRB on behalf of the Trust moving forward.

The Trust's remaining obligation with regard to the DOJ settlement is to work with and monitor Rust Consulting to ensure required SCRA remediation activities are conducted as appropriate. A specific restricted cash account with an outstanding balance of \$13.8 million at September 30, 2017 will be utilized for all future liabilities related to remediation obligation to the service members and costs for professionals such as Rust Consulting. The obligation of the Trust related to the SCRA work and outreach efforts will continue through October 2018.

ADMINISTRATIVE EXPENSES SET ASIDE

The Administrative Expenses Set Aside holds cash and other assets for the payment of Trust operating expenses. As of September 30, 2017, the Administrative Expenses Set Aside of \$204.6 million consisted of \$51.0 million in cash and \$153.6 million in pledged proceeds from future asset sales and/or recoveries.

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Activity related to the Administrative Expenses Set Aside is as follows (in \$000's):

	QUARTER ENDED SEPTEMBER 30, 2017
Balance, Beginning of period	\$ 222,701
• Additions - cash	149
• Withdrawals - cash	-
• Reductions – pledged recoveries	(18,295)
Balance, September 30, 2017	<u>\$ 204,555</u>

TAX INFORMATION

To aid Beneficiaries in their tax reporting, the Trust is providing a quarterly Tax Information Letter and estimated quarterly tax information. The Tax Information Letter is being distributed along with this quarterly Beneficiary Letter.

The Trust's third quarter 2017 financial report and certain tax information have been posted on our website at <http://www.rescapliquidatingtrust.com/#financial-statements>.

The Board and management of the Trust continue to work diligently towards the goal of maximizing value for Beneficiaries in the most efficient manner possible. We look forward to reporting on the results of our efforts.

Sincerely,



JOHN RAY

Liquidating Trust Manager