

# ResCap Liquidating Trust

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**Consolidated Financial Statements  
as of and for the Period Ended June 30, 2016  
(Unaudited)**

# ResCap Liquidating Trust

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# ResCap Liquidating Trust

## Consolidating Statement of Net Assets in Liquidation

(Unaudited)

In thousands (except per unit)

	June 30, 2016				December 31, 2015
	ResCap Liquidating Trust	Cap Re of Vermont, LLC	International	Consolidated ResCap Liquidating Trust	Consolidated ResCap Liquidating Trust
<b>Assets:</b>					
Cash and cash equivalents	\$ 185,809	\$ 2,754	\$ 2,169	\$ 190,732	\$ 95,618
Restricted cash	107,672	48,328	-	156,000	187,311
Mortgage assets	195,391	-	-	195,391	211,143
Other receivables	20,177	5,085	65	25,327	17,630
Other assets	1,423	20	7	1,450	774
Total assets	510,472	56,187	2,241	568,900	512,476
<b>Liabilities:</b>					
Claims and settlements	8,796	18,447	894	28,137	63,529
DOJ/AG consent settlement	26,489	-	-	26,489	35,485
Estimated costs to operate Trust	204,950	730	533	206,213	205,451
Liability for undistributed funds	78,876	-	-	78,876	78,876
Total liabilities	319,111	19,177	1,427	339,715	383,341
<b>Net Assets in Liquidation</b>	<b>\$ 191,361</b>	<b>\$ 37,010</b>	<b>\$ 814</b>	<b>\$ 229,185</b>	<b>\$ 129,135</b>
Total units in the Trust				100,000,000	100,000,000
Net assets per authorized unit				\$ 2.29	\$ 1.29

The Notes to Consolidated Financial Statements are an integral part of these statements.

# ResCap Liquidating Trust

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## Consolidated Statement of Cash Receipts and Disbursements

(Unaudited)

In thousands

	Quarter ended June 30, 2016	Year-to-date ended June 30, 2016	Effective Date through June 30, 2016
<b>Receipts</b>			
Receipts on mortgage assets	\$ 9,434	\$ 18,459	\$ 412,955
Litigation/claim recoveries	104,192	117,090	177,437
Other receipts	3,688	9,407	87,650
Plan settlements	-	-	2,100,000
Total receipts	117,314	144,956	2,778,042
<b>Disbursements</b>			
Claims and settlements	(6,591)	(8,582)	(1,625,030)
DOJ/AG consent settlement	(4,273)	(9,660)	(65,712)
Costs to operate the Trust	(42,336)	(62,911)	(266,924)
Declared distribution	-	-	(2,230,000)
Change in undistributed funds	-	-	78,876
Total disbursements	(53,200)	(81,153)	(4,108,790)
<b>Net cash flow</b>	64,114	63,803	(1,330,748)
<b>Cash and restricted cash, beginning of period</b>	282,618	282,929	1,677,480
<b>Cash and restricted cash, June 30, 2016</b>	<u>\$ 346,732</u>	<u>\$ 346,732</u>	<u>\$ 346,732</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

# ResCap Liquidating Trust

## Consolidated Statement of Changes in Net Assets in Liquidation

(Unaudited)

In thousands (except per unit)

	Quarter ended June 30, 2016	Year-to-date ended June 30, 2016	Effective Date through June 30, 2016
<b>Net cash flow</b>	\$ 64,114	\$ 63,803	\$ (1,330,748)
Other non-cash changes:			
Increase (decrease) in asset value assumptions	18,005	14,596	(60,121)
Increase in costs to operate the Trust	(57,644)	(62,980)	(268,693)
Decrease (increase) in DOJ/AG consent settlement	575	(664)	(14,722)
Basis of assets/liabilities liquidated/resolved	69,420	85,295	(533,256)
Increase in distributions held for Beneficiaries	-	-	(78,876)
Total non-cash changes	30,356	36,247	(955,668)
Total Increase (decrease) in net assets	94,470	100,050	(2,286,416)
<b>Net assets in liquidation, beginning of period</b>	134,715	129,135	2,515,601
<b>Net assets in liquidation, June 30, 2016</b>	\$ 229,185	\$ 229,185	\$ 229,185
<b>Per unit information:</b>			
	<b>\$ per Unit</b>	<b>\$ per Unit</b>	<b>\$ per Unit</b>
<b>Net assets per unit, beginning of period</b>	\$ 1.35	\$ 1.29	\$ 25.16
Increase (decrease) in net assets per unit	0.94	1.00	(0.57)
Declared distribution per unit	-	-	(22.30)
<b>Net asset per unit, June 30, 2016</b>	\$ 2.29	\$ 2.29	\$ 2.29

The Notes to Consolidated Financial Statements are an integral part of these statements.

# ResCap Liquidating Trust

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

### 1. Description of Business and Basis of Presentation

The ResCap Liquidating Trust (“Trust”) was formed in connection with the Plan of Reorganization under chapter 11 of the United States Bankruptcy Code (“Plan”) in the bankruptcy case of Residential Capital, LLC (“ResCap”) and 50 of its direct and indirect subsidiaries (collectively, the “Debtors”). The Plan was confirmed by the bankruptcy court on December 11, 2013 and became effective on December 17, 2013 (“Effective Date”).

Under the terms of the Plan and Liquidating Trust Agreement, units of beneficial interest (“Units”) were issued by the Trust to holders of allowed general unsecured claims (“Allowed Claims”) against the Debtors, other than holders of general unsecured claims in classes for which the Plan prescribes payments of cash. The Units entitle their holders (“Beneficiaries”) to receive a proportionate amount of cash distributions made by the Trust. The Units are issued only in book-entry form in accordance with the procedures of the Depository Trust Company. Certain holders of Allowed Claims are still in the process of providing information needed to be issued their Units.

The Liquidating Trust Agreement allows for additional distributable cash distributions (“Declared Distributions”) after the initial distribution to occur no less frequently than semi-annually; however the Trust is not required to make a semi-annual distribution if aggregate distributable cash at the time is such as would make the distribution impracticable, as determined by the Liquidating Trust Board (“Board”).

The Disputed Claims Reserve (“DCR”) was established to hold Units, and cash and other assets for the benefit of holders of general unsecured claims that become Allowed Claims after the Effective Date, unless such claims are satisfied in cash in accordance with the Plan. The Trust makes distributions of Units and cash from the DCR to holders of disputed claims that become Allowed Claims at intervals determined by the Board.

The Consolidated Financial Statements (the “Consolidated Financial Statements”) have not been prepared in accordance with generally accepted accounting principles; rather they have been prepared using a liquidation basis of accounting, which the Trust considers an appropriate basis of accounting at this time. The assets are stated at their estimated net realizable value, which is the amount of cash into which an asset is expected to be converted during the liquidation period. Assets are also established for future income expected to be earned by the Trust. Mortgage assets are valued based on projected expected recoveries for each asset type, and include mortgage loans, servicer advances, interest income, real estate owned, and trading securities. Costs to dispose of assets are also projected and are netted in mortgage assets. The Trust also accrues costs that it expects to incur through the end of its liquidation. The estimated future legal costs represent current estimates through calendar year 2017, and actual future costs could vary significantly depending upon a wide variety of factors due to the uncertainties inherent in complex litigation. On a periodic basis, the Trust evaluates such estimates to take into consideration the overall status of the litigation and any material changes in circumstances or factors affecting the litigation, including but not limited to updated scheduling of the cases, discovery, settlements, and other factors that may affect such

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estimates. The Trust will record and value affirmative settlements or judgments when realized and collectability is reasonably anticipated. The Trust does not accrue contingent costs.

The Consolidated Financial Statements include the accounts of the Trust and its majority-owned subsidiaries after eliminating all significant intercompany balances and transactions. The Consolidating Statement of Net Assets in Liquidation combines assets held in bailment and non-material subsidiaries into the Trust entity. Other wholly-owned subsidiaries include Cap Re of Vermont, LLC, ("Cap Re"), a captive reinsurance company, and RFC Foreign Equity Holding Co ("International"), which holds all international businesses, and has adopted a Plan of Liquidation. Intercompany balances between entities are excluded, consisting of a Trust receivable from Cap Re of \$18.6 million.

The Consolidated Financial Statements as of and for the period ended June 30, 2016, are unaudited and reflect all adjustments that are, in management's opinion, necessary for the fair presentation of the results for the periods presented.

## **Significant Accounting Policies**

### Cash and Cash Equivalents, and Restricted Cash

Cash and cash equivalents include cash on hand and short term, liquid investment securities with a maturity of three months or less when purchased. Restricted cash consists of cash that is restricted for specific purposes and is not generally available to the Trust.

### Mortgage Assets

Mortgage assets include mortgage loans, servicer advances, interest income, real estate owned, trading securities, and costs to sell assets.

#### Mortgage Loans

Government-insured mortgage loans were either originally acquired by the Debtors from off-balance sheet securitizations guaranteed by the Government National Mortgage Association ("GNMA") or were originated by the Debtors for sale to GNMA, but were ineligible for sale due to insufficient documentation in the loan file. As a result of borrower default or contractual delinquency triggers, they ultimately may become claims for reimbursement from the Federal Housing Association ("FHA") or Veterans Administration ("VA") for eligible mortgage loan principal and interest. All government-insured mortgage loans are shown as mortgage loans on the Consolidated Statement of Net Assets in Liquidation, regardless of their status in the claims process.

Non-insured mortgage loans consist primarily of mortgage loans removed from Federal National Mortgage Association and Federal Home Loan Mortgage Association securitizations or loans excluded from asset sales and certain additional borrower advances on home equity line of credit loans excluded from securitizations when a rapid amortization event occurred. Certain of these loans are significantly delinquent or are otherwise in distress.

The value of mortgage loans is determined by modeling the net present value of the cash flows expected to be received over the life of the loan, based on asset resolution strategies. The delinquency, non-accrual or foreclosure status of the loans, including timing of the

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insurance reimbursement process and the reimbursement policies of the government agencies, all contribute to the carrying value.

## Servicer Advances

The Trust is required, from time to time, to make certain servicer advances on loans that it owns or on loans where it retains the servicing rights. These servicer advances are for property taxes and insurance premiums (“Escrow”) and for default and property maintenance payments (“Corporate”). Servicer Advances are modeled based on the net present value of the expected recovery of the advance either through borrower repayment, collection from government agencies on insured loans or sale to a third party.

## Interest Receivables

Interest Receivables generally arise from interest payments on mortgage loans. All future estimated interest income is capitalized and is valued based on the asset management strategies and net present value of the modeled cash flows of the underlying assets.

## Real Estate Owned

Real estate owned from loan foreclosures (“REO”) are classified as REO when physical possession of the collateral is taken. REOs are carried at their liquidation value and are held in a subsidiary whose stock is owned by the Trust.

## Costs to Sell Assets

Lifetime costs to sell assets are estimated based on the asset disposition strategy and are recorded as a contra asset within mortgage assets.

## Affirmative Recoveries

The Trust will record and value affirmative settlements or judgments within Other Receivables when realized and collectability is reasonably anticipated.

## Claims and Settlements

Claims and settlements are recorded based upon obligations of the Trust under the Plan, the impact of potential settlements to liquidate certain assets and estimates of future insurance claims related to Cap Re.

Cap Re has excess layer reinsurance agreements with non-affiliated private mortgage insurance (“PMI”) companies that provide PMI on mortgage loans. Cap Re assumes the risk of loss over a specified first loss percentage for covered loans and in return earns a portion of the PMI premium associated with those mortgage loans. Cap Re reserves for loss and loss adjustment expenses when notices of default on insured mortgage loans are received and the specified first loss percentage covered by the ceding company is exhausted.

Claims and settlement reserves reflect management's best estimate of probable amounts payable in connection with such matters. As a claim or settlement matter develops, management evaluates on an ongoing basis whether such matter presents a liability that is both probable and estimable. When the liability related to a matter is deemed to be both probable and estimable, a liability is recognized. These liabilities are continuously monitored and adjusted to reflect the most recent information related to each matter. In matters for which a liability is not deemed probable, but rather reasonably possible to occur, management would attempt to estimate an amount related to that event. For



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these matters, a liability is not recorded. However, if an amount can be estimated, this amount would be disclosed if it is material to the Consolidated Financial Statements. There is no accrual and no disclosure for matters which are deemed remote.

## Estimated Costs to Operate the Trust

The Trust accrues for all costs it expects to incur during its lifetime based on approved strategic assumptions and the Trust's current estimates. These costs are estimated based on asset resolution strategies and modeled wind-down expenses of the Trust's operations and are recorded as liabilities.

## Income Taxes

The Trust is a Grantor Trust, treated as a flow-through entity for U.S. federal and state income tax purposes. As a flow-through entity, all income and expense flows through to the Beneficiaries to be reported on their respective income tax returns. The Trust is not subject to U.S. federal or state income taxes; therefore, no accrual for these taxes is made. The Trust files a Federal return and multiple state returns and all tax periods since the Trust's Effective Date remain open for examination.

The consolidated subsidiaries are wholly owned by the Trust, including those that may own REO. These subsidiaries are subject to U.S. federal, state or foreign income taxes.

Additionally, the Trust elected for U.S. federal and state income tax purposes to report the DCR as a Disputed Ownership Fund. The assets transferred to the DCR are considered to be passive assets; thus, the DCR will also be subject to U.S. federal and/or state income taxes.

All estimated taxes to be paid are included in estimated costs to operate the Trust. Any tax filing interest and penalties incurred by the Trust's subsidiaries will be recognized as estimated costs to operate the Trust in the period incurred.

## **2. Restricted Cash**

Restricted cash is comprised of the following (in \$000's):

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
Cash held in DCR	\$ 76,439	\$ 76,439
Distributions held for Beneficiaries	2,437	2,437
APSC claims and other administrative claims reserve	8,796	36,633
DOJ/AG consent settlement reserve	20,000	20,000
Trust subtotal	107,672	135,509
Cap Re restricted cash	48,328	51,802
Total restricted cash	<u>\$ 156,000</u>	<u>\$ 187,311</u>

The restricted cash reserve for administrative and other priority claims, secured claims, unsecured convenience claims and certain other unsecured claims ("APSC") was funded to satisfy obligations for APSC and other administrative claims. The Trust's liability for such obligations is not limited by the reserve balance.

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Activity related to the APSC claims restricted cash reserve is as follows (in \$000's):

	<b>Quarter ended June 30, 2016</b>	<b>Year-to-date ended June 30, 2016</b>
Balance, beginning of period	\$ 35,946	\$ 36,633
Additions – cash / assets	-	-
Withdrawals – Allowed Claims	(27,150)	(27,837)
Balance, June 30, 2016	<u>\$ 8,796</u>	<u>\$ 8,796</u>

The DOJ/AG Consent Settlement restricted cash reserve was originally funded to satisfy obligations under the DOJ/AG Consent Settlement. The Trust's liability for such obligations is not limited by the reserve balance. The reserve must maintain a minimum balance of the lesser of \$20.0 million or the remaining liability under the DOJ/AG Consent Settlement. See Note 7 Commitments and Contingencies for further information.

Activity related to the DOJ/AG Consent Settlement restricted cash reserve is as follows (in \$000's):

	<b>Quarter ended June 30, 2016</b>	<b>Year-to-date ended June 30, 2016</b>
Balance, beginning of period	\$ 20,000	\$ 20,000
Additions	-	-
Releases / Payments	-	-
Balance, June 30, 2016	<u>\$ 20,000</u>	<u>\$ 20,000</u>

### 3. Mortgage Assets

Mortgage assets are comprised of the following (in \$000's):

	<b>June 30, 2016</b>		<b>December 31, 2015</b>	
	<b>Gross Balance</b>	<b>Carrying Value</b>	<b>Gross Balance</b>	<b>Carrying Value</b>
Mortgage loans	\$ 232,161	\$ 153,741	\$ 248,322	\$ 160,570
Servicing advances	64,305	21,948	65,006	27,382
Interest receivable	16,328	16,328	17,542	17,542
Real estate owned	6,020	2,408	9,207	4,862
Trading securities	966	966	787	787
Total mortgage assets	<u>\$ 319,780</u>	<u>\$ 195,391</u>	<u>\$ 340,864</u>	<u>\$ 211,143</u>

The Trust's carrying value of mortgage assets uses internal models to determine the cash flows expected to be received over the life of the loan. The Trust's recovery estimates and assumptions are based on loan level attributes including, but not limited to, delinquency status, aging, and claim versus loan status. The Trust carrying value reflects the net present value of the cash flows expected to be received over the lifetime of the mortgage assets. Because of the uncertainties associated with estimating the amounts, timing and likelihood of possible outcomes, actual results could differ from the Trust's estimates.

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The Trust continues to finalize resolution with the United States Department of Housing and Urban Development (“HUD”) to resolve HUD’s proof of claim within the DCR. HUD has lifted the previously reported suspension of payments on insurance claims submitted by the Trusts’ FHA Trustee, Bank of New York Mellon Trust, which holds legal title to the underlying FHA insured loans.

Mortgage loans are comprised of the following material sub-portfolios. (Unpaid principal balance “UPB” in \$000’s):

	June 30, 2016		December 31, 2015	
	UPB	% of Total	UPB	% of Total
Pre foreclosure loans	\$ 154,332	66.5%	\$ 168,415	67.8%
FHA initial claims	53,656	23.1%	46,931	18.9%
FHA reconveyance claims	15,922	6.9%	23,796	9.6%
Other	8,251	3.5%	9,180	3.7%
Total mortgage loans	\$ 232,161	100.0%	\$ 248,322	100.0%

Pre-foreclosure loans include government insured and non-insured and non-securitized loans. Delinquency attribution of the pre-foreclosure mortgage loans is as follows (UPB in \$000’s):

	June 30, 2016		December 31, 2015	
	UPB	% of Total	UPB	% of Total
0-29 days delinquent	\$ 40,493	26.2%	\$ 36,042	21.4%
30-59 days delinquent	2,345	1.5%	2,936	1.7%
60-89 days delinquent	1,268	0.8%	382	0.2%
Contractually 90+ days delinquent	19,267	12.5%	19,604	11.7%
Non-performing bankruptcy	5,322	3.5%	6,431	3.8%
Performing bankruptcy plan	7,597	4.9%	7,693	4.6%
Active in loss mitigation	7,278	4.7%	6,279	3.7%
In foreclosure	70,762	45.9%	89,048	52.9%
Total	\$ 154,332	100.0%	\$ 168,415	100.0%

FHA initial claim aged from the initial liquidation event such as foreclosure or short sale is as follows (UPB in \$000’s):

	June 30, 2016		December 31, 2015	
	UPB	% of Total	UPB	% of Total
0 - 29 days	\$ 3,014	5.6%	\$ 1,141	2.4%
30 - 59 days	913	1.7%	906	1.9%
60 - 89 days	716	1.3%	1,353	2.9%
90 - 179 days	3,665	6.8%	618	1.3%
180 days - 1 year	3,520	6.6%	1,849	4.0%
1 - 2 years	6,725	12.5%	7,778	16.6%
2+ years	35,103	65.5%	33,286	70.9%
Total	\$ 53,656	100.0%	\$ 46,931	100.0%

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The table below represents the aging attribution for FHA reconveyance claims (aged from the date the claim was reconveyed from HUD (UPB in \$000's) :

	June 30, 2016		December 31, 2015	
	UPB	% of Total	UPB	% of Total
0 - 29 Days	\$ 623	3.9%	\$ 219	0.9%
30 - 59 Days	220	1.4%	1,004	4.2%
60 - 89 Days	-	0.0%	646	2.7%
90 - 179 Days	554	3.4%	1,593	6.7%
180 Days - 1 Year	2,897	18.2%	4,342	18.3%
1 - 2 Years	2,592	16.3%	4,716	19.8%
2+ Years	9,036	56.8%	11,276	47.4%
Total	\$ 15,922	100.0%	\$ 23,796	100.0%

## 4. Claims and Settlements

Claims and settlements are comprised of the following (in \$000's):

	June 30, 2016	December 31, 2015
<b>Bankruptcy related claims:</b>		
APSC claims and other administrative claims	\$ 8,796	\$ 36,633
Subtotal – bankruptcy related claims	8,796	36,633
<b>Settlements:</b>		
Cap Re reserves	18,447	25,700
Other settlements	894	1,196
Subtotal – settlements	19,341	26,896
Total claims and settlements	\$ 28,137	\$ 63,529

Claims and Settlements reflect the resolution of the Ocwen Administrative claims within the bankruptcy. As a result of the resolution, the Trust released the ASPC claim reserve of \$25.8 million related to Ocwen. In addition, \$2.0 million in other claims were released this year.

The Cap Re reserves reflect an expected early termination of one of its reinsurance contracts and release of other claim reserves. Upon completion of the early termination, a portion of the restricted cash balance will be released.

## 5. Estimated Costs to Operate the Trust

Estimated costs to operate the Trust are comprised of the following (in \$000's):

	June 30, 2016	December 31, 2015
Professional fees	\$ 122,026	\$ 99,562
Compensation	29,151	36,296
Document management	14,933	17,772
Information technology	13,032	16,963
Transition services	1,578	9,078
Other operating costs	25,493	25,780
Total costs to operate the Trust	\$ 206,213	\$ 205,451

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## 6. Distributions to Beneficiaries and Disputed Claims Reserve

Declared Distributions are distributions determined by the Board in which a pro rata share of distributable cash is received by each Beneficiary of record at the time of the distribution record date. Releases to Beneficiaries represent distribution of Units and cash for certain Beneficiaries who subsequently provided the necessary information to the Trust. Distributions on Allowed Claims represent Units and related cash released from the DCR for claims that became Allowed Claims between December 17, 2013 and December 15, 2015, and includes Units and cash designated as Distributions Held for Beneficiaries, pending receipt of certain information from the holders. Allowed Claims after December 15, 2015 will receive their Units at the next Unit distribution date.

<u>Units</u>	<b>Quarter and Year-to-date ended June 30, 2016</b>			
	Distributed to Beneficiaries	Held by DCR	Held for Beneficiaries	Total Distribution
Balance, beginning of period	96,462,962	3,427,726	109,312	100,000,000
Declared distribution	-	-	-	-
Releases to Beneficiaries	-	-	-	-
Distributions on Allowed Claims	-	-	-	-
Balance, June 30, 2016	96,462,962	3,427,726	109,312	100,000,000

<u>Cash (in 000's)</u>	<b>Quarter and Year-to-date ended June 30, 2016</b>			
	Distributed to Beneficiaries	Distributions Held by DCR	Distributions Held for Beneficiaries	Total Distribution
Balance, beginning of period	\$ 2,151,124	\$ 76,439	\$ 2,437	\$ 2,230,000
Declared distribution	-	-	-	-
Releases to Beneficiaries	-	-	-	-
Distributions on Allowed Claims	-	-	-	-
Balance, June 30, 2016	\$ 2,151,124	\$ 76,439	\$ 2,437	\$ 2,230,000

Activity related to disputed claims is as follows (\$ in 000's):

	<b>Quarter ended June 30, 2016</b>		<b>Year-to-date ended June 30, 2016</b>	
	<b>Number of Claims</b>	<b>Asserted Amount</b>	<b>Number of Claims</b>	<b>Asserted Amount</b>
Disputed Claims, beginning of period	69	\$ 200,891	76	\$ 203,370
Amount established during the period	-	-	-	-
Allowed Claims	(7)	(35,553)	(9)	(36,161)
Disallowed Claims	(10)	-	(12)	(1,255)
Reclassified to Convenience Claims	(1)	(134)	(4)	(750)
Disputed Claims, June 30, 2016	51	\$ 165,204	51	\$ 165,204

Distributions of Units will be made to holders of Allowed Claims based on the following issuance ratios, consistent with the distributions made as of the Effective Date:

- For holders of claims against the ResCap Debtors: 0.014305344 Units per dollar of Allowed Claim;

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- For holders of claims against the GMACM Debtors: 0.011848742 Units per dollar of Allowed Claim;
- For holders of claims against the RFC Debtors: 0.003528361 Units per dollar of Allowed Claim.

The Asserted Amount in the DCR includes a reserve of approximately \$25.5 million for the unliquidated portion of claims that are in the DCR. The amount of unliquidated and partially unliquidated claims is not determinable at this time and could exceed this reserve. Due to this uncertainty, the issuance ratios may be subject to reduction based upon the total value of future Allowed Claims and the balance of the Units held in the Disputed Claims Reserve.

At the discretion of the Board, Units in the DCR corresponding to claims that have been disallowed may be cancelled and any related cash made available for distribution to all Beneficiaries or added to the Administrative Expenses Set Aside. Alternatively, such Units and cash may be retained in the DCR for satisfaction of Allowed Claims in the future.

## 7. Commitments and Contingencies

### *DOJ/AG Consent Settlement*

On February 9, 2012, Ally Financial, Inc., ResCap and certain of ResCap's subsidiaries reached an agreement in principle with respect to investigations into procedures followed by mortgage servicing companies and banks in connection with mortgage origination and servicing activities and foreclosure home sales and evictions ("DOJ/AG Consent Settlement") which was subsequently filed as a consent judgment in the US District Court. On and after the Effective Date, the Trust must continue to perform the remaining obligations under the DOJ/AG Consent Settlement, other than certain obligations assumed by the purchasers of ResCap's mortgage servicing rights in the sales that occurred during the chapter 11 cases pursuant to section 363 of the United States Bankruptcy Code (the "Section 363 Sales"). Under the terms of the DOJ/AG Consent Settlement, the Trust is obligated for certain Office of Mortgage Settlement Oversight ("OMSO") costs related to the purchasers in the Section 363 Sales.

The Trust estimated and established a liability for its DOJ/Consent Settlement obligations and related costs and expenses of \$26.5 million and \$35.5 million as of June 30, 2016, and December 31, 2015, respectively.

### *Litigation*

Claims have been asserted against the Trust. At this time, the Trust cannot estimate the possible financial effect of these claims.

### *Affirmative Matters*

The Trust is pursuing various affirmative matters. These include:

- Indemnity and breach of contract claims (the "Correspondent Litigation") against correspondent lenders that sold loans to Residential Funding Company LLC ("RFC") (a subsidiary of ResCap ) have been brought in various court jurisdictions, seeking recovery of liabilities and losses that RFC incurred by virtue of its purchase from the defendants of residential mortgage loans that breached the defendants' representations and warranties through litigation and non-litigation processes.

During the quarter ended June 30, 2016, the Trust settled twelve pending indemnity and breach of contract actions totaling \$115.5 million. Settling defendants are Americash, Broadview Mortgage Corp., Circle Mortgage Corp., CMG Mortgage Inc., DB Structured

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Products Inc., on behalf of itself and as successor to MortgageIT Inc., First Equity Mortgage Bankers Inc., Fremont Bank, Gateway Bank F.S.B., Guidance Residential LLC, Mortgage Network Inc., The Mortgage Outlet Inc., and Wallick & Volk. Included in the settlement proceeds were several cases with gross proceeds of \$2.5 million that were settled for nominal value due to the Trust's assessment of the cost to continue to litigate the cases compared to the likely expected recovery given the defendants financial condition. The agreements provide for the full and final resolution of any pending or future litigation against the correspondent and a mutual release of all claims relating to residential mortgage loans that the correspondents sold to RFC.

- Other affirmative matters. The Trust is party to certain other affirmative matters, including an action against certain insurers for failure to cover certain settlement costs.

During the quarter, the Trust settled other affirmative matters totaling \$2.4 million.

- Reservation of rights. The Trust has reserved its rights with respect to other affirmative claims it may bring in the future.

Since the Effective Date, through June 30, 2016 and excluding subsequent events, the Trust settled a total of \$188.2 million in affirmative matters including \$166.6 million in Correspondent Litigation, \$9.6 million in International, and \$12.0 million in other matters. Of the total, \$171.7 million has been collected, and \$16.5 million has not yet been received and is recorded in Other Receivables.

At this time, the Trust cannot predict the outcome of these matters or estimate the possible financial effect of these matters on the Consolidated Financial Statements, and as such, neither contingent gains nor any contingent costs to pursue these matters are currently recorded.

## ***Other***

Prior to the formation of the Trust, on March 18, 2013, the U.S. Attorney's Office for the Central District of California served an investigative subpoena on Residential Capital, LLC pursuant to 12 U.S.C. 1833a (Financial Institutions Reform, Recovery, and Enforcement Act of 1989, or FIRREA). On February 13, 2014, and March 2, 2015, supplemental subpoenas were served on Residential Capital, LLC. The subpoenas seek documents and information related to the Debtor's securitization activities, including the purchase of loans from third-parties. The Trust has fully cooperated with the U.S. Attorney's Office in connection with its investigation and does not anticipate any further subpoenas or requests from the government relating to this matter.

## **8. Subsequent Events**

Events subsequent to June 30, 2016 were evaluated through August 17, 2016, the date on which these Consolidated Financial Statements were issued.

Subsequent to June 30, 2016, the Trust settled with four additional parties in the Correspondent Litigation. Settling defendants are Cherry Creek Mortgage Co., Inc, Golden Empire Mortgage Inc, National Bank of Kansas City, and Rescue Mortgage Inc., for a total of \$13.4 million.

Two settlements were reached related to other affirmative matters, and one additional claim in the DCR was resolved.