Altisource Residential Corp
Form 10-Q
November 07, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2016

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR TRANSITION PERIOD FROM __________ TO __________

COMMISSION FILE NUMBER: 001-35657

Altisource Residential Corporation
(Exact name of registrant as specified in its charter)

MARYLAND	46-0633510
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

c/o Altisource Asset Management Corporation
36C Strand Street
Christiansted, United States Virgin Islands 00820
(Address of principal executive office)

(340) 692-1055
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer	x	Accelerated Filer	o
Non-Accelerated Filer	o (Do not check if a smaller reporting company)	Smaller Reporting Company	o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

As of October 28, 2016, 53,869,642 shares of our common stock were outstanding.

Altisource Residential Corporation
September 30, 2016
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References in this report to “we,” “our,” “us” or the “Company” refer to Altisource Residential Corporation and its consolidated subsidiaries, unless otherwise indicated. References in this report to “AAMC” refer to Altisource Asset Management Corporation and its consolidated subsidiaries, unless otherwise indicated. References in this report to “ASPS” refer to Altisource Portfolio Solutions S.A. and its consolidated subsidiaries, unless otherwise indicated.

Special note on forward-looking statements

Our disclosure and analysis in this quarterly report on Form 10-Q contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, which we refer to as the “Securities Act,” and Section 21E of the Securities Exchange Act of 1934, as amended, which we refer to as the “Exchange Act.” In some cases, you can identify forward-looking statements by the use of forward-looking terminology such as “may,” “will,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts” or “potential” or the negative of these phrases or similar words or phrases that are predictions of or indicate future events or trends and that do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

The forward-looking statements contained in this report reflect our current views about future events and are subject to numerous known and unknown risks, uncertainties, assumptions and changes in circumstances that may cause our actual results to differ significantly from those expressed in any forward-looking statement. Factors that may materially affect such forward-looking statements include, but are not limited to:

- our ability to implement our business strategy;
- our ability to make distributions to our stockholders;
- our ability to acquire assets for our portfolio, including difficulties in identifying single-family rental assets and properties to acquire;
- our ability to sell residential mortgage assets on favorable terms;
- the impact of changes to the supply of, value of and the returns on single-family rental and mortgage assets;
- our ability to acquire single-family rental properties or convert residential mortgage loans to rental properties and generate attractive returns;
- our ability to complete proposed transactions in accordance with anticipated terms and on a timely basis or at all;
- our ability to successfully integrate newly acquired properties into our portfolio of single-family rentals;
- our ability to successfully integrate Main Street Renewal LLC as an additional property manager for our single-family rentals;
- our ability to predict our costs;
- our ability to effectively compete with our competitors;
- our ability to apply the proceeds from financing activities or residential mortgage loan asset sales to target assets in a timely manner;
- changes in the market value of our acquired real estate owned and single-family rental properties;
- our ability to successfully modify or otherwise resolve sub-performing and non-performing loans;
- changes in interest rates and in the market value of the collateral underlying our sub-performing and non-performing loan portfolios;
- our ability to obtain and access financing arrangements on favorable terms or at all;
- our ability to maintain adequate liquidity;
- our ability to retain our engagement of AAMC;
- the failure of ASPS to effectively perform its obligations under various agreements with us;
- the failure of our mortgage loan servicers to effectively perform their servicing obligations;
- our failure to maintain qualification as a REIT;
- our failure to maintain our exemption from registration under the Investment Company Act;

- the impact of adverse real estate, mortgage or housing markets;
- the impact of adverse legislative, regulatory or tax changes; and
- general economic and market conditions.

While forward-looking statements reflect our good faith beliefs, assumptions and expectations, they are not guarantees of future performance. Such forward-looking statements speak only as of their respective dates, and we assume no obligation to update them to reflect changes in underlying assumptions or factors, new information or otherwise. For a further discussion of these and other factors that could cause our future results to differ materially from any forward-looking statements, please see Part II, Item 1A in this quarterly report on Form 10-Q and "Item 1A. Risk factors" in our annual report on Form 10-K for the year ended December 31, 2015.

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Part I

Item 1. Financial Statements (Unaudited)

Certain information contained herein is presented as of October 28, 2016, which we have concluded is the latest practicable date for financial information prior to the filing of this quarterly report.

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Altisource Residential Corporation
Consolidated Balance Sheets
(In thousands, except share and per share amounts)
(Unaudited)

	September 30, 2016	December 31, 2015
Assets:		
Real estate held for use:		
Land	$ 213,174	$ 56,346
Rental residential properties (net of accumulated depreciation of $17,615 and $7,127, respectively)	866,903	224,040
Real estate owned	326,358	455,483
Total real estate held for use, net	1,406,435	735,869
Real estate assets held for sale	169,841	250,557
Mortgage loans at fair value	628,304	960,534
Mortgage loans held for sale	4,038	317,336
Cash and cash equivalents	56,890	116,702
Restricted cash	23,382	20,566
Accounts receivable, net	27,839	45,903
Related party receivables	—	2,180
Prepaid expenses and other assets	14,372	1,126
Total assets	$ 2,331,101	$ 2,450,773
Liabilities:		
Repurchase and loan agreements	$ 1,182,677	$ 763,369
Other secured borrowings	156,986	502,599
Accounts payable and accrued liabilities	52,114	32,448
Related party payables	4,926	—
Total liabilities	1,396,703	1,298,416
Commitments and contingencies (Note 7)		
Equity:		
Common stock, $0.01 par value, 200,000,000 authorized shares; 53,869,642 shares issued and outstanding as of September 30, 2016 and 55,581,005 shares issued and outstanding as of December 31, 2015	539	556
Additional paid-in capital	1,184,174	1,202,418
Accumulated deficit	(250,315)	(50,617)
Total equity	934,398	1,152,357
Total liabilities and equity	$ 2,331,101	$ 2,450,773

See accompanying notes to consolidated financial statements.

