



# CHMI

CHERRY HILL MORTGAGE  
INVESTMENT CORPORATION

Investor Presentation

December 2017

# Legal Disclaimer

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**FORWARD-LOOKING STATEMENTS.** Certain statements in this presentation may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including without limitation references to potential or expected future cash flows, estimated or expected returns, sometimes referred to as initial IRR, updated IRR, expected IRR, lifetime IRR, life-to-date IRR or current-to-maturity IRR, potential discount rates, potential future investments, expected yields, potential or implied investment multiples, potential or projected future cash flows, expected CRR, CDR, Loss Severities, Loss Rates and Delinquencies. These statements are based on management's current expectations and beliefs and are subject to a number of risks, trends and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements, many of which are beyond our control. Cherry Hill Mortgage Investment Corporation (or "the Company") can give no assurance that its expectations will be attained. Accordingly, you should not place undue reliance on any forward-looking statements contained in this presentation. Risks and uncertainties emerge from time to time, and it is not possible for the Company to predict or assess the impact of every factor that may cause its actual results to differ from those contained in any forward-looking statements. For a description of factors that may cause actual results or performance to differ from the forward-looking statements in this presentation, please review the information under the heading "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, and in other documents filed by the Company with the SEC. The Company's forward-looking statements speak only as of the date of this presentation. Cherry Hill Mortgage Investment Corporation expressly disclaims any obligation to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or change in events, conditions or circumstances on which any statement is based.

**CAUTIONARY NOTE REGARDING EXPECTED RETURNS AND EXPECTED YIELDS.** Expected returns and expected yields are estimates of the annualized effective rate of return that we presently expect to be earned over the expected average life of an investment (i.e., IRR), after giving effect, in the case of returns, to existing leverage and existing hedging costs, and calculated on a weighted average basis. Expected returns and expected yields reflect our estimates of an investment's coupon, amortization of premium or discount, and costs and fees, as well as our assumptions regarding prepayments, defaults and loan losses, among other things. In the case of Servicing Related Assets, these assumptions include, but are not limited to, recapture rates, prepayment rates and delinquency rates. Income recognized by the Company in future periods may be significantly less than the income that would have been recognized if an expected return or expected yield were actually realized, and the estimates we use to calculate expected returns and expected yields could differ materially from actual results. Statements about expected returns and expected yields in this presentation are forward-looking statements. You should carefully read the cautionary statement above under the caption "Forward-looking Statements," which directly applies to our discussion of expected returns and expected yields.

**PAST PERFORMANCE.** Past performance is not a reliable indicator of future results and should not be relied upon for any reason.

## Overview

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**REIT focused on acquiring, investing in and managing residential mortgage assets**



**Strategy – assemble and manage portfolio of real estate-related assets to succeed in varying interest rate environments through acquiring servicing related assets (MSRs) and residential mortgage-backed securities (RMBS)**



**Objective – generate attractive yields and long-term risk-adjusted total returns for our stockholders through dividends and book value preservation**

# Strong Management with Deep Mortgage-Related Investment Experience

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## **Jay Lown**

*President, Chief  
Executive Officer*

- President, CEO and Director from inception.
- 25+ years of experience in the financial services industry and the residential mortgage market
- Prior to joining Cherry Hill, held senior roles in mortgage trading, banking and risk management at UBS and Citigroup, and served as a senior advisor to the Office of Thrift Supervision during the financial crisis

## **Martin Levine**

*Chief Financial  
Officer, Treasurer  
& Secretary*

- CFO, Treasurer and Secretary from inception
- Prior to joining Cherry Hill, built a 25+ year career in senior officer positions, managing the operations of privately held and publicly traded residential and commercial real estate related investment companies
- CPA

## **Julian Evans**

*Chief Investment  
Officer*

- 20+ years of experience in financial services
- Prior to joining Cherry Hill, served as Head of the MBS Sector Team and Senior Portfolio Manager for Deutsche Asset Management from April 2004 to September 2012
- Led a team that managed RMBS assets for institutional, insurance and retail clients

