Altisource Asset Management Corp
Form 10-K
February 20, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

COMMISSION FILE NUMBER: 001-36063

Altisource Asset Management Corporation

(Exact name of registrant as specified in its charter)

UNITED STATES VIRGIN ISLANDS	**66-0783125**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

402 Strand Street

Frederiksted, United States Virgin Islands 00840-3531

(Address of principal executive office)

(340) 692-1055

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

(Title of Each Class)	**(Name of exchange on which registered)**
Common stock, par value $0.01 per share	**NYSE MKT**

Securities registered pursuant to Section 12(g) of the Act:

None.

Indicate by check if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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 ¨

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 ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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

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

The aggregate market value of common stock held by non-affiliates of the registrant was $472.8 million, based on the closing share price as reported on the OTCQX on June 28, 2013 and the assumption that all directors and executive officers of the registrant and their families are affiliates. This determination of affiliate status is not necessarily a conclusive determination for any other purpose.

As of February 13, 2014, 2,366,856 shares of our common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s Definitive Proxy Statement to be filed subsequent to the date hereof with the Commission pursuant to Regulation 14A in connection with the registrant s 2014 Annual Meeting of Stockholders are incorporated by reference into Part III of this Report. Such Definitive Proxy Statement will be filed with the Securities and Exchange Commission not later than 120 days after the conclusion of the registrant s fiscal year ended December 31, 2013.

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Altisource Asset Management Corporation

December 31, 2013

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References in this report to we, our, us, or the Company refer to Altisource Asset Management Corporation and its consolidated subsidiaries, unless otherwise indicated. References in this report to Residential refer to Altisource Residential Corporation, unless otherwise indicated. References in this report to Altisource refer to Altisource Portfolio Solutions S.A. and its consolidated subsidiaries, unless otherwise indicated. References in this report to Ocwen refer to Ocwen Financial Corporation and its consolidated subsidiaries, unless otherwise indicated.

Special note on forward-looking statements

Our disclosure and analysis in this annual report on Form 10-K 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 and phrases or similar words or phrases which are predictions of or indicate future events or trends and which 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 annual 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 and the business strategy of Residential;

our ability to retain and maintain our strategic relationships with related parties;

the ability of Residential to generate cash available for distribution to its stockholders under our management;

our ability to effectively compete with our competitors;

residential s ability to complete pending or future transactions;

our ability to retain Residential as a client;

the failure of Altisource and Ocwen to effectively perform their obligations under their agreements with us and Residential;

general economic and market conditions; and governmental regulations, taxes and policies.

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, except to the extent required by applicable laws. For a further discussion of these and other factors that could cause our future results to differ materially from any forward-looking statements contained herein, please refer to the section Item 1A. Risk Factors.

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Part I

Item 1. Business.

Overview

We were incorporated in the United States Virgin Islands on March 15, 2012, which we refer to as inception. On December 21, 2012, which we refer to as the separation date, we separated from Altisource and became a stand-alone publicly traded company through the contribution to us by Altisource of $5 million of equity capital and the distribution of our shares of common stock to the stockholders of Altisource. Our primary business is to provide asset management and certain corporate governance services to institutional investors. Our primary client currently is Altisource Residential Corporation, which we refer to as Residential, under a 15-year asset management agreement, which we refer to as the asset management agreement. Residential is a public REIT that acquires and manages single-family rental properties by acquiring sub-performing and non-performing mortgage loans throughout the United States. Subsequent to our separation from Altisource on December 21, 2012, we immediately commenced operations. In October 2013, we applied for and were granted registration by the SEC as a registered investment adviser under section 203(c) of the Investment Advisers Act of 1940.

We have a capital light operating strategy with profits available for share repurchases and dividends. Initially, Residential is our primary source of revenue and will drive our potential future growth. The asset management agreement with Residential entitles us to incentive fees, which we refer to as our incentive management fee, that will give us a share of Residential s cash flow available for distribution to its shareholders as well as reimbursement for certain overhead and operating expenses. Accordingly, our operating results are highly dependent on Residential s ability to achieve positive operating results.

We have concluded that Residential is a variable interest entity (VIE) because Residential s equity holders lack the ability through voting rights to make decisions about Residential s activities that have a significant effect on the success of Residential. We have also concluded that we are the primary beneficiary of Residential because, under the asset management agreement, we have the power to direct the activities of Residential that most significantly impact Residential s economic performance including establishing Residential s investment and business strategy. As a result, we consolidate Residential in our consolidated financial statements.

