

## LIQUIDATING TRUST

**Dear Beneficiaries:**

The Trust looks forward to another productive year after the substantial progress made in 2017 in its mission to recover value for Beneficiaries. While progress was made on numerous fronts, here are some of the recent highlights.

In December 2017, ResCap Liquidating Trust distributed a total of \$240 million to unitholders in two separate distributions. On December 12, 2017, the Trust distributed \$1.4156 per Unit for a total distribution of \$140 million based on a declaration date of November 16, 2017 and a record date of November 27, 2017. On December 29, 2017, the Trust distributed \$1.0112 per Unit for a total distribution of \$100 million, with a declaration date of December 4, 2017 and a record date of December 14, 2017.

In the quarter, the Trust was successful in dissolving its insurance subsidiary CapRe, which distributed \$25.8 million to the Trust. Additionally, the Trust was successful in wrapping up the remaining international activities, including the liquidation of its Mexican entity and RFC Foreign Equity Holding Co (“FEH”), the Trust’s US holding company for its international subsidiaries. FEH distributed \$1.9 million to the Trust.

As of the date of this letter, the Trust is litigating 18 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 September 30, 2017, the Trust settled 9 correspondent litigation cases for an aggregate amount of \$193.4 million. The Trust has reached settlements totaling approximately \$768.0 million since the inception of the Trust.

The Trust will be participating in court-ordered mediations in Q1 2018. The correspondent litigation continues to work through the expert report phase in Q1 2018 followed by the summary judgement phase in Q2 2018. The first trial is set for October 2018 against Home Loan Center Inc.

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. In January, 2018, the Trust sold mortgage loans and REO properties resulting in the accelerated recognition of cash flows versus the internal model assumptions related to the Trust’s longer tailed assets.

# RESCAP

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As of December 31, 2017, our remaining gross balances on mortgage assets totaled \$90.1 million with a carrying value of \$52.5 million. 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.

All filed claims have been resolved within the Trust's Disputed Claims reserve as of December 31, 2017.

The Trust's remaining obligation with regard to the DOJ settlement continues to progress and we continue to work with Rust Consulting to ensure required SCRA remediation activities are conducted as appropriate. A specific restricted cash account with an outstanding balance of \$12.6 million at December 31, 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.

The Administrative Expenses Set Aside holds cash for the payment of Trust operating expenses. As of December 31, 2017, the Administrative Expenses Set Aside consists of \$192.2 million in cash. Due to the sale of a substantial amount of the mortgage and other assets and settlement of a majority of the correspondent litigation, a determination was made to fund the balance of the administrative Expense Set Aside with cash on hand and proceeds from prior asset sales and settlements in lieu of future asset sales and settlements.

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

	<b>QUARTER ENDED DECEMBER 31, 2017</b>	<b>YEAR ENDED DECEMBER 31, 2017</b>	<b>EFFECTIVE DATE THROUGH DECEMBER 31, 2017</b>
Balance, Beginning of period	\$ 204,555	\$ 279,286	\$ -
• Additions - cash	141,141	141,526	428,061
• Withdrawals - cash	-	-	(235,887)
• Reductions – pledged recoveries	(153,522)	(228,638)	-
Balance, December 31, 2017	<u>\$ 192,174</u>	<u>\$ 192,174</u>	<u>\$ 192,174</u>

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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 fourth 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