# Investment Highlights

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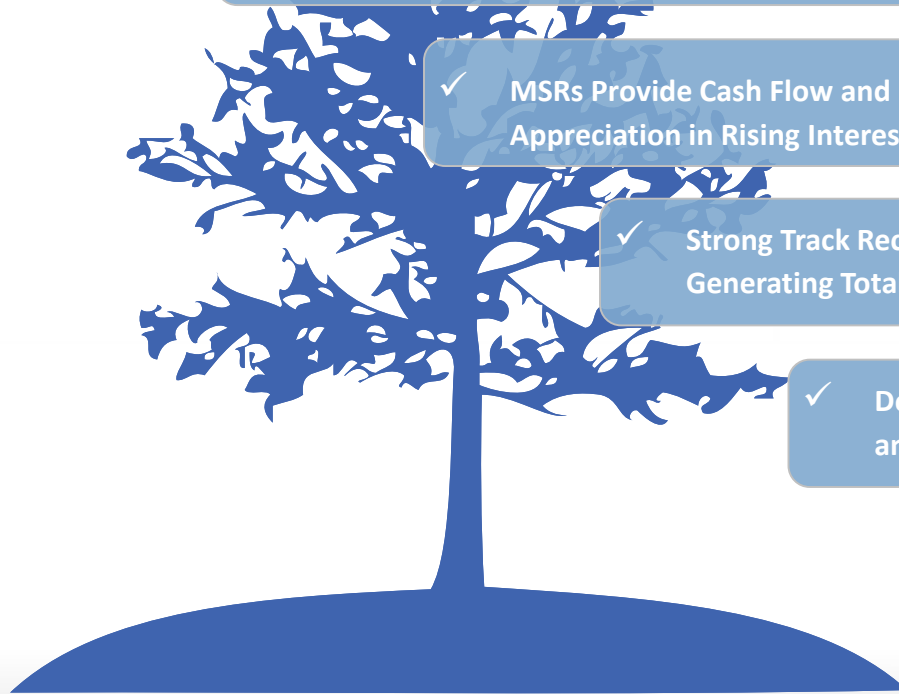
✓ Proven and Disciplined Strategy for Taking Advantage of Opportunities in the Mortgage Marketplace

✓ Agency RMBS Provide Cash Flow, Flexibility to Target Opportunities and Manage Portfolio Duration

✓ MSR's Provide Cash Flow and Opportunity for Capital Appreciation in Rising Interest Rate Environment

✓ Strong Track Record of Performance – Protecting Book Value and Generating Total Return

✓ Deeply Experienced Management Team Originating, Servicing and Investing in Residential Mortgage Related Assets



# Proven, Disciplined Investment Strategy Generating Stable Performance Across Multiple Interest Rate Environments

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## Servicing Related Assets

- ✓ Deploy capital in Servicing Related Assets
- ✓ Purchase Full MSRs on a bulk basis and on a flow basis from third parties
- ✓ Opportunistically evaluate potential Excess MSR transactions with counterparties seeking liquidity
- ✓ Potential for asset value appreciation in a rising interest rate environment

✓ **Target Gross Return on Equity: 10 to 15% <sup>(1)(2)</sup>**

## Targeted Agency RMBS

- ✓ Focus on maintaining a portfolio that performs well in both rising and declining rate environments
- ✓ Target pools of loans with better prepayment protection characteristics
- ✓ Target pools that exhibit a more defined duration characteristic
- ✓ Selective regarding asset selection

✓ **Target Gross Return on Equity: 11 to 14% <sup>(1)(2)(3)</sup>**

- 
1. Does not include management fee and G&A expenses. Target gross returns on equity are based on management's current expectations and assumptions, and actual gross returns on equity could be lower than currently targeted.
  2. Assumes Leverage.
  3. Target gross return on equity for Agency RMBS assumes hedging costs.

# Strong Total Return Performance

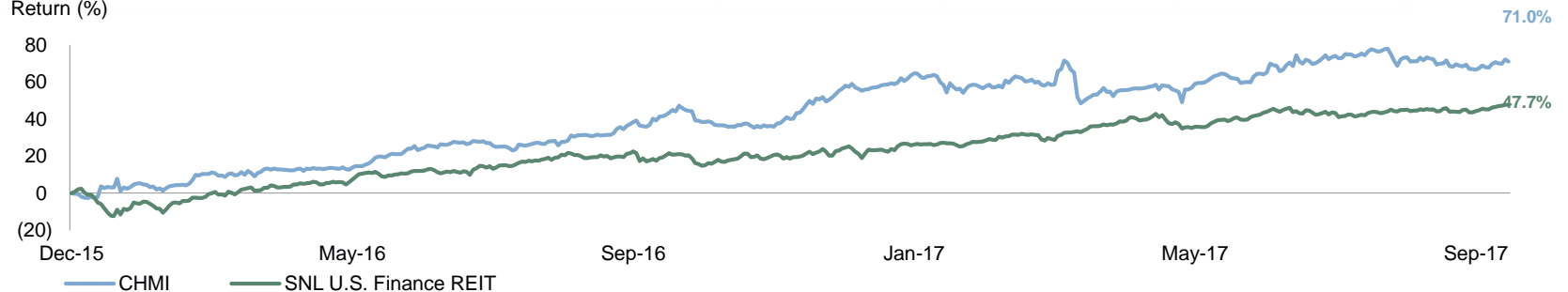
## Performance History Highlights

- Strong results over past 24 months
  - Delivered total stockholder return of 71% <sup>(1)</sup>, outperforming peer group
  - Strong core earnings performance
  - Maintained stable dividend profile
  - Preserved book value per share through challenging and historically low rate environments
- Key developments which have enabled this performance include:
  - Acquisition of mortgage company Aurora
  - Strategic divestiture of illiquid Excess MSR
  - Robust recapture efforts to succeed in declining rate environment
  - Significant increase in MSR portfolio