In addition to the services we provide to Residential, we provide management services to NewSource Reinsurance Company Ltd., which we refer to as NewSource, a Bermuda title insurance and reinsurance company. In October 2013, we invested $2.0 million in NewSource and received 100% of the common stock of NewSource, representing 2,000,000 shares. Simultaneously, Residential invested $18.0 million in NewSource and received 100% of the non-voting preferred stock of NewSource. Because we own 100% of voting common stock of NewSource and there are no substantive kick-out rights granted to other equity owners, we consolidate NewSource in our consolidated financial statements. On December 2, 2013, NewSource became registered as a licensed reinsurer with the Bermuda Monetary Authority (BMA).

Our Business Strategy

Our business strategy is to:

provide asset management services to Residential to generate a growing stream of cash available for distribution to its shareholders and thereby growing our earnings;

facilitate Residential s generation of a steady, stable cash flow stream from its preferred investment in NewSource;

provide management services to NewSource and

develop additional scalable investment strategies and vehicles by leveraging the expertise of our management team.

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Our Expertise

Our senior management team includes individuals with decades of experience in the real estate, mortgage, housing and asset management markets. Throughout their careers, our executives have managed various real estate-related businesses and executed structured real estate and financing transactions through multiple market cycles. We have also internally developed a valuation model that uses proprietary historical data to evaluate and project the performance of residential mortgage loans.

Asset Management Agreement

Under our asset management agreement with Residential we are responsible for, among other duties: (1) performing and administering Residential s day-to-day operations, (2) defining investment criteria in cooperation with Residential s Board of Directors, (3) sourcing, analyzing and executing asset acquisitions for Residential, including its acquisition of sub-performing and non-performing residential mortgage loan portfolios and related financing activities, (4) analyzing sales of properties, (5) overseeing Ocwen s servicing of Residential s residential mortgage loan portfolios, (6) overseeing Altisource s renovation, leasing and property management of Residential s single-family rental properties , (7) performing asset management duties and (8) performing corporate governance and other management functions, including financial, accounting and tax management services. We provide Residential with a management team and appropriate support personnel who have substantial sub-performing and non-performing loan portfolio experience. Our management also has significant corporate governance experience that enables Residential to manage its business and organizational structure efficiently. We have agreed not to provide the same or substantially similar services to any other party so long as Residential and its operating partnership have on hand an average of $50,000,000 in capital available for investment over the previous two fiscal quarters. Notwithstanding the foregoing, we may engage in any other business or render similar or different services to others including, without limitation, the direct or indirect sponsorship or management of other investment based accounts or commingled pools of capital, however structured, having investment objectives similar to those of Residential or its operating partnership, so long as our services to Residential and its operating partnership are not impaired thereby.

Incentive Management Fee

Under the asset management agreement with Residential, we earn quarterly incentive management fees as follows:

i. 2% of all cash available for distribution by Residential to its stockholders and to us as incentive management fees, which we refer to as available cash, until the aggregate amount per share of available cash for the quarter (based on the average number of shares of Residential s common stock outstanding during the quarter), which we refer to as the quarterly per share distribution amount, exceeds $0.161, then

ii. 15% of all additional available cash for the quarter until the quarterly per share distribution amount exceeds $0.193, then

iii. 25% of all additional available cash for distribution by Residential for the quarter until the quarterly per share distribution amount exceeds $0.257, and thereafter

iv. 50% of all additional available cash for distribution by Residential for the quarter;

in each case set forth in clauses (i) through (iv), as such amounts may be appropriately adjusted from time to time to take into account the effect of any stock split, reverse stock split or stock dividend.

Residential will distribute any quarterly distribution to its stockholders after the application of the incentive management fee payable to us.

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We believe that our incentive management fee arrangement with Residential aligns our interests with Residential s stockholders. Unlike incentive fee structures that pay the asset manager fees based on net assets under management or market capitalization, we only earn incentive fees in respect of the amount of Residential s cash available for distribution to its stockholders.

Expense Reimbursement

Pursuant to the asset management agreement, we are reimbursed by Residential on a monthly basis for the (i) direct and indirect expenses we incur or payments we make on Residential s behalf, including, but not limited to, the allocable compensation and routine overhead expenses of all our employees and staff for activities they conduct for Residential and (ii) all other reasonable operating and overhead expenses we incur related to the asset management services we provide to Residential. We are not reimbursed by Residential for any compensation paid to William C. Erbey for his role as our Chairman.

Termination

Residential may not terminate the asset management agreement without cause during the first 24 months of its term. Following such 24-month period, Residential may terminate the asset management agreement without cause upon the determination of at least two-thirds of its independent directors that (i) there has been unsatisfactory performance by us that is materially detrimental to Residential, or (ii) the compensation payable to us under the asset management agreement is unreasonable, unless we agree to amend our compensation by an amount or in a manner that at least two-thirds of Residential s independent directors determine is reasonable.

We may terminate the asset management agreement without cause by providing written notice to Residential no later than 180 days prior to December 21 of any year during the initial term or a renewal term, and the asset management agreement will terminate on the December 21 following the delivery of such notice.

Residential will be required to pay us a termination fee in the event that the asset management agreement is terminated as a result of (i) a termination by Residential without cause, (ii) a termination by us as a result of Residential s becoming regulated as an investment company under the Investment Company Act, or (iii) a termination by us if Residential defaults in the performance of any material term of the asset management agreement (subject to a notice and cure period).

The termination fee will be equal to three times the average annual incentive management fee earned by us during the prior 24-month period immediately preceding the date of termination, calculated as of the end of the most recently completed fiscal quarter prior to the date of termination.

Residential s Business Strategy

Overview

We believe that Residential s business model provides it with operating capabilities that are difficult to replicate and positions it to capitalize on substantial market opportunities. Specifically, we believe that Residential s differentiated acquisition strategy which is focused on acquiring sub-performing and non-performing mortgage loans, provides it with multifaceted loan resolution methodologies through Ocwen and access to an established, nationwide renovation and property management infrastructure. We believe this provides Residential with multiple avenues of value creation that will help it to achieve its business objective of generating attractive risk-adjusted returns for its stockholders primarily through dividends and secondarily through capital appreciation.

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Acquisition Strategy

We expect that Residential will continue to acquire single-family rental properties primarily through the acquisition of sub-performing and non-performing loan portfolios. Based on the experience of our management team, we believe that this distressed loan channel gives Residential a cost advantage over other acquisition channels such as foreclosure auctions and REO acquisitions because:

- we believe there are fewer participants in the sub-performing and non-performing loan marketplace than in the foreclosure auction and other REO acquisition channels due to the large size of portfolios offered for sale on an all or none basis and the required operational infrastructure involved in servicing loans and managing single-family rental properties across various states. We believe the relatively lower level of competition for sub-performing and non-performing loans, combined with growing supply, provides buyers with the opportunity for a higher discount rate relative to the foreclosure auction and other REO acquisition channels resulting in a relatively lower cost to ultimately acquire single-family rental properties; and

- we believe that Residential will be able to purchase residential mortgage loans at a lower price than REO properties because sellers of such loans will be able to avoid paying the costs typically associated with home sales, such as broker commissions and closing costs of up to 10% of gross proceeds of the sale. We believe this will motivate the sellers to accept a lower price for the sub-performing and non-performing loans than they would if selling REO.

Multifaceted Loan Resolution Methodologies

We believe that Residential s 15-year servicing agreement with Ocwen will allow Residential to acquire a high volume of non-performing mortgage loans due to Ocwen s established distressed mortgage loan servicing techniques and platforms. Through the relationship with Ocwen, Residential employs various loan resolution methodologies with respect to its residential mortgage loans, including loan modification, collateral resolution and collateral disposition. To help Residential achieve its business objective, we intend to focus on (1) converting a portion of Residential s sub-performing and non-performing loans to performing status and (2) managing the foreclosure process and timelines with respect to the remainder of those loans.

Residential s preferred resolution methodology is to modify the sub-performing and non-performing loans. Once successfully modified, we expect that borrowers will typically refinance these loans with other lenders or we will sell the modified loans after establishing a payment history at or near the estimated value of the underlying property, potentially generating attractive returns for Residential. We believe modification followed by refinancing or sale generates near-term cash flows for Residential, provides the highest possible economic outcome for Residential and is a socially responsible business strategy because it keeps more families in their homes. We expect a majority of Residential s residential mortgage loans will enter into foreclosure, ultimately becoming REO that it can convert into single-family rental properties which we believe will generate long-term returns for Residential s stockholders. If an REO property does not meet Residential s rental investment criteria , we expect Residential to engage in REO liquidation to dispose of the property and generate cash for reinvestment in other acquisitions. We believe that the optionality provided by this multifaceted resolution approach will enable Residential to bid on large portfolios in an effective manner as all loans may not be amenable to a single resolution strategy.

Established Nationwide Property Management Infrastructure

We believe that Residential s 15-year master services agreement with Altisource will allow Residential to operate and manage single-family rental properties with efficiency and predictability. This efficiency and predictability is driven by Altisource s technology and global workforce. Altisource has developed a nationwide operating infrastructure consisting of technology, standardized and centrally managed processes. It also has a global back office organization that qualifies vendors, solicits the appropriate vendors to perform requested work, assigns the work to the vendor with the best possible combination of cost and delivery capabilities, verifies that the vendor s work is complete and pays the vendor. This technology and organizational infrastructure allows Altisource to provide services throughout the United States, which we believe provides Residential with the following competitive advantages:

the management of single-family rental properties using Altisource s nationwide vendor network is not dependent upon scale; accordingly, unlike many of Residential s competitors, it does not require a critical size of single-family rental properties in a geographic area to attain operating efficiencies;

sub-performing and non-performing loan portfolios typically contain properties that are geographically dispersed, requiring a cost-effective nationwide property management system; because of Residential s arrangement with Altisource, we believe it is positioned to bid effectively on portfolios with large geographic dispersion;

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Altisource s rental marketing strategy is specifically designed to advertise listings across popular industry-focused websites, utilizing their high organic and paid search rankings to generate large volumes of prospective tenants;

Residential s contracted relationships with nationwide manufacturers and material suppliers, negotiated by Altisource, enable the ordering and delivery management of flooring, appliances, paint, fixtures and lighting for all renovation and unit turn work (i.e. work associated with turnover from one tenant to the next);

Altisource has developed a proprietary inspection and estimating application utilized by third-party inspection vendors to identify required renovation work and prepare detailed scopes of work to provide a consistent end product. In addition, this application catalogs major HVAC systems, appliances and construction materials, enabling more accurate forecasting of long term maintenance requirements; and

Altisource s ongoing tenant management services are coordinated through an internal 24x7 customer service center.

The following illustration provides the structure of the services provided by us under the asset management agreement, Altisource under the master services agreement and Ocwen under the servicing agreement:

Although the Ocwen servicing agreement and Altisource master services agreement are not exclusive arrangements, we believe that these relationships provide Residential with significant competitive advantages with respect to acquiring and maintaining sub-performing and non-performing loans and single-family rental properties. We expect Residential to hold single-family rental property assets over the long-term with a focus on developing brand and franchise value. We also believe that the forecasted growth for the single-family rental marketplace, in combination with our projected asset management and acquisition costs for Residential and its ability to acquire assets nationwide, provides Residential with a significant opportunity to establish it as a leading, externally-managed residential REIT.

Residential s Current Portfolio

In its first year of operations, we advised Residential and conducted portfolio analysis and the bidding process to facilitate the acquisition and growth of Residential s portfolio of residential mortgage loans as follows:

On February 14, 2013, Residential acquired a portfolio of residential mortgage loans, substantially all of which were non-performing, consisting of an aggregate of 460 mortgage loans with approximately $121 million of unpaid principal balance, or UPB, and approximately $94 million in aggregate market value of underlying properties. The portfolio was purchased from Ocwen, and the mortgage loans were originated by an entity unrelated to the seller.

On March 21, 2013, Residential acquired a portfolio of residential mortgage loans, substantially all of which were non-performing, consisting of an aggregate of 230 mortgage loans with approximately $56 million of UPB and approximately $39 million in aggregate market value of underlying properties. The portfolio was purchased from six separate trusts managed by Invesco Advisers, Inc. and the mortgage loans were originated by an entity unrelated to the sellers.

On April 5, 2013, Residential acquired a portfolio of residential mortgage loans, substantially all of which were non-performing, consisting of an aggregate of 720 mortgage loans with approximately $172 million of UPB and approximately $122 million in aggregate market value of underlying properties. The portfolio was purchased from Protium Master Grantor Trust and the mortgage loans were originated by an entity unrelated to the seller.

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On August 26, 2013, Residential acquired a portfolio of residential mortgage loans, substantially all of which were non-performing, consisting of an aggregate of 292 mortgage loans with approximately $82 million of UPB and approximately $67 million in aggregate market value of underlying properties. The portfolio was purchased from several separate trusts managed by Servertis REO, LLC, and the mortgage loans were originated by entities unrelated to the seller.

In August and September 2013, Residential acquired a portfolio of residential mortgage loans, substantially all of which were non-performing, consisting of an aggregate of 1,978 residential mortgage loans with approximately $310 million in UPB and approximately $241 million in aggregate market value of underlying properties. The portfolio was acquired from the U.S. Department of Housing and Urban Development, which we refer to as HUD, and the mortgage loans were originated by various entities unrelated to the seller.

In September and October 2013, Residential acquired a portfolio of residential mortgage loans, substantially all of which were non-performing, consisting of an aggregate of 2,647 mortgage loans with approximately $821 million of UPB and approximately $702 million in aggregate market value of underlying properties. The portfolio was purchased from Bank of America, National Association and certain of its affiliated entities and the mortgage loans were originated by various entities related and unrelated to the sellers.

In November 2013, Residential agreed in principle to acquire a portfolio of residential mortgage loans, substantially all of which were non-performing, consisting of an aggregate of approximately 6,500 mortgage loans with approximately $1.92 billion of UPB and approximately $1.54 billion in aggregate market value of underlying properties. On December 24, Residential completed the first closing under this agreement, consisting of 2,204 mortgage loans, substantially all of which were non-performing, with approximately $657 million of UPB and approximately $530 million in aggregate market value of underlying properties. On January 31, 2014, Residential purchased the remaining loans under this agreement, consisting of 3,421 mortgage loans with approximately $988 million of UPB and approximately $792 million in aggregate market value of underlying properties. The portfolio was purchased from Bank of America, National Association and certain of its affiliated entities, and the mortgage loans were originated by various entities related and unrelated to the sellers.

On December 31, 2013, Residential executed an agreement to acquire a portfolio of residential mortgage loans, substantially all of which were non-performing, consisting of an aggregate of 650 mortgage loans with approximately $121 million of UPB and approximately $94 million in aggregate market value of underlying properties. Pursuant to the terms of the agreement, the acquisition was completed on January 2, 2014, the payment date for the transaction. The portfolio was purchased from several affiliates of Bayview Loan Servicing, LLC, and the mortgage loans were originated by entities both related and unrelated to the sellers.

In December 2013, Residential agreed to acquire from HUD a portfolio of residential mortgage loans, substantially all of which were non-performing, consisting of an aggregate of 164 mortgage loans with approximately $19 million of UPB and approximately $18 million in aggregate market value of underlying properties for an aggregate purchase price of approximately $11 million. In accordance with HUD s requirement that its sales settle in two separate closings, Residential consummated the first closing of this transaction on January 28, 2014, consisting of 66 mortgage loans with $7 million of UPB and $7 million in aggregate market value of underlying properties. We expect Residential to close the remaining portion of the HUD portfolio in the first quarter of 2014. There can be no assurance that Residential will acquire the remainder of the HUD portfolio in whole or in part on a timely basis or at all.

Throughout this annual report, all unpaid principal balance and market value amounts for the portfolios Residential has acquired are provided as of the applicable cut-off date for each transaction unless otherwise indicated. We refer to the assets underlying Residential s completed acquisitions through December 31, 2013 as Residential s Current

Portfolio. The assets underlying Residential s pending acquisitions and the acquisitions it completed after December 31, 2013 are not included in Residential s Current Portfolio.

Residential s mortgage loans become REO properties when it has obtained title to the property through completion of the foreclosure process. Additionally, some of the portfolios Residential purchases may, from time to time, contain a small number of residential mortgage loans that have already been converted to REO. As of December 31, 2013, Residential had 262 REO properties. The aggregate fair value of these 262 REO properties as of December 31, 2013 was approximately $37.1 million, or less than 3% of the total fair value of its Current Portfolio.

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As of December 31, 2013, 14 of Residential s 262 REO properties had been rented and were occupied by tenants, 11 were being listed for rent and 18 were in varying stages of lease preparation. With respect to the remaining 219 REO properties, we were in the process of determining whether 203 of these properties meet Residential s rental profile, and 16 were being held for sale. If the REO property meets Residential s rental profile we determine the extent of renovations that are needed to generate an optimal rent and maintain consistency of renovation specifications for future branding. If we determine that the REO property will not meet Residential s rental profile, we list the property for sale, in some instances after renovations are made to optimize the sale proceeds.

The remainder of Residential s Current Portfolio consists of a diversified pool of residential mortgage loans with the underlying single-family properties located across the United States. The aggregate purchase price of Residential s Current Portfolio for acquisitions completed through December 31, 2013 was 67.9% of the aggregate market value, as determined by the most recent broker price opinion (BPO) provided by the applicable seller for each property in the respective portfolio as of its cut-off date. We cannot assure you that the BPOs accurately reflected the actual market value of the related property at the purported time or accurately reflect such market value today.

The table and chart below do not include the 4,137 mortgage loans that Residential acquired from Bayview, HUD and Bank of America subsequent to December 31, 2013 with an aggregate of $1.1 billion in UPB and aggregate of $892 million of market value of underlying properties. The following table sets forth a summary of the residential mortgage loans in Residential s Current Portfolio as of December 31, 2013 ($ in thousands):

Location	Loan count	Carrying value (1)	UPB	Market value of underlying properties (2)	Weighted average market LTV (3)
Alabama	56	$ 4,994	$ 8,100	$ 6,678	226.1%
Alaska	1	132	197	185	106.3%
Arizona	177	30,738	47,552	38,541	137.1%
Arkansas	44	3,266	5,517	4,568	147.2%
California	1,270	384,956	561,761	507,276	125.4%
Colorado	69	11,273	14,911	14,272	113.5%
Connecticut	73	9,604	20,186	16,351	148.7%
Delaware	32	4,441	7,360	6,320	127.7%
Dist. of Columbia	25	5,687	7,555	8,102	109.8%
Florida	1,342	150,246	297,037	208,875	163.5%
Georgia	263	25,487	46,239	33,700	156.7%
Hawaii	31	8,186	14,457	14,282	106.3%
Idaho	22	2,769	4,239	3,662	125.0%
Illinois	381	40,988	88,529	63,253	186.1%
Indiana	203	15,843	25,897	22,281	130.5%
Iowa	4	203	364	280	137.0%
Kansas	21	1,542	2,254	1,941	127.3%
Kentucky	83	6,815	10,476	9,640	115.9%
Louisiana	13	1,493	2,329	2,551	103.5%
Maine	17	2,070	3,397	3,457	106.2%
Maryland	344	47,332	95,584	70,316	154.2%
Massachusetts	196	29,576	52,941	47,041	123.7%

Michigan	108	10,594	17,715	13,760	178.4%
Minnesota	63	7,892	13,116	10,525	139.6%
Mississippi	21	1,609	2,668	2,266	136.4%
Missouri	76	4,358	8,716	6,376	183.9%
Montana	4	455	711	650	115.5%
Nebraska	9	838	1,461	1,144	135.0%
Nevada	154	22,953	42,866	28,815	170.8%
New Hampshire	15	1,927	3,505	3,114	122.9%
New Jersey	578	78,340	186,523	136,847	162.3%
New Mexico	81	6,493	12,041	10,077	128.5%

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New York	419	68,644	140,870	128,050	125.9%
North Carolina	268	25,070	39,866	33,356	132.8%
North Dakota	1	97	123	138	89.5%
Ohio	108	9,605	16,610	14,642	128.6%
Oklahoma	12	1,598	2,558	2,341	113.6%
Oregon	69	10,269	17,904	15,577	124.6%
Pennsylvania	260	25,633	44,631	37,399	133.3%
Puerto Rico	2	97	224	267	114.2%
Rhode Island	76	5,667	18,324	9,088	236.5%
South Carolina	191	15,929	27,773	22,385	138.4%
South Dakota	4	344	579	525	111.1%
Tennessee	73	7,890	11,593	10,686	121.5%
Texas	190	20,618	26,119	27,727	102.4%
Utah	111	17,159	23,920	22,379	112.3%
Vermont	6	603	1,103	1,095	104.6%
Virginia	58	11,124	17,408		