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Altisource Residential Corporation
Consolidated Statements of Operations
(In thousands, except share and per share amounts)
(Unaudited)

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Revenues:				
Rental revenues	$ 9,590	$ 4,021	$ 24,242	$ 7,561
Change in unrealized gain on mortgage loans	(41,152)	27,499	(155,306)	130,842
Net realized gain on mortgage loans	9,428	12,874	30,340	47,528
Net realized gain on mortgage loans held for sale	19	100	50,166	505
Net realized gain on real estate	26,307	13,914	94,833	36,926
Interest income	209	115	425	595
Total revenues	4,401	58,523	44,700	223,957
Expenses:				
Residential property operating expenses	15,011	16,574	51,215	45,890
Real estate depreciation and amortization	5,149	2,050	12,790	4,392
Acquisition fees and costs	5,202	861	8,306	1,738
Selling costs and impairment	11,570	10,705	50,003	34,235
Mortgage loan servicing costs	7,792	13,477	27,960	47,989
Interest expense	10,174	14,436	37,060	39,477
General and administrative	2,500	2,286	9,100	8,509
Management fees	4,658	4,988	14,234	25,039
Total expenses	62,056	65,377	210,668	207,269
Other income (expense)	—	1,518	(750)	3,518
(Loss) income before income taxes	(57,655)	(5,336)	(166,718)	20,206
Income tax (benefit) expense	(17)	27	106	53
Net (loss) income	$ (57,638)	$ (5,363)	$ (166,824)	$ 20,153
(Loss) earnings per share of common stock - basic:				
(Loss) earnings per basic share	$ (1.06)	$ (0.09)	$ (3.05)	$ 0.35
Weighted average common stock outstanding - basic	54,178,129	57,056,625	54,722,828	57,154,734
(Loss) earnings per share of common stock - diluted:				
(Loss) earnings per diluted share	$ (1.06)	$ (0.09)	$ (3.05)	$ 0.35
Weighted average common stock outstanding - diluted	54,178,129	57,056,625	54,722,828	57,351,014
Dividends declared per common share	$ 0.15	$ 0.55	$ 0.60	$ 1.73

See accompanying notes to consolidated financial statements.

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Altisource Residential Corporation
Consolidated Statements of Stockholders' Equity
(In thousands, except share and per share amounts)
(Unaudited)

	Common Stock Number of Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Total Equity
December 31, 2015	55,581,005	$ 556	$ 1,202,418	$ (50,617)	$ 1,152,357
Issuance of common stock, including stock option exercises	18,707	—	30	—	30
Repurchases of common stock	(1,730,070)	(17)	(18,767)	—	(18,784)
Dividends on common stock ($0.60 per share)	—	—	—	(32,874)	(32,874)
Share-based compensation	—	—	493	—	493
Net loss	—	—	—	(166,824)	(166,824)
September 30, 2016	53,869,642	$ 539	$ 1,184,174	$ (250,315)	$ 934,398

	Common Stock Number of Shares	Amount	Additional Paid-in Capital	Retained Earnings	Total Equity
December 31, 2014	57,192,212	$ 572	$ 1,227,091	$ 99,248	$ 1,326,911
Issuance of common stock, including stock option exercises	33,034	—	104	—	104
Repurchases of common stock	(1,234,393)	(12)	(19,971)	—	(19,983)
Dividends on common stock ($1.73 per share)	—	—	—	(98,302)	(98,302)
Share-based compensation	—	—	139	—	139
Net income	—	—	—	20,153	20,153
September 30, 2015	55,990,853	$ 560	$ 1,207,363	$ 21,099	$ 1,229,022

See accompanying notes to consolidated financial statements.

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Altisource Residential Corporation
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Operating activities:		
Net (loss) income	$(166,824)	$ 20,153
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Change in unrealized gain on mortgage loans	155,306	(130,842)
Net realized gain on mortgage loans	(30,340)	(47,528)
Net realized gain on mortgage loans held for sale	(50,166)	(505)
Net realized gain on real estate	(94,833)	(36,926)
Real estate depreciation and amortization	12,790	4,392
Selling costs and impairment	50,003	34,235
Accretion of interest on re-performing mortgage loans	(107)	(581)
Share-based compensation	493	139
Amortization of deferred financing costs	8,840	4,271
Changes in operating assets and liabilities:		
Accounts receivable, net	6,612	(1,746)
Related party receivables	2,180	—
Deferred leasing costs	(69)	(1,287)
Prepaid expenses and other assets	(4,729)	(22)
Accounts payable and accrued liabilities	19,031	15,584
Related party payables	4,926	(22,444)
Net cash used in operating activities	(86,887)	(163,107)
Investing activities:		
Investment in real estate	(291,688)	(111,423)
Investment in renovations	(38,334)	(15,936)
Real estate tax advances	(7,791)	(18,438)
Mortgage loan resolutions and dispositions	508,712	190,146
Mortgage loan payments	16,438	19,268
Disposition of real estate	315,973	119,368
Investment in derivative financial instrument	(55)	—
Disposition of preferred stock of affiliate	—	18,000
Change in restricted cash	(2,816)	(12,229)
Net cash provided by investing activities	500,439	188,756
Financing activities:		
Issuance of common stock, including stock option exercises	51	204
Payment of tax withholdings on exercise of stock options	(21)	(100)
Repurchases of common stock	(18,784)	(19,983)
Dividends on common stock	(30,206)	(67,685)
Proceeds from the issuance of other secured debt	—	221,691
Repayments of other secured debt	(348,565)	(32,298)
Proceeds from repurchase and loan agreements	392,506	285,967
Repayments of repurchase and loan agreements	(460,025)	(386,480)

Payment of deferred financing costs	(8,320)	(9,250)
Net cash used in financing activities	(473,364)	(7,934)
Net (decrease) increase in cash and cash equivalents	(59,812)	17,715
Cash and cash equivalents as of beginning of the period	116,702	66,166
Cash and cash equivalents as of end of the period	$ 56,890	$ 83,881

See accompanying notes to consolidated financial statements.

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Altisource Residential Corporation
Consolidated Statements of Cash Flows (continued)
(In thousands)
(Unaudited)

	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 27,983	$ 34,879
Income taxes paid	180	—
Seller financing of assets acquired	489,259	—
Transfer of mortgage loans to real estate owned, net	168,395	359,378
Transfer of mortgage loans at fair value to mortgage loans held for sale, net	101,201	250,346
Changes in accrued capital expenditures	(1,695)	164
Changes in receivables from mortgage loan resolutions and dispositions, payments and real estate tax advances to borrowers, net	(157)	2,550
Changes in receivables from real estate owned dispositions	(11,295)	1,949
Dividends declared but not paid	8,226	30,617

See accompanying notes to consolidated financial statements.
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Altisource Residential Corporation
Notes to Consolidated Financial Statements
September 30, 2016
(Unaudited)

1. Organization and basis of presentation

Altisource Residential Corporation is a Maryland real estate investment trust ("REIT") focused on acquiring, owning and managing single-family rental ("SFR") properties throughout the United States. On December 21, 2012, we became a stand-alone publicly traded company with an initial capital contribution of $100 million.

We conduct substantially all of our activities through our wholly owned subsidiary, Altisource Residential, L.P. ("ARLP"), and its subsidiaries.

We employ a diversified SFR property acquisition strategy that includes acquiring portfolios of SFR properties and purchasing SFR properties on a one-by-one basis from the Multiple Listing Service and alternative listing sources. Initially, our preferred acquisition strategy involved acquiring portfolios of sub-performing and non-performing mortgage loans ("NPLs"). However, as market conditions evolved and the acquisition of NPL pools became more competitive and higher-priced, we introduced the alternative SFR property acquisition strategies described above. In the third quarter of 2015, we commenced the disposition of certain NPLs and, as of September 30, 2016, we had disposed of a substantial portion of our NPL portfolio.

We are managed by Altisource Asset Management Corporation ("AAMC" or our "Manager"). We do not have any employees; therefore, AAMC provides us with dedicated personnel to administer our business and perform certain of our corporate governance functions. AAMC also provides portfolio management services in connection with our acquisition and management of single-family rental properties and the ongoing management of our residential mortgage loans and real estate owned ("REO") properties. See Note 8 for a description of this related party relationship.

We have property management contracts with two separate third-party service providers to provide to us, among other things, leasing and lease management, operations, maintenance, repair, property management and property disposition services in respect of our SFR and REO portfolios. We also have servicing agreements with two separate mortgage loan servicers for the remaining mortgage loans in our portfolio.

Basis of presentation and use of estimates

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). All wholly owned subsidiaries are included, and all intercompany accounts and transactions have been eliminated. The preparation of consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ materially from those estimates.

The unaudited interim consolidated financial statements and accompanying unaudited consolidated financial information, in our opinion, contain all adjustments that are of a normal recurring nature and are necessary for a fair presentation of our financial position, results of operations and cash flows for the interim periods. The interim results are not necessarily indicative of results for a full year. We have omitted certain notes and other information from the interim consolidated financial statements presented in this Quarterly Report on Form 10-Q as permitted by the Securities and Exchange Commission ("SEC") rules and regulations. These consolidated financial statements should be

read in conjunction with our annual consolidated financial statements included within our 2015 Annual Report on Form 10-K, which was filed with the SEC on February 29, 2016.

Certain prior year amounts have been reclassified for consistency with the current period presentation, including acquisition fees and costs within our consolidated statement of operations. These reclassifications had no effect on the reported results of operations.

Our financial statements include the accounts of our wholly owned subsidiaries as well as the variable interest entities ("VIEs") of which we are the primary beneficiary. We eliminate intercompany accounts and transactions upon consolidation.

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The determination of the VIE’s primary beneficiary requires an evaluation of the contractual and implied rights and obligations associated with each party’s relationship with or involvement in the entity, an estimate of the entity’s expected losses and expected residual returns and the allocation of such estimates to each party involved in the entity. We reassess our involvement with VIEs on a quarterly basis. Changes in methodologies, assumptions and inputs in the determination of the primary beneficiary could have a material effect on the amounts presented within the consolidated financial statements.

In certain instances, we hold both the power to direct the most significant activities of each VIE as well as an economic interest in the entity, and, as such, we are deemed to be the primary beneficiary or consolidator of the VIE. We have determined that our current and former securitization trusts, ARLP Securitization Trust, Series 2014-1 (“ARLP 2014-1”), ARLP Securitization Trust, Series 2014-2 (“ARLP 2014-2”) and ARLP Securitization Trust, Series 2015-1 (“ARLP 2015-1”), are VIEs of which we are the primary beneficiaries. See Note 6 for more information regarding our current and former securitization trusts.

Repurchases of common stock

During the first quarter of 2016, we determined that the 1,645,075 shares of common stock we repurchased during the last six months of 2015 should have been classified within the consolidated financial statements as of and for the year ended December 31, 2015 as a reduction to common stock, for the par amount of the common stock, and to additional paid-in capital, for the amount paid in excess of par, and that such repurchased shares should be included as shares unissued. We previously classified common shares repurchased as treasury stock. The accompanying consolidated balance sheet as of December 31, 2015 and the related balances within our consolidated statement of stockholders' equity for the nine months ended September 30, 2016 have been corrected to eliminate treasury stock of $25.0 million and reduce common stock and additional paid-in capital by an equivalent amount in the aggregate, resulting in no change in total equity as of December 31, 2015. The previously reported consolidated statements of operations and cash flows were not impacted.

Deferred debt issuance costs

In April 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2015-03, Interest – Imputation of Interest (Subtopic 835-30) – Simplifying the Presentation of Debt Issuance Costs. ASU 2015-03 requires that debt issuance costs be presented on the balance sheet as a deduction from the carrying amount of the related debt liability instead of being presented as an asset. Debt disclosures include the face amount of the debt liability and the effective interest rate. In August 2015, the FASB issued ASU 2015-15, Interest – Imputation of Interest (Subtopic 835-30) – Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements. ASU 2015-15 provides additional guidance to ASU 2015-03, which did not address presentation or subsequent measurement of debt issuance costs related to line of credit arrangements. ASU 2015-15 noted that the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line of credit arrangement, regardless of whether there are any outstanding borrowings on the line of credit arrangement.

Our application of ASU 2015-03 represents a change in accounting principle and has been applied retrospectively, which resulted in i) a reclassification of the deferred debt issuance cost component of our deferred leasing and financing costs to repurchase and loan agreements and other secured borrowings and ii) a reclassification of deferred leasing costs component of our deferred leasing and financing costs to prepaid expenses and other assets in our consolidated balance sheets.

The following table represents the effect of the reclassification prior period balances as a result of this adoption ($ in thousands):

	December 31, 2015		
	As Previously Reported	Adjustments	Current Presentation
Assets:			
Deferred leasing and financing costs (1)	$7,886	$ (7,886)	$ —
Prepaid expenses and other assets (1)	415	711	1,126
Liabilities:			
Repurchase and loan agreements	767,513	(4,144)	763,369
Other secured borrowings	505,630	(3,031)	502,599

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(1) Upon adoption of ASU 2015-03, we reclassified our deferred leasing costs to prepaid expenses and other assets.

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Recently issued accounting standards

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The amendments in ASU 2016-15 address eight specific cash flow issues and apply to all entities that are required to present a statement of cash flows under Topic 230. The amendments in ASU 2016-15 are effective for public business entities for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. Early adoption is permitted, including adoption during an interim period. We do not expect the impact of adopting this standard to have a material impact on our consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments which amends the guidance on measuring credit losses on financial assets held at amortized cost. The amendment is intended to address the issue that the previous "incurred loss" methodology was restrictive for an entity's ability to record credit losses based on not yet meeting the "probable" threshold. The new language will require these assets to be valued at amortized cost presented at the net amount expected to be collected with a valuation provision. This update standard is effective for fiscal years beginning after December 15, 2019. We do not expect the impact of adopting this standard to have a material impact on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, Compensation – Stock Compensation (Topic 718). ASU 2016-09 makes several modifications to Topic 718 related to the accounting for forfeitures, employer tax withholding on share-based compensation and the financial statement presentation of excess tax benefits or deficiencies. ASU 2016-09 also clarifies the statement of cash flows presentation for certain components of share-based awards. This update standard is effective for interim and annual reporting periods beginning after December 15, 2016, although early adoption is permitted. We do not expect the impact of adopting this standard to have a material impact on our consolidated financial statements.

In February 2016, FASB issued ASU 2016-02, Leases (Topic 842). ASU 2016-02 requires that lessees recognize assets and liabilities for leases with lease terms greater than twelve months in the statement of financial position and also requires improved disclosures to help users of financial statements better understand the amount, timing and uncertainty of cash flows arising from leases. This update is effective for fiscal years beginning after December 15, 2018, including interim reporting periods within those fiscal years. Early adoption is permitted. We are currently evaluating the impact of this ASU on our consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall (Subtopic 825-10). ASU 2016-01 requires all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee). The amendments also require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. In addition, the amendments eliminate the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities and the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet for public business entities. The amendments in this update are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. We do not expect the impact of adopting this standard to have a material impact on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of

goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. In August 2015, FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, which effectively delayed the adoption date of ASU 2014-09 by one year. ASU 2014-09 is therefore effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. Early adoption is permitted for fiscal years, and interim periods within those years, beginning after December 15, 2016. We are currently evaluating the impact of ASU 2014-09 on our consolidated financial statements.

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2. Asset acquisitions and dispositions

Real estate assets

Acquisitions, including those accounted for as business combinations

On September 30, 2016, we acquired a portfolio of 4,262 single-family residential properties located in 14 states for an aggregate purchase price of $652.3 million in two separate seller-financed transactions. The properties were acquired from two separate investment funds sponsored by Amherst Holdings, LLC ("Amherst"), neither of which is a related party to us. In the first transaction, ARLP acquired 3,868 of the 4,262 properties through our entry into a Membership Interest Purchase and Sale Agreement (the "MIPA") with MSR I, L.P. ("MSR I"). Pursuant to the MIPA, ARLP acquired from MSR I 100% of the membership interests of HOME SFR Equity Owner, LLC ("HOME Equity"), a newly formed special purpose entity and sole equity owner of HOME SFR Borrower, LLC ("HOME Borrower"), which owned the 3,868 single-family residential properties. Following the consummation of the transaction, HOME Equity and HOME Borrower became indirect, wholly owned subsidiaries of the Company. In the second transaction, ALRP entered into a Purchase and Sale Agreement (the "PSA") with Firebird SFE I, LLC. Pursuant to the PSA, HOME Borrower, as assignee from ARLP, acquired the remaining 394 of the 4,262 properties. We refer to these acquisitions, collectively, as the "HOME SFR Transaction."

We recognized acquisition fees and costs related to the HOME SFR Transaction of $3.9 million. The value of in-place leases was estimated at $9.8 million based upon the costs we would have incurred to lease the properties and is being amortized over the weighted average remaining life of the leases of approximately seven months as of date of the HOME SFR Transaction.

We recognized $163 thousand in revenues and $59 thousand in earnings related to the HOME SFR Transaction in our consolidated statements of operations for the three and nine months ended September 30, 2016.

The preliminary allocation of the purchase price is based upon the estimated fair values of the assets acquired and is subject to change during the measurement period. The purchase price allocation is preliminary as we are in the process of finalizing the valuation. The following table sets forth the preliminary allocation of the estimated fair value of the assets acquired as well as the source of funds related to the HOME SFR Transaction ($ in thousands):

Estimated fair value of assets acquired:	
Land	$123,857
Rental residential properties	499,785
Real estate owned	18,895
Prepaid expenses and other assets (1)	9,809
Total preliminary allocation of purchase price	$652,346
Source of funds:	
Cash on hand	$163,087
Debt financing (Note 6)	489,259
Total purchase price	$652,346

(1) Represent estimated lease-in-place intangible asset.

On March 30, 2016, we completed the acquisition of 590 single-family residential properties located in five states from an unrelated third party for an aggregate purchase price of approximately $64.8 million. We recognized acquisition fees and costs related to this portfolio acquisition of $0.6 million. The value of in-place leases was estimated at $0.7 million based upon the costs we would have incurred to lease the properties and is being amortized

over the weighted average remaining life of the leases of seven months as of the acquisition date.

On August 18, 2015, we completed our acquisition of 1,314 single-family rental properties located in the Atlanta, Georgia market from an unrelated third party for an aggregate purchase price of approximately $111.4 million. We recognized acquisition fees and costs related to this portfolio acquisition of $0.6 million. The value of in-place leases was estimated at $1.6 million based upon the costs we would have incurred to lease the properties and was amortized over the weighted average remaining life of the leases of seven months as of the acquisition date.

During the three and nine months ended September 30, 2016, we acquired 238 and 642 residential properties, respectively, under our one-by-one acquisition program for an aggregate purchase price of $24.6 million and $64.7 million, respectively.

During the three and nine months ended September 30, 2015, we acquired 10 residential properties under our one-by-one acquisition program for an aggregate purchase price of $1.1 million.

Supplemental pro forma financial information (unaudited)

The following supplemental pro forma financial information summarizes our results of operations as if the HOME SFR Transaction occurred on January 1, 2015 as follows ($ in thousands, except per share amounts):

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Unaudited pro forma revenues	$18,711	$70,905	$86,021	$257,908
Unaudited pro forma net loss	$(59,717)	$(10,611)	$(173,562)	$(2,317)
Loss per basic common share	$(1.10)	$(0.19)	$(3.17)	$(0.04)
Weighted average common stock outstanding - diluted	54,178,129	57,056,625	54,722,828	57,154,734
Loss per diluted common share	$(1.10)	$(0.19)	$(3.17)	$(0.04)
Weighted average common stock outstanding - diluted	54,178,129	57,056,625	54,722,828	57,154,734

The following table presents the adjustments included for each period ($ in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Revenues from consolidated statement of operations	$4,401	$58,523	$44,700	$223,957
Add: historical revenues of acquired properties not reflected in consolidated statement of operations	14,310	12,382	41,321	33,951
Unaudited pro forma revenues	$18,711	$70,905	$86,021	$257,908
Net (loss) income from consolidated statement of operations	$(57,638)	$(5,363)	$(166,824)	$20,153
Plus: historical net income of acquired properties not reflected in consolidated statement of operations	8,416	7,597	25,566	20,157
Less: pro forma depreciation and amortization	(5,157)	(6,558)	(15,472)	(25,281)
Less: pro forma interest expense	(4,737)	(4,737)	(14,212)	(14,212)
Less: pro forma management fees	(601)	(1,550)	(2,620)	(3,134)
Unaudited pro forma net loss	$(59,717)	$(10,611)	$(173,562)	$(2,317)

The supplement pro forma financial information for all periods presented was adjusted to reflect real estate depreciation and amortization on the acquired properties and related intangible assets, interest expense on the related financing facility and incremental management fees that would have been incurred under the asset management agreement. The supplemental pro forma financial information is for informational purposes only and is not necessarily indicative of the actual results of operations that would have been achieved if the acquisition had taken place on January 1, 2015, nor does it purport to represent or be indicative of the results of operations for future periods.

Dispositions

During the three and nine months ended September 30, 2016, we sold 604 and 2,200 residential properties, respectively, and recorded $26.3 million and $94.8 million, respectively, of net realized gains on real estate.

During the three and nine months ended September 30, 2015, we sold 357 and 932 residential properties, respectively, and recorded $13.9 million and $36.9 million, respectively, of net realized gains on real estate.

Mortgage loan assets

Resolutions

During the three and nine months ended September 30, 2016, we resolved 109 and 400 mortgage loans, respectively, primarily through short sales, refinancing and foreclosure sales. In connection with these resolutions, we recorded $9.4 million and $30.3 million, respectively, of net realized gains on mortgage loans.

During the three and nine months ended September 30, 2015, we resolved 145 and 565 mortgage loans, respectively, primarily through short sales, refinancing and foreclosure sales. In addition, we sold 137 loans that had transitioned to re-performing status from prior non-performing loan acquisitions to a third party purchaser during June 2015. In connection with these resolutions and disposals, we recorded $12.9 million and $47.5 million, respectively, of net realized gains on mortgage loans.

Dispositions

During the nine months ended September 30, 2016, we sold 1,974 of our mortgage loans held for sale to third party purchasers. In connection with these sales, we recorded $50.2 million of net realized gains on mortgage loans held for sale.

During June 2015, we sold 52 loans from the re-performing mortgage loans purchased in June 2014 to a third party purchaser. In connection with this sale, we recognized $0.3 million of net realized gains on mortgage loans held for sale.

Transfers of mortgage loans to real estate owned

During the three and nine months ended September 30, 2016, we transferred an aggregate of 246 and 914 mortgage loans, respectively, to REO at an aggregate fair value based on BPOs of $49.5 million and $173.8 million, respectively. Such transfers occur when the foreclosure sale is complete. In connection with these transfers to REO, we recorded $10.7 million and $34.8 million, respectively, in change in unrealized gain on mortgage loans that resulted from marking the properties to their most current market value.

During the three and nine months ended September 30, 2015, we transferred an aggregate of 507 and 1,918 mortgage loans, respectively, to REO at an aggregate fair value based on BPOs of $90.7 million and $359.4 million, respectively. Such transfers occur when the foreclosure sale is complete. In connection with these transfers to REO, we recorded $17.0 million and $68.4 million, respectively, in change in unrealized gain on mortgage loans that resulted from marking the properties to their most current market value.

Due diligence costs

During the three and nine months ended September 30, 2016, we recognized $1.3 million and $1.9 million, respectively, of due diligence costs, and we recognized a nominal amount and $0.4 million, respectively, of due

diligence costs during the three and nine months ended September 30, 2015. These due diligence costs are included in our consolidated statement of operations as acquisition fees and costs.

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3. Real estate assets, net

Real estate held for use

As of September 30, 2016, we had 9,892 single-family residential properties held for use. Of these properties, 7,079 had been leased, 587 were listed and ready for rent and 875 were in varying stages of renovation and unit turn status. With respect to the remaining 1,351 REO properties, we will make a final determination whether each property meets our rental profile after (a) applicable state redemption periods have expired, (b) the foreclosure sale has been ratified, (c) we have recorded the deed for the property, (d) utilities have been activated and (e) we have secured access for interior inspection. A majority of the REO properties are subject to state regulations that require us to await the expiration of a redemption period before a foreclosure can be finalized. Once the redemption period expires, we immediately proceed to record a new deed, take possession of the property, activate utilities and start the inspection process in order to make our final determination. If an REO property meets our rental profile, we determine the extent of renovations that are needed to generate an optimal rent and maintain consistency of renovation specifications. If we determine that the REO property will not meet our rental profile, we list the property for sale, in certain instances after renovations are made to optimize the sale proceeds.

As of December 31, 2015, we had 4,933 single-family residential properties held for use. Of these properties, 2,118 had been leased, 264 were listed and ready for rent and 350 were in various stages of renovation. With respect to the remaining 2,201 REO properties, we were in the process of determining whether these properties would meet our rental profile.

With respect to residential rental properties classified as held for use, we perform an impairment analysis using estimated cash flows if events or changes in circumstances indicate that the carrying value may be impaired, such as prolonged vacancy, identification of materially adverse legal or environmental factors, changes in expected ownership period or a decline in market value to an amount less than the carrying amount. This analysis is performed at the property level. These cash flows are estimated based on a number of assumptions that are subject to economic and market uncertainties, including, among others, demand for rental properties, competition for customers, changes in market rental rates, costs to operate each property and expected ownership periods. If the carrying amount of a held for use asset exceeds the sum of its undiscounted future operating and residual cash flows, an impairment loss is recorded for the difference between estimated fair value of the asset and the carrying amount. We are not able to recover any such impairments should the estimated fair value subsequently improve. We generally estimate the fair value of assets held for use by using BPOs. In some instances, appraisal information may be available and is used in addition to BPOs.

During the three and nine months ended September 30, 2016, we recognized $1.2 million and $6.2 million, respectively, of impairment on real estate held for use. During the nine months ended September 30, 2015, we recognized no impairment on our real estate held for use.

Real estate held for sale

As of September 30, 2016 and December 31, 2015, our real estate held for sale included 839 and 1,583 REO properties, respectively, having an aggregate carrying value of $169.8 million and $250.6 million, respectively. Management determined to divest these properties because they do not meet our residential rental property investment criteria.

We record residential properties held for sale at the lower of the carrying amount or estimated fair value less costs to sell. The impairment loss, if any, is the amount by which the carrying amount exceeds the estimated fair value less costs to sell. In the event that the estimated fair value of impaired properties held for sale subsequently improves, we

are able to recover impairments to the extent previously recognized.

During the three and nine months ended September 30, 2016, we recognized $7.2 million and $23.0 million, respectively, of impairment on our real estate held for sale.

During the three and nine months ended September 30, 2015, we recognized $3.6 million and $13.4 million, respectively, of impairment on our real estate held for sale.

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4. Mortgage loans

The following table sets forth our mortgage loans at fair value, the related unpaid principal balance and market value of underlying properties by delinquency status as of September 30, 2016 and December 31, 2015 ($ in thousands):

	Number of Loans	Carrying Value	Unpaid Principal Balance	Market Value of Underlying Properties
September 30, 2016				
Current	761	$125,038	$161,706	$193,704
30	75	11,444	17,213	18,371
60	42	5,844	8,362	9,809
90	407	54,049	83,064	91,907
Foreclosure	2,432	431,929	608,258	620,472
Mortgage loans at fair value	3,717	$628,304	$878,603	$934,263
December 31, 2015				
Current	730	$124,595	$165,645	$177,348
30	80	12,003	18,142	21,858
60	38	5,688	8,088	8,766
90	984	130,784	216,717	196,963
Foreclosure	3,907	687,464	946,962	917,671
Mortgage loans at fair value	5,739	$960,534	$1,355,554	$1,322,606

The following table sets forth the carrying value of our mortgage loans held for sale, the related unpaid principal balance and market value of underlying properties by delinquency status as of September 30, 2016 and December 31, 2015 ($ in thousands):

	Number of Loans	Carrying Value	Unpaid Principal Balance	Market Value of Underlying Properties
September 30, 2016				
Current	13	$1,357	$1,985	$ 2,600
30	7	713	1,508	1,642
90	1	485	489	990
Foreclosure	10	1,483	1,998	2,212
Mortgage loans held for sale	31	$4,038	$5,980	$ 7,444
December 31, 2015				
Current	58	$10,864	$13,466	$ 17,776
30	26	7,616	10,013	12,200
60	6	668	775	1,063
90	328	73,164	101,121	103,395
Foreclosure	879	225,024	314,991	330,573
Mortgage loans held for sale	1,297	$317,336	$440,366	$ 465,007

As of September 30, 2016, our mortgage loans held for sale include our remaining re-performing residential mortgage loans that we initially acquired in June 2014. We determined to dispose of these mortgage loans in order to take advantage of attractive market pricing and because we do not expect them to be rental candidates.

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Re-performing residential mortgage loans

For the three and nine months ended September 30, 2016 and 2015, we recognized no provision for loan loss and no adjustments to the amount of the accretable yield for our re-performing residential mortgage loans. For the three and nine months ended September 30, 2016, we accreted $35 thousand and $107 thousand, respectively, into interest income with respect to our re-performing loans. For the three and nine months ended September 30, 2015, we accreted $112 thousand and $581 thousand into interest income with respect to our re-performing loans. At September 30, 2016 and December 31, 2015, these re-performing loans had a UPB of $6.0 million and a carrying value of $4.0 million at each date. We included these loans in mortgage loans held for sale.

The following table presents changes in the balance of the accretable yield for the periods indicated:

Accretable Yield	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Balance at the beginning of the period	$ 2,146	$ 7,640
Payments and other reductions, net	—	(3,285)
Accretion	(107)	(581)
Balance at the end of the period	$ 2,039	$ 3,774

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5. Fair value of financial instruments

The following table sets forth the fair value of financial assets and liabilities by level within the fair value hierarchy as of September 30, 2016 and December 31, 2015 ($ in thousands):

	Level 1	Level 2	Level 3
	Quoted Prices in Active Markets	Observable Inputs Other Than Level 1 Prices	Unobservable Inputs
September 30, 2016			
Recurring basis (assets)			
Mortgage loans at fair value	$ —	$ —	$ 628,304
Interest rate cap derivative (1)	—	55	—
Nonrecurring basis (assets)			
Real estate assets held for sale	—	—	169,841
Not recognized on consolidated balance sheets at fair value (assets)			
Mortgage loans held for sale	—	—	4,038
Not recognized on consolidated balance sheets at fair value (liabilities)			
Repurchase and loan agreements	—	1,189,253	—
Other secured borrowings	—	157,950	—
December 31, 2015			
Recurring basis (assets)			
Mortgage loans at fair value	$ —	$ —	$ 960,534
Nonrecurring basis (assets)			
Real estate assets held for sale	—	—	250,557
Not recognized on consolidated balance sheets at fair value (assets)			
Mortgage loans held for sale	—	—	317,336
Not recognized on consolidated balance sheets at fair value (liabilities)			
Repurchase and loan agreements	—	767,513	—
Other secured borrowings	—	502,268	—

(1) We include the fair value of our interest rate cap derivative within prepaid expenses and other assets in our consolidated balance sheets.

We have not transferred any assets from one level to another level during the three or nine months ended September 30, 2016 or during the year ended December 31, 2015.

The carrying values of our cash and cash equivalents, restricted cash, related party receivables, accounts payable and accrued liabilities and related party payables are equal to or approximate fair value. The fair values of mortgage loans at fair value and NPLs held for sale are estimated using our asset manager's proprietary discounted cash flow pricing model. The fair value of re-performing mortgage loans held for sale is estimated using the present value of the future estimated principal and interest payments of the loan, with the discount rate used in the present value calculation representing the estimated effective yield of the loan. The fair value of our interest rate cap derivative is estimated using a discounted cash flow analysis based on the contractual terms of the derivative. The fair value of the repurchase and loan agreements is estimated using the income approach based on credit spreads available to us currently in the market for similar floating rate debt. The fair value of other secured borrowings is estimated using observable market data.

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The following table sets forth the changes in our level 3 assets that are measured at fair value on a recurring basis ($ in thousands):

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Mortgage loans at fair value				
Beginning balance	$707,445	$1,716,489	$960,534	$1,959,044
Change in unrealized gain on mortgage loans	(8,086)	43,525	20,542	170,845
Net realized gain on mortgage loans	9,428	12,874	30,340	47,528
Transfers of mortgage loans at fair value to mortgage loans held for sale, net	1,914	(250,346)	(101,201)	(250,346)
Mortgage loan resolutions and payments	(34,967)	(57,882)	(119,794)	(205,120)
Real estate tax advances to borrowers	1,161	6,611	6,255	18,002
Transfer of mortgage loans to real estate owned, net	(48,591)	(90,696)	(168,372)	(359,378)
Ending balance	$628,304	$1,380,575	$628,304	$1,380,575
Change in unrealized gain on mortgage loans at fair value held at the end of the period	$(15,027)	$13,022	$(5,309)	$93,874

The significant unobservable inputs used in the fair value measurement of our mortgage loans are discount rates, forecasts of future home prices, alternate loan resolution probabilities, resolution timelines and the value of underlying properties. Significant changes in any of these inputs in isolation could result in a significant change to the fair value measurement. A decline in the discount rate in isolation would increase the fair value. A decrease in the housing pricing index in isolation would decrease the fair value. Individual loan characteristics such as location and value of underlying collateral affect the loan resolution probabilities and timelines. An increase in the loan resolution timeline in isolation would decrease the fair value. A decrease in the value of underlying properties in isolation would decrease the fair value.

The following table sets forth quantitative information about the significant unobservable inputs used to measure the fair value of our mortgage loans as of the dates indicated:

Input	September 30, 2016	December 31, 2015
Equity discount rate	15.0%	15.0%
Debt to asset ratio	65.0%	65.0%
Cost of funds	3.5% over 1 month LIBOR	3.5% over 1 month LIBOR
Annual change in home pricing index	-15.2% to 16.9%	0.0% to 10.2%
Loan resolution probabilities — modification	0% to 11.4%	0% to 44.7%
Loan resolution probabilities — rental	0% to 100.0%	0% to 100.0%
Loan resolution probabilities — liquidation	0% to 100.0%	0% to 100.0%
Loan resolution timelines (in years)	0.1 - 5.5	0.1 - 5.6
Value of underlying properties	$3,000 - $4,250,000	$3,000 - $4,500,000

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6. Borrowings

Repurchase and loan agreements

Our operating partnership and certain of its Delaware statutory trust and/or limited liability company subsidiaries, as applicable, have entered into master repurchase agreements and loan agreements to finance the acquisition and ownership of single-family rental properties, other REO properties and mortgage loans in our portfolio. We have effective control of the assets associated with these agreements and therefore have concluded these are financing arrangements. As of September 30, 2016, the weighted average annualized interest rate on borrowings under our repurchase and loan agreements was 3.72%, excluding amortization of deferred debt issuance costs.

We had entered into three separate repurchase agreements and two loan agreements to finance the acquisition and ownership of single-family rental properties, other REO properties and mortgage loans. In March 2016, our repurchase agreement with Deutsche Bank ("DB") expired pursuant to its terms and is no longer outstanding. Therefore, at September 30, 2016, we were party to two repurchase agreements and two loan agreements. Below is a description of each agreement outstanding during the nine months ended September 30, 2016:

Repurchase Agreements

- Credit Suisse ("CS") is the lender on the repurchase agreement entered into on March 22, 2013, (the "CS repurchase agreement") with an initial aggregate maximum borrowing capacity of $100.0 million. During 2014 and 2015, the CS repurchase agreement was amended on several occasions, ultimately increasing the aggregate maximum borrowing capacity to $275.0 million on December 31, 2015 with a maturity date of April 18, 2016. On March 31, 2016, we entered into an amended and restated repurchase agreement with CS that increased our aggregate borrowing capacity to $350.0 million, extended the maturity date to March 30, 2017 and removed the REO sublimit under the facility so that 100% of the financed assets can be REO properties.

- DB was the lender on the repurchase agreement dated September 12, 2013 (the "DB repurchase agreement"). During March 2016, upon expiration of the DB repurchase agreement in accordance with its terms, we repaid the remaining balance of the DB repurchase agreement and transferred the collateral to our other existing facilities.

- Wells Fargo ("Wells") is the lender under the repurchase agreement dated September 23, 2013 (the "Wells repurchase agreement") with an initial aggregate maximum borrowing capacity of $200.0 million. Throughout 2013, 2014 and 2015, the Wells repurchase agreement was amended on several occasions, ultimately increasing the aggregate maximum borrowing capacity to $750.0 million with a maturity date of September 27, 2017.

Loan Agreements

- Nomura Corporate Funding Americas, LLC ("Nomura") is the lender under a loan agreement dated April 10, 2015 (the "Nomura loan agreement") with an initial aggregate maximum funding capacity of $100.0 million. The Nomura loan agreement was amended during 2015, ultimately increasing the maximum funding capacity to $200.0 million on December 31, 2015 with a maturity date of April 8, 2016. On April 7, 2016, we entered into an amended and restated loan and security agreement with Nomura that increased our aggregate borrowing capacity to $250.0 million and extended the termination date to April 16, 2017.

- In connection with the seller financing related to the HOME SFR Transaction, on September 30, 2016, we entered into a loan agreement (the "Original MSR loan agreement") between HOME Borrower, the sellers (collectively, the "Lenders") and MSR Lender LLC, as agent. Pursuant to the Original MSR loan agreement, HOME Borrower borrowed approximately $489.3 million from the Lenders (the "MSR Loan"). Effective October 14, 2016, the Original MSR loan

agreement was assigned to MSR Lender, LLC (“MSR Lender”) and, in connection with MSR Lender’s securitization of the MSR Loan, we and MSR Lender amended and restated the Original MSR loan agreement (the “A&R MSR loan agreement”) to match the terms of the bonds in MSR Lender's securitization of the MSR Loan. The aggregate amount of the MSR Loan and the aggregate interest rate of the MSR Loan remained unchanged from the Original Loan Agreement. The MSR Loan is a floating rate loan, composed of eight floating rate components, interest on each of which is computed monthly based on one-month LIBOR plus a fixed component spread. The initial maturity date of the MSR Loan is November 9, 2018 (the “Initial Maturity Date”). HOME Borrower has the option to extend the MSR Loan beyond the Initial Maturity Date for three successive one-year terms to an ultimate maturity date of November 9, 2021, provided, among other things, that there is no event of default under the A&R MSR loan

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agreement on each maturity date. The MSR Loan is secured by the membership interests of HOME Borrower and the properties and other assets of HOME Borrower.

Following all of the amendments described above, the maximum aggregate funding available to us under these repurchase and loan agreements as of September 30, 2016 was $1.8 billion, subject to certain sublimits, eligibility requirements and conditions precedent to each funding. As of September 30, 2016, an aggregate of $1.2 billion was outstanding under our repurchase and loan agreements. Each of the CS repurchase agreement, the Wells repurchase and the Nomura loan agreement are fully guaranteed by us.

The following table sets forth data with respect to our repurchase and loan agreements as of September 30, 2016 and December 31, 2015 ($ in thousands):

	Maximum Borrowing Capacity	Book Value of Collateral	Amount Outstanding	Amount of Available Funding
September 30, 2016				
CS repurchase agreement due March 30, 2017	$350,000	$337,268	$211,382	$138,618
Wells repurchase agreement due September 27, 2017	750,000	621,699	334,726	415,274
Nomura loan agreement due April 16, 2017	250,000	230,765	153,886	96,114
Original MSR loan agreement due November 15, 2018	489,259	642,537	489,259	—
Less: deferred debt issuance costs	—	—	(6,576)	—
	$1,839,259	$1,832,269	$1,182,677	$650,006
December 31, 2015				
CS repurchase agreement due April 18, 2016	$275,000	$335,184	$194,346	$80,654
Wells repurchase agreement due September 27, 2017	750,000	708,275	371,130	378,870
DB repurchase agreement due March 11, 2016	54,944	130,863	54,944	—
Nomura loan agreement due April 8, 2016	200,000	204,578	147,093	52,907
Less: deferred debt issuance costs	—	—	(4,144)	—
	$1,279,944	$1,378,900	$763,369	$512,431

Terms and covenants related to our repurchase agreements

Under the terms of our two remaining repurchase agreements, as collateral for the funds drawn thereunder, subject to certain conditions, our operating partnership and/or an intervening limited liability company subsidiary will sell to the applicable lender equity interests in the Delaware statutory trust subsidiary that owns the applicable underlying mortgage assets on our behalf, or the trust will directly sell such underlying mortgage or REO assets. In the event the lender determines the value of the collateral has decreased, the lender has the right to initiate a margin call and require us, or the applicable trust subsidiary, to post additional collateral or to repay a portion of the outstanding borrowings. The price paid by the lender for each mortgage or REO asset we finance under the repurchase agreements is based on a percentage of the market value of the mortgage or REO asset and, in the case of mortgage assets, may depend on its delinquency status. With respect to funds drawn under the repurchase agreements, our applicable subsidiary is required to pay the lender interest based on LIBOR or at the lender’s cost of funds plus a spread calculated based on the type of applicable assets collateralizing the funding, as well as certain other customary fees, administrative costs and expenses to maintain and administer the repurchase agreements. We do not collateralize any of our repurchase facilities with cash.

Pursuant to the CS repurchase agreement, we are entitled to collateralize a portion of the facility with securities. As of September 30, 2016, approximately $21.0 million of the amount outstanding under the CS repurchase agreement was

collateralized by $34.0 million of the Class A-2 Notes issued and retained by us in connection with the securitization completed in July 2015 by ARLP 2015-1.

Each of the repurchase agreements require us to maintain various financial and other covenants, including maintaining a minimum adjusted tangible net worth, a maximum ratio of indebtedness to adjusted tangible net worth and specified levels of unrestricted cash. In addition, both of the repurchase agreements contain customary events of default.

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Terms and covenants related to the Nomura loan agreement

Under the terms of the Nomura loan agreement, subject to certain conditions, Nomura may advance funds to us from time to time, with such advances collateralized by single-family rental properties and other REO properties. The advances paid under the Nomura loan agreement with respect to the applicable properties from time to time will be based on a percentage of the market value of the properties. Under the terms of the Nomura loan agreement, we are required to pay interest based on the one-month LIBOR plus a spread and certain other customary fees, administrative costs and expenses in connection with Nomura's structuring, management and ongoing administration of the facility.

The Nomura loan agreement requires us to maintain various financial and other covenants, including a minimum adjusted tangible net worth, a maximum ratio of indebtedness to adjusted tangible net worth and specified levels of unrestricted cash. In addition, the Nomura loan agreement contains events of default (subject to certain materiality thresholds and grace periods), including payment defaults, breaches of covenants and/or certain representations and warranties, cross-defaults, certain material adverse changes, bankruptcy or insolvency proceedings and other events of default customary for this type of transaction. The remedies for such events of default are also customary for this type of transaction and include the acceleration of the principal amount outstanding under the Nomura loan agreement and the liquidation by Nomura of the REO properties then subject thereto.

Terms and covenants related to the A&R MSR loan agreement

Under the terms of the A&R MSR loan agreement, the MSR Loan is a floating rate loan, composed of eight floating rate components, interest on each of which is computed monthly based on one-month LIBOR plus a fixed component spread. The MSR Loan is non-recourse to us and is secured by a lien on the membership interests of HOME Borrower and the acquired properties and other assets of HOME Borrower. The assets of HOME Borrower are the primary source of repayment and interest on the MSR Loan, thereby making the cash proceeds received by HOME Borrower of rent payments and any sales of the acquired properties the primary sources of the payment of interest and principal by HOME Borrower to MSR Lender. The A&R MSR loan agreement requires that HOME Borrower comply with various affirmative and negative covenants that are customary for loans of this type, including limitations on indebtedness HOME Borrower can incur, limitations on sales and dispositions of the MSR Properties and various restrictions on the use of cash generated by the operations of the MSR Properties while the MSR Loan is outstanding. We have limited indemnification obligations for wrongful acts taken by HOME Equity and HOME Borrower in connection with the secured collateral.

Even though the MSR Loan is non-recourse to us and all of our subsidiaries other than HOME Equity and HOME Borrower, we have agreed to limited bad act indemnification obligations to the MSR Lender for the payment of (i) certain losses arising out of certain bad or wrongful acts of HOME Equity and HOME Borrower with respect to the MSR Loan and (ii) the principal amount of the MSR Loan and all other obligations under the A&R MSR loan agreement in the event we cause certain voluntary bankruptcy events of HOME Equity or HOME Borrower. Any of such liabilities could have a material adverse effect on our results of operations and/or financial condition.

We are currently in compliance with the covenants and other requirements with respect to the repurchase and loan agreements. We monitor our lending partners' ability to perform under the repurchase and loan agreements and have concluded there is currently no reason to doubt that they will continue to perform under the repurchase and loan agreements as contractually obligated.

Other secured debt

On June 29, 2015, we completed a securitization transaction in which ARLP 2015-1 issued $205.0 million in ARLP 2015-1 Class A Notes with a weighted coupon of approximately 4.01% and $60.0 million in ARLP 2015-1 Class M

Notes. ARLP 2015-1 is a Delaware statutory trust that is wholly owned by our operating partnership with a federally chartered bank as its trustee. We retained $34.0 million of the ARLP 2015-1 Class A Notes and all of the ARLP 2015-1 Class M Notes. No interest will be paid on any ARLP 2015-1 Class M Notes while any ARLP 2015-1 Class A Notes remain outstanding. The ARLP 2015-1 Class A Notes and ARLP 2015-1 Class M Notes are non-recourse to us and are secured solely by the NPLs and REO properties of ARLP 2015-1 but not by any of our other assets. The assets of ARLP 2015-1 are the only source of repayment and interest on the ARLP 2015-1 Class A Notes and the ARLP 2015-1 Class M Notes, thereby making the cash proceeds received by ARLP 2015-1 of loan payments, loan liquidations, loan sales and sales of converted REO properties the sole sources of the payment of interest and principal by ARLP 2015-1 to the bond holders. The ARLP 2015-1 Class A Notes and the ARLP 2015-1 Class M Notes mature on May 25, 2055 and May 25, 2044, respectively, and we do not guarantee any of the obligations of ARLP

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2015-1 under the terms of the indenture governing the notes or otherwise. As of September 30, 2016, the book value of the underlying securitized assets held by ARLP 2015-1 was $267.0 million.

On November 25, 2014, we completed a securitization transaction in which ARLP 2014-2 issued $270.8 million in ARLP 2014-2 Class A Notes with a weighted yield of approximately 3.85% and $234.0 million in ARLP 2014-2 Class M Notes. We repaid the notes issued under ARLP 2014-2 and terminated the securitization in March 2016.

On September 25, 2014, we completed a securitization transaction in which ARLP 2014-1 issued $150.0 million in ARLP 2014-1 Class A Notes with a weighted yield of approximately 3.47% and $32.0 million in ARLP 2014-1 Class M Notes with a weighted yield of 4.25%. We repaid the notes issued under ARLP 2014-1 and terminated the securitization in March 2016.

Following the repayment of the notes issued under the ARLP 2014-1 and 2014-2 securitizations during the first quarter of 2016, only the ARLP 2015-1 securitization remained in effect. The following table sets forth data with respect to these notes as of September 30, 2016 and December 31, 2015 ($ in thousands):

	Interest Rate	Amount Outstanding
September 30, 2016		
ARLP Securitization Trust, Series 2015-1		
ARLP 2015-1 Class A Notes due May 25, 2055 (1)	4.01 %	$ 191,950
ARLP 2015-1 Class M Notes due May 25, 2044	— %	60,000
Intercompany eliminations		
Elimination of ARLP 2015-1 Class A Notes due to ARNS, Inc.		(34,000)
Elimination of ARLP 2015-1 Class M Notes due to ARLP		(60,000)
Less: deferred debt issuance costs		(964)
		$ 156,986