## Strong Total Return <sup>(1)</sup>

December 2015 - Present

Return (%)



Source: SNL Financial

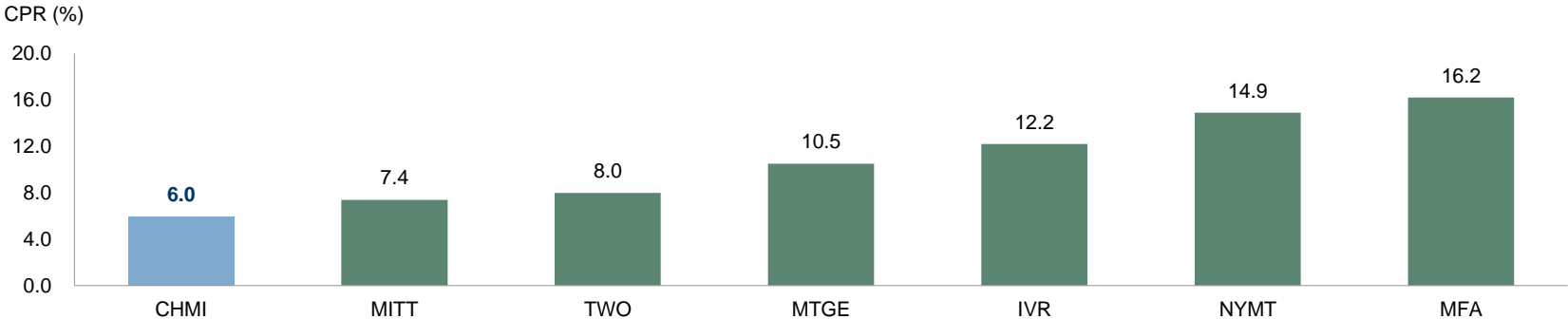
1. All data from 12/31/15 to 9/30/17

# Conservative Risk Profile and Interest Rate Exposure

## Returns are Generated With an Attractive Risk Profile

- Consistently focused on generating positive returns for investors by actively managing the risk profile of the portfolio
- Returns proven to be less sensitive to interest rates over time as a result of portfolio construction focusing on Agency RMBS, MSR's and a swaps-based hedging program
- Rising rate environment is expected to incrementally benefit returns due to the dampening effect on prepayments and the concurrent appreciation in the value of the Company's MSR portfolio

## Low Prepayment Experience Compared to Peers <sup>(1)</sup>



Source: Company Filings  
Notes: Peer financial data represents available financial information as of September 30, 2017 as filed with the SEC  
1. Represents constant prepayment rates for the three months ended September 30, 2017





### Compelling Investment Opportunity, Especially in Rising Rate Environment

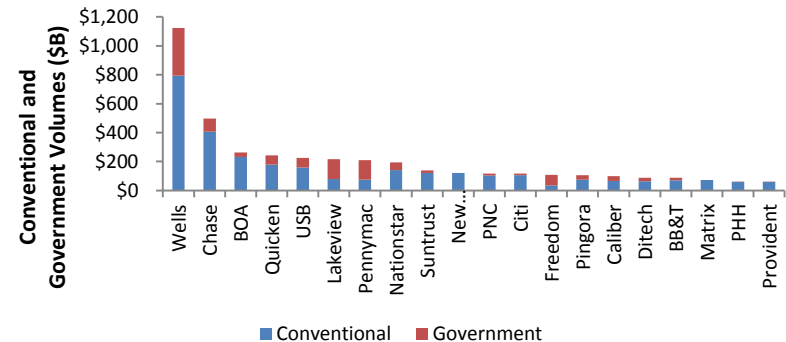
- Aurora acquisition provided Company with FNMA and FHLMC seller/servicer as well as GNMA Issuer approvals and ability to acquire full MSR
- Flexibility to purchase whole MSR provides wider potential market and ability to create Excess MSRs organically
- Actively evaluating and bidding on full MSR portfolios that meet Company's investment criteria
- Diversifies Company's sources of income and investment opportunities

# Housing Market Opportunities as Servicing Rights Continue to Evolve

## Background

- Top 5 conventional servicers hold 45% of the conventional MSR universe<sup>(1)</sup>
- Expect 2018 volume to exceed the \$200bn of UPB of bulk MSR that the company has been offered for purchase in each of the last two years

## Servicing Universe<sup>(1)</sup>



## MSR Origination Channels

### BULK

- ✓ Single transaction
- ✓ Seller aggregates large amount of MSR
- ✓ Price is determined by market on specified bid date
- ✓ Less operationally intensive

### FLOW

- ✓ Monthly sales for a period of time
- ✓ Transfers occur monthly or quarterly
- ✓ Price determined by daily market rates and pricing grids reset quarterly
- ✓ More operationally intensive

## The Role of Large Banks Continues to Decrease<sup>(1)</sup>

Top 10 Conventional Servicers						Top 10 Government Servicers					
Current	Δ	2016 Year End	Current	Δ	2016 Year End	Current	Δ	2016 Year End	Current	Δ	2016 Year End
1 Wells	20%	0%	Wells	20%	Wells	21%	-2%	Wells	23%		
2 Chase	10%	0%	Chase	11%	Lakeview	9%	1%	Pennymac	8%		
3 BOA	6%	-1%	BOA	6%	Pennymac	8%	1%	Lakeview	7%		
4 Quicken	5%	0%	Quicken	4%	Chase	6%	-1%	Chase	6%		
5 USB	4%	0%	USB	4%	Freedom	5%	0%	USB	4%		
6 Nationstar	4%	0%	Nationstar	4%	USB	4%	0%	Freedom	4%		
7 Suntrust	3%	0%	Citi	4%	Quicken	4%	0%	Quicken	4%		
8 New Residential	3%	NA	Suntrust	3%	Nationstar	3%	0%	Nationstar	4%		
9 Citi	3%	-1%	PNC	3%	Carrington	2%	0%	Carrington	3%		
10 PNC	3%	0%	Ditech	2%	USAA	2%	NA	BOA	2%		

1. Source: Inside Mortgage Finance Report – 2Q'17; change from 2016 year-end represents change for current Top 10 Servicers

# MSRs Offer the Potential for Incremental Yield

## Comparison of Strategies

- Portfolio comprised of both RMBS and MSRs exhibits higher return potential with lower leverage
  - MSRs act as a positive carry alternative to payer interest rate swaps in achieving target duration
  - Combined RMBS/MSR portfolios also exhibit less basis risk
  
- Payer interest rate swaps slightly reduce returns but add financial flexibility to the overall portfolio

1

## RMBS / Swaps

	Capital	Asset / Liability	Yield	ROE	Leverage	Duration
Agency RMBS	\$ 150	\$ 1,350	3.10%	10.63%	8.0	4.0
Repo		\$ 1,200	-1.55%			
5Yr Swaps		\$ 1,125	-0.65%			(4.8)
MSR						
MSR Financing						
<b>TOTAL</b>	<b>\$ 150</b>			<b>10.63%</b>	<b>8.0</b>	<b>0.0</b>

2

## RMBS / MSR

	Capital	Asset / Liability	Yield	ROE	Leverage	Duration
Agency RMBS	\$ 87	\$ 785	3.10%	15.50%	8.0	4.0
Repo		\$ 698	-1.55%			
5Yr Swaps		\$ -	-0.65%			(4.8)
MSR	\$ 63	\$ 126	8.00%	11.00%	1.0	(25.0)
MSR Financing		\$ 63	-5.00%			
<b>TOTAL</b>	<b>\$ 150</b>			<b>13.62%</b>	<b>5.1</b>	<b>-</b>

3

## RMBS / MSR / Swaps

	Capital	Asset / Liability	Yield	ROE	Leverage	Duration
Agency RMBS	\$ 98	\$ 878	3.10%	14.27%	8.0	4.0
Repo		\$ 780	-1.55%			
5Yr Swaps		\$ 184	-0.65%			(4.8)
MSR	\$ 53	\$ 105	8.00%	11.00%	1.0	(25.0)
MSR Financing		\$ 53	-5.00%			
<b>TOTAL</b>	<b>\$ 150</b>			<b>13.13%</b>	<b>5.6</b>	<b>0.0</b>

Note: figures in millions

The above scenarios are intended to illustrate the potential benefits of hedging interest rates with MSRs. The numbers used in the scenarios above are hypothetical amounts and are not based on our financial results, nor are they projections of our results. The above scenarios are provided for illustration purposes only and may not represent all assumptions used. Actual results of portfolio may differ. Above scenarios assume the aggregate portfolios have a zero duration gap

## Transformational MSR Trade with Freedom Mortgage

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- **Successful sale back to Freedom Mortgage of Excess MSR**s originally acquired at IPO
- Received one-time gain of \$15 million, recognized in 4Q16 and 1Q17; doubled size of servicing portfolio through acquisition of Ginnie Mae MSR
s as part of consideration

### Key benefits:

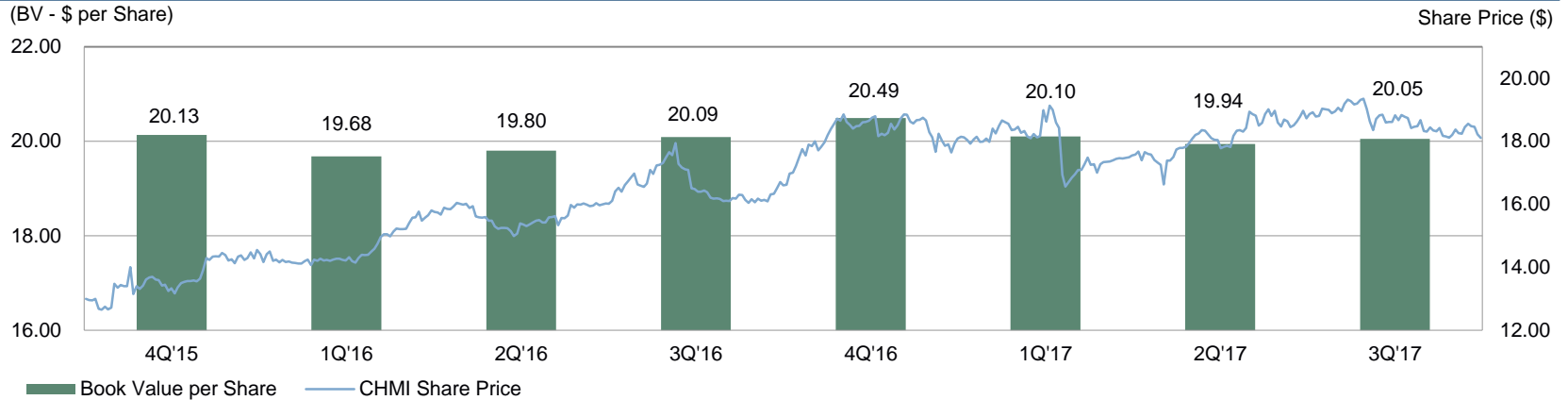
- Significantly increased flexibility of portfolio by selling highly illiquid asset
- Materially reduced counterparty risk through elimination of exposure to Freedom's \$60+ billion Ginnie Mae MSR portfolio
- Obtained approval to acquire full Ginnie Mae MSR
s, expanding and diversifying sourcing capabilities- Completed transition into full MSR-focused strategy

### Entered into 24 month agreement with RoundPoint Mortgage Servicing Corporation for MSR flow purchases

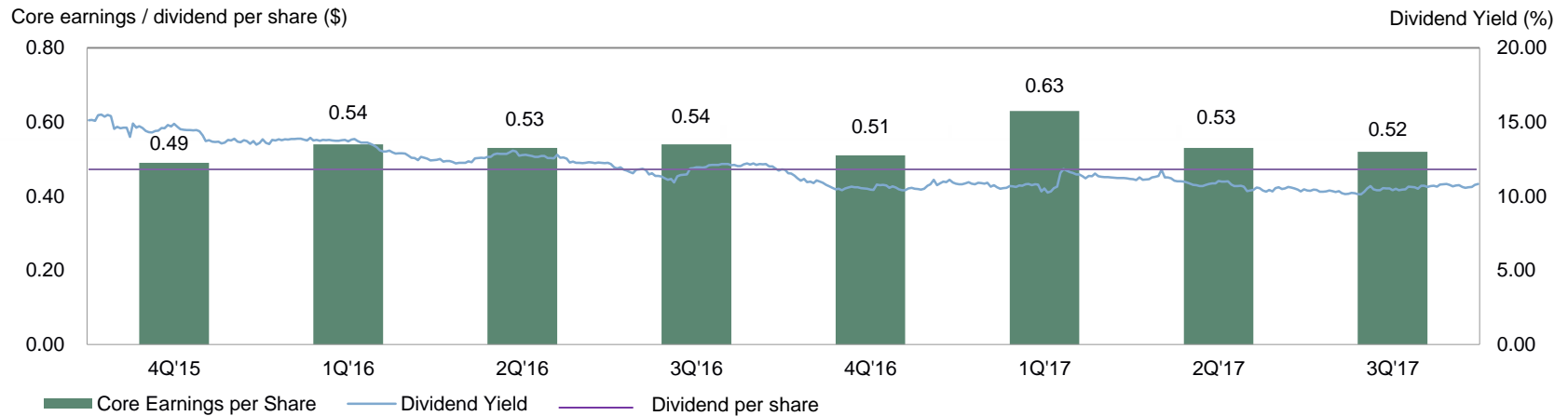
- Ability to purchase up to \$2 billion per month of conventional MSRs originated through RoundPoint's co-issue program
- MSRs subserviced by RoundPoint for Aurora
  - Partner with strong servicing capabilities
  - Creates additional stability with customer by keeping asset with subservicer
  - Diversifies subservicing relationships, lowers counterparty risk
- Provides alternative to the traditional bulk bid-in-comp process to deploy capital
  - Ability to purchase assets monthly provides consistent flow critical to success rather than choppy bulk purchases
  - Creates potential for more attractive yield than bulk process

# Focus on Producing Total Return

## Book Value Per Share and Share Price<sup>(1)</sup>



## Core Earnings, Dividend Per Share and Dividend Yield<sup>(1)</sup>



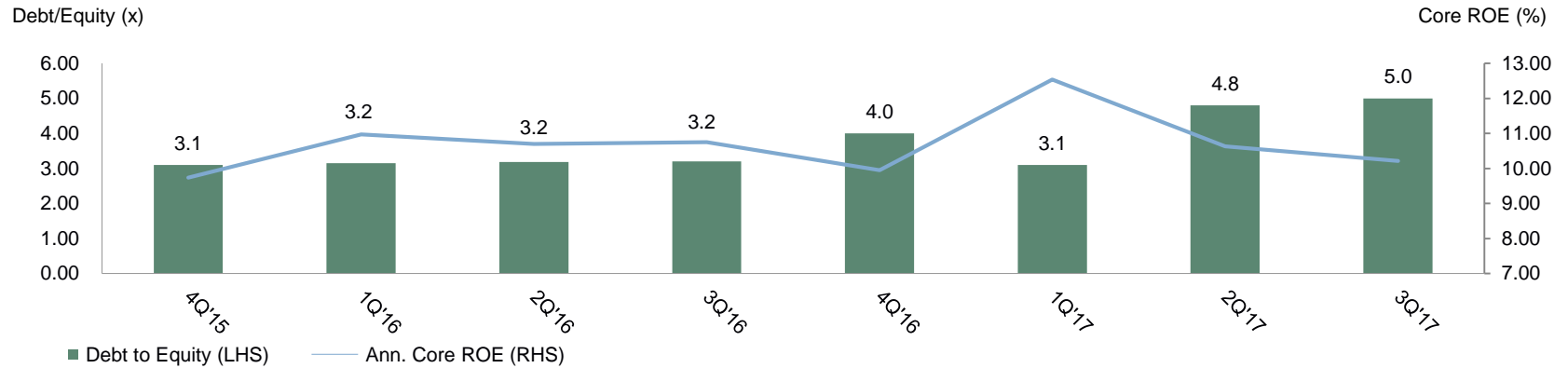
Source: SNL Financial

1. All data from 12/31/15 to 9/30/17

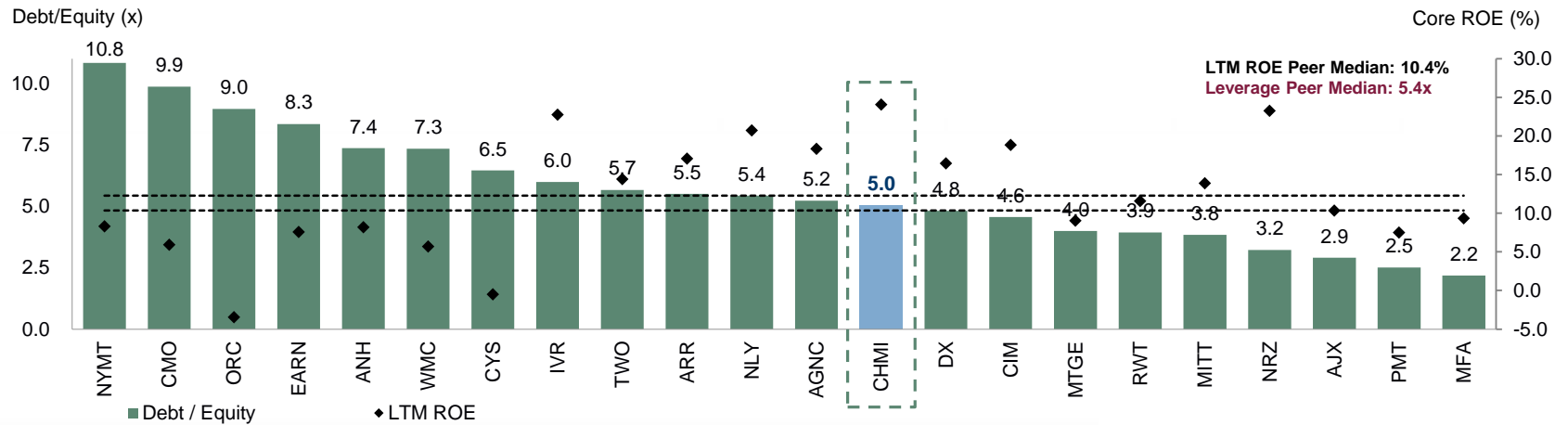
2. As of September 30, 2017, share price was \$18.10 and dividend yield was 10.8%

# Compelling Risk-Return Profile

## Return on Equity & Debt/Equity<sup>(1)</sup>



## Total Debt/Equity as of September 30, 2017<sup>(1)</sup>



Source: SNL Financial, Company filings

1. Total debt/equity and return on equity as of most recent quarter reported

## Well Positioned for Success

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- **Delivered consistent performance in adverse interest rate environment relative to IPO thesis**
  - Original strategy designed to excel in rising rate environment and protect capital when rates declined
  - Rates fell nearly 50% since IPO while capital was preserved
- **Positioned Company over last couple of years for rate inflection and MSR growth**
  - Acquired Aurora and its licenses
  - Now able to bid on, win and service sizable quantities of whole MSRs
- **Prudently put capital to work in a risk adjusted manner**
- **Remained disciplined and patient to grow the business, and now in much more advantageous capital position to act**



# Investment Highlights

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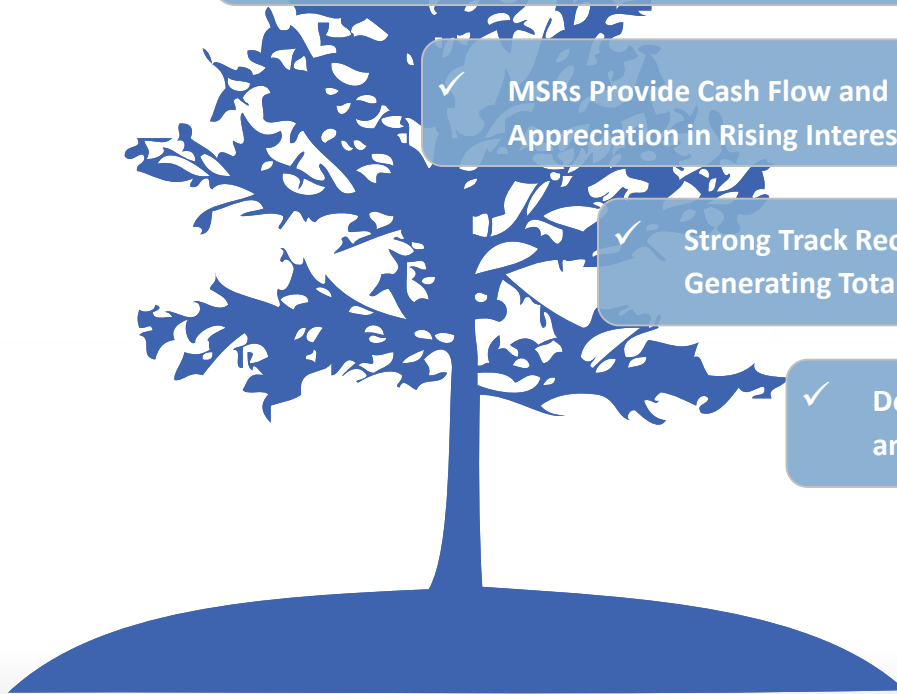
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## Appendix

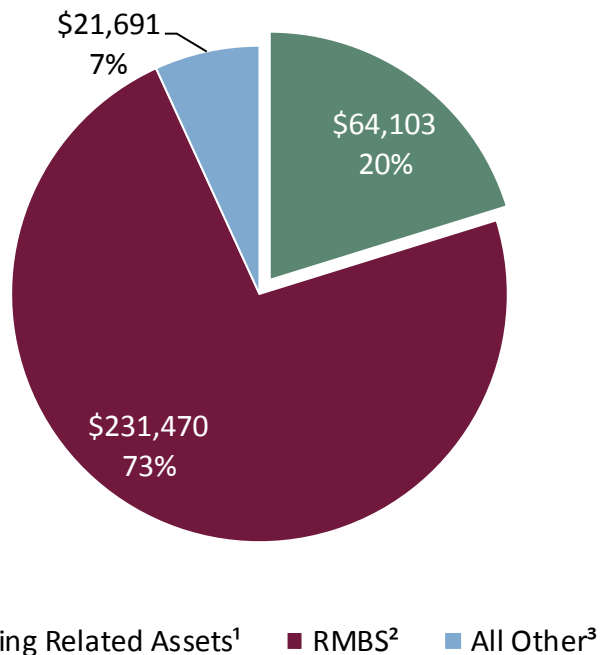
# Aggregate Investment Portfolio Composition

(unaudited)

Third Quarter 2017

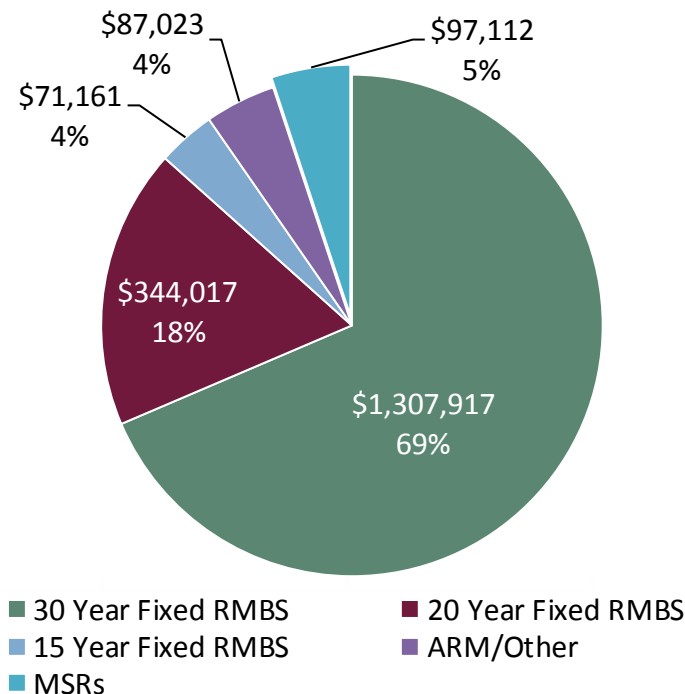
## Equity Investment Composition:

\$317,264



## Aggregate Investment Portfolio Composition:

\$1,907,230<sup>4</sup>



Servicing Related Assets represented approximately 20% of equity and 5% of assets at September 30, 2017.

Note: All financial information As of September 30, 2017, unless otherwise noted. Figures in thousands, unless otherwise noted.

1. Comprised of MSRs and other related assets.
2. Comprised of RMBS and other related assets and liabilities.
3. Comprised of non-invested assets and liabilities.
4. Excludes cash and other derivatives. Includes TBAs of approximately \$56 million.

# Balance Sheet

(unaudited)

Appendix

<b>Consolidated Balance Sheets</b>			
	<u>September 30, 2017</u>	<u>December 31, 2016</u>	
<b>Assets</b>			
RMBS, available-for-sale (including pledged assets of \$1,623,840 and \$608,560, respectively)	\$ 1,754,374	\$ 671,904	
Investments in Servicing Related Assets at fair value (including pledged assets of \$97,112 and \$61,263, respectively)	97,112	61,263	
Cash and cash equivalents	33,899	15,824	
Restricted cash	27,956	22,469	
Derivative assets	8,203	9,121	
Receivables and other assets	13,861	12,297	
<b>Total Assets</b>	<b>\$ 1,935,405</b>	<b>\$ 792,878</b>	
<b>Liabilities and Stockholders' Equity</b>			
<b>Liabilities</b>			
Repurchase agreements	\$ 1,561,074	\$ 594,615	
Derivative liabilities	2,965	694	
Notes payable	34,533	22,886	
Dividends payable	6,827	4,816	
Due to affiliates	3,238	1,894	
Payables for unsettled trades	-	6,202	
Accrued expenses and other liabilities	9,504	5,762	
<b>Total Liabilities</b>	<b>\$ 1,618,141</b>	<b>\$ 636,869</b>	
<b>Stockholders' Equity</b>			
Series A Preferred stock, \$0.01 par value, 100,000,000 shares authorized and 2,400,000 shares issued and outstanding as of September 30, 2017 and 100,000,000 shares authorized and 0 shares issued and outstanding as of December, 31, 2016, liquidation preference of \$60,000 as of September, 30, 2017	\$ 57,917	\$ -	
Common stock, \$0.01 par value, 500,000,000 shares authorized and 12,721,464 shares issued and outstanding as of September 30, 2017 and 500,000,000 shares authorized and 7,525,348 shares issued and outstanding as of December, 31, 2016	127	75	
Additional paid-in capital	229,583	148,457	
Retained earnings	22,753	12,093	
Accumulated other comprehensive income (loss)	4,740	(6,393)	
<b>Total Cherry Hill Mortgