



## **Barclays Global Financial Services Conference**

*September 8, 2014*

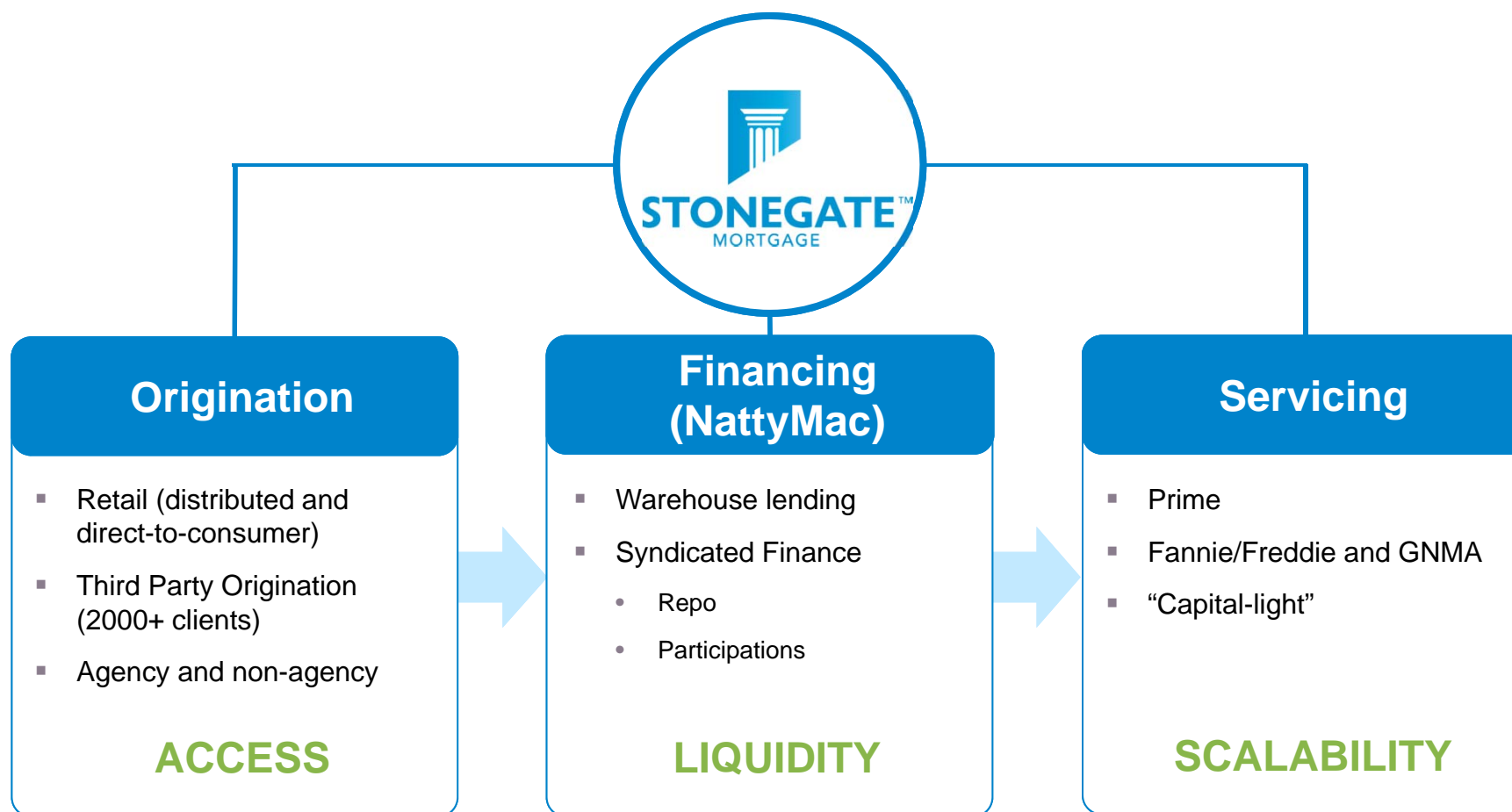
# Forward Looking Statements

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*Various statements used in this presentation, including those that express a belief, expectation or intention, as well as those that are not statements of historical fact, are forward-looking statements. These forward-looking statements may include projections and estimates concerning the timing and success of specific projects and our future production, revenues, income and capital spending. Our forward-looking statements are generally accompanied by words such as "estimate," "project," "predict," "believe," "expect," "intend," "anticipate," "potential," "plan," "goal" or other words that convey the uncertainty of future events or outcomes. The forward-looking statements in this presentation speak only as of the date of this earnings release; we disclaim any obligation to update these statements unless required by law, and we caution you not to rely on them unduly. We have based these forward-looking statements on our current expectations and assumptions about future events. While we consider these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. These and other important factors, including those discussed in the "Risk Factors" section within our 2013 Annual Report on Form 10-K filed on March 14, 2014, may cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements..*

## Stonegate Highlights

- Stonegate Mortgage (NYSE:SGM) is an integrated, non-bank mortgage company focused on originating, financing and servicing U.S. residential mortgage loans



(1) As of July 31, 2014.

# Industry Dynamics Creates Opportunity for SGM

Return cash purchases to normalized level through product innovation

Banks deconsolidating due to changes in capital requirements

Pent-up demand of first-time home buyers reentering the market

Economic/jobs recovery continues to improve the housing market

Rising home values builds equity and creates ability to move

Emerging market (non-agency jumbo origination market share increasing)<sup>(1)</sup>



(1) Source: Inside Mortgage Finance.

# Integrated Business Model Characteristics

- Each of our businesses has different risk and return characteristics; we are therefore tasked with finding the optimal use of our capital
  - Origination offers the most attractive risk and return characteristics of the three businesses **(particularly true for non-agency origination)**



<b>Leverage</b>	20:1	15:1	2:1
<b>Valuation Method</b>	PEG	PEG	FMV
<b>Return Potential (ROE)</b>	20%+	20%+	8-10%
<b>Risk</b>	High	Moderate	Moderate
<b>Tax Impact</b>	<ul style="list-style-type: none"> <li>▪ OMSRs generate NOLs</li> </ul>	<ul style="list-style-type: none"> <li>▪ Spread and fee income generate taxable income</li> </ul>	<ul style="list-style-type: none"> <li>▪ Fees generate taxable income</li> </ul>
<b>Key Differentiators</b>	<ul style="list-style-type: none"> <li>▪ No bulk/flow purchases</li> <li>▪ Non-agency</li> <li>▪ Multi-channel creates diversification</li> </ul>	<ul style="list-style-type: none"> <li>▪ Integrated with origination business to grow wallet share</li> <li>▪ Non-agency</li> </ul>	<ul style="list-style-type: none"> <li>▪ High-quality, SGM-originated portfolio</li> </ul>

# Opportunities to Grow Business

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## Geographic Expansion and Maturation

- Unlock the remaining market through licensing and mature in the new markets consistent with prior experience

## Warehouse Financing

- Providing access to efficient sources of capital strengthens relationships with small to mid-size correspondents and results in additional origination volume
- Increases fee income opportunities

## Non-agency

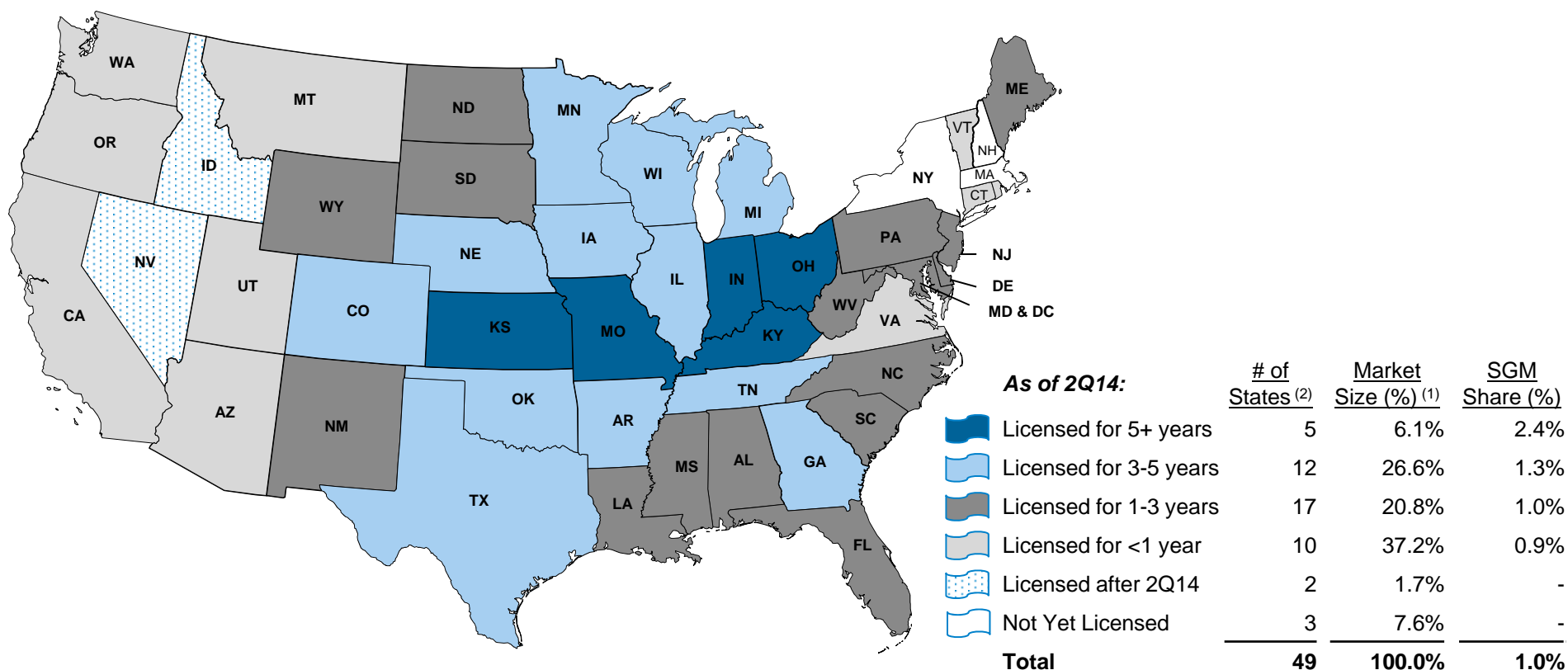
- Provide innovative products that meet borrowers' demands and investors return threshold
- Ability to distribute through Retail and TPO
- Structure to give investors access to asset class

## "Capital-Light" MSR Financing

- Monetizing the MSR cash flow stream opens up additional origination capabilities
- Reduces required equity to hold MSRs
- Lower cost of capital than alternative vehicle (i.e. a REIT)

# Origination Growth through Geographic Expansion

- Currently licensed in 45 states plus Washington D.C., representing 92.4% of the market <sup>(1)</sup>
- Continued market share expansion in recently-licensed states could generate significant origination volume growth for Stonegate even in a flat market



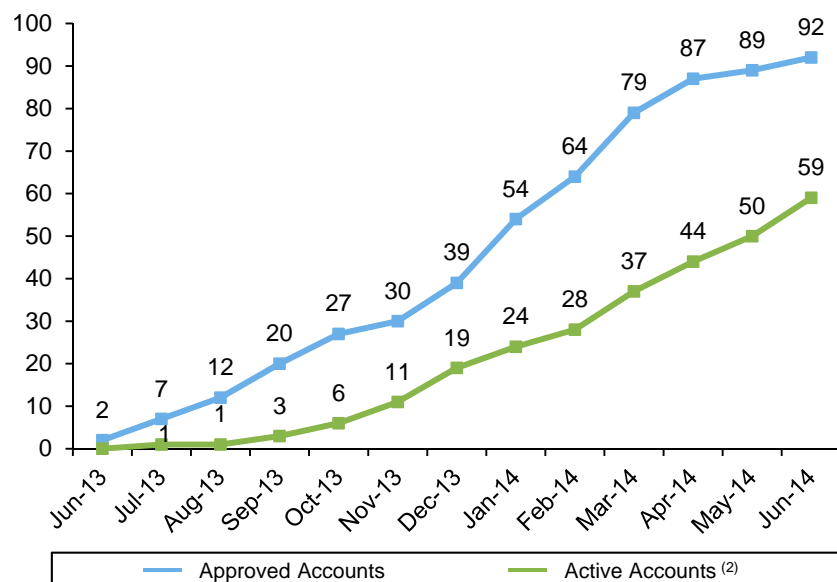
(1) Approximate. Based on data from Marketrac by CoreLogic. Coverage area excludes certain counties nationwide.

(2) Excludes AK and HI; Includes Washington D.C.

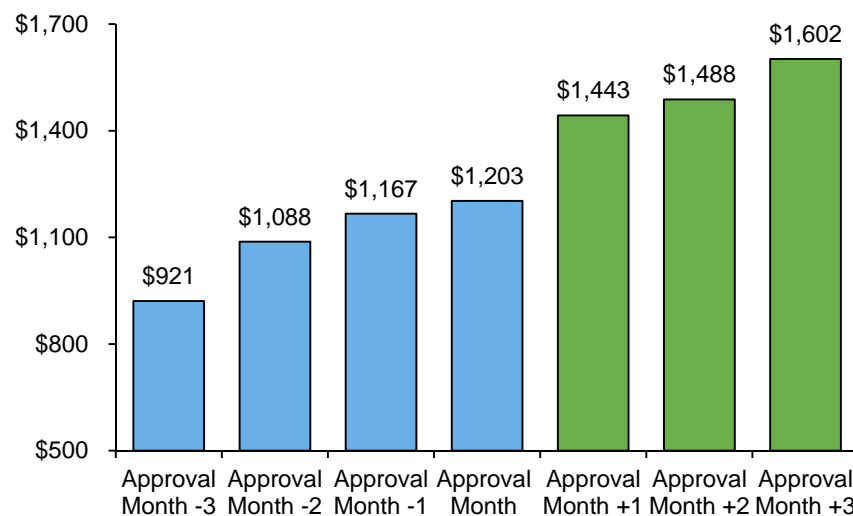
## NattyMac Increases “Wallet Share”

- Number of NattyMac customers and commitments continuing to grow
  - Current commitments<sup>(1)</sup> total \$364 million to 97 approved accounts (or 12% of total approved correspondent accounts)
- Multiple participants providing wholesale funding
- As of June 30, 2014, NattyMac clients’ locks increased 74% on average three months after receiving a warehouse line compared to the three months’ average prior

**NattyMac Customers**



**Locks per Month**



(1) As of July 31, 2014.

(2) Funded at least one loan through on a NattyMac warehouse line in the last 90 days.

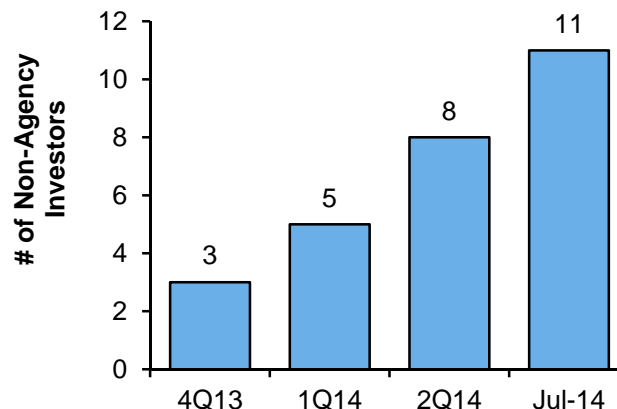


# Non-Agency Positioning: Focused on the Emerging Market

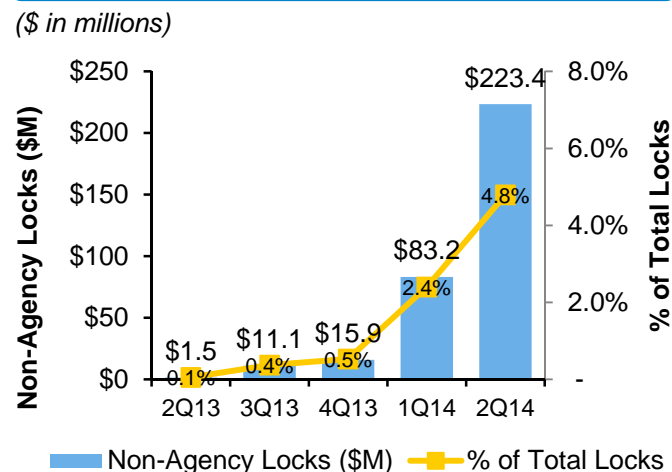


- SGM's origination business is positioned to "source" new product and provide investors with access to this asset class in the form of whole loan sales and/or securitization (subs/IO)
- Expanded and diversified investor base provides optionality on takeout
  - Positioned to execute securitization when the market permits
- Unique positioning in marketplace allows us to deliver consistent outcomes for investors
  - Provides transparency and controls (credit, collateral, compliance) for asset quality and regulatory risk
- Market opportunity to increase the size of the origination market and improve "execution" on certain agency-eligible assets

## Non-Agency Investor Base

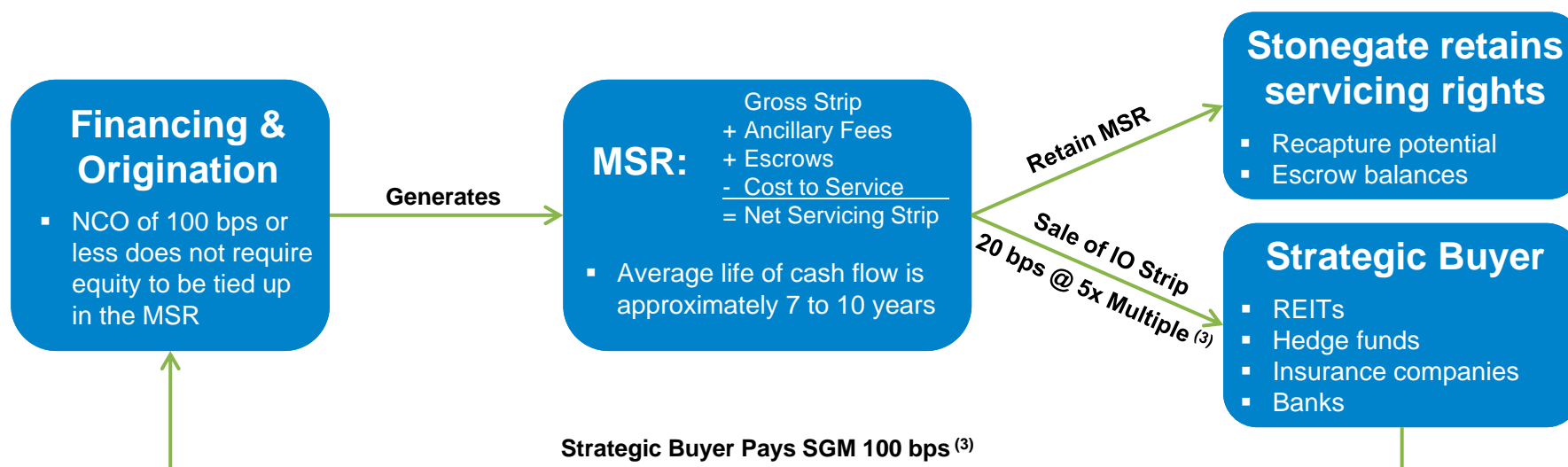


## Non-Agency Locks



# MSR Financing Creates “Capital-Light” Servicing

- Current facilities provide attractive terms for interim financing
  - FNMA/FHLMC – L+525 with 50% advance rate against FMV of the MSR <sup>(1)</sup>
  - GNMA – L+450 with 50% advance rate against FMV of the MSR <sup>(2)</sup>
- Currently structuring a longer-term financing solution that will allow us to:
  - Monetize MSR cash flow to reinvest back into more attractive origination and financing businesses
  - Maintain relationships with borrowers to retain recapture potential and escrow balances



(1) On May 22, 2014, Stonegate executed a Loan and Security Agreement with Barclays that allows Stonegate to borrow up to \$100 million against its Fannie Mae and Freddie Mac Mortgage Servicing Rights (“MSRs”). Structured as a sub-limit to Stonegate’s existing \$300 million Master Repurchase Agreement with Barclays. Barclays will lend up to 60% of an estimate of the valuation of the MSRs at any one time.

(2) On August 29, 2014, Stonegate executed a three-year agreement to borrow against its Ginnie Mae MSRs at LIBOR + 450 with no pre-payment penalty and a 50% advance rate against the fair market value of the MSR.

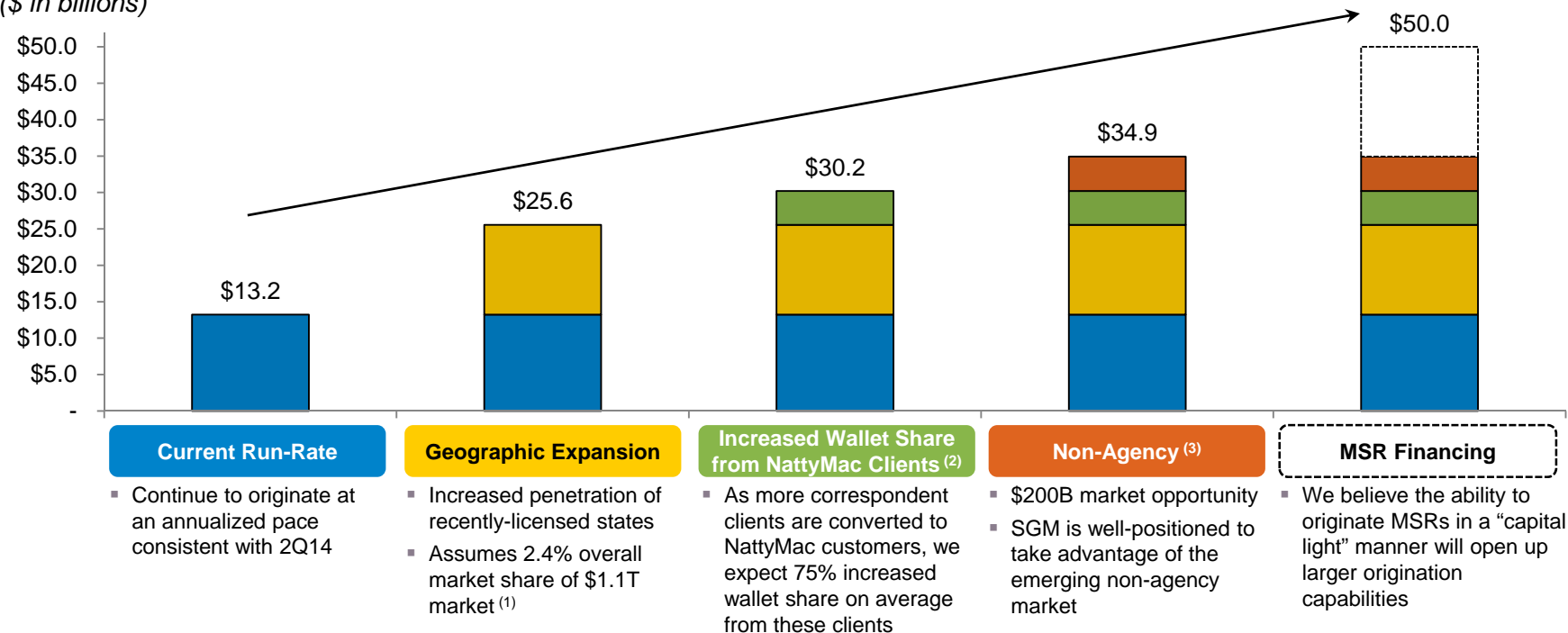
(3) For illustrative purposes only; there is no assurance that the estimated 5x multiple will be achieved.

# Summary of Growth Opportunities

- Geographic expansion, increased wallet share and the emerging non-agency market will drive origination, financing and servicing growth
  - Newly licensed states (less than 1 year) represent ~39% of the overall market
  - NattyMac and Non-Agency are beginning to gain significant momentum

## Stonegate Target Growth Opportunity

(\$ in billions)



Note: For illustrative purposes only; there is no assurance these illustrative origination volumes or market share estimates will be achieved.

(1) Market size based on average of 2015 origination estimates from Mortgage Bankers Association, Freddie Mac, and Fannie Mae.

(2) Assumes an estimated 50% of total correspondent clients converted to NattyMac customers (currently 12%) and 75% "wallet share" increases on average from these customers. See slide 9 for more information.

(3) Based on an estimated \$200 billion market opportunity and assumed market share of 2.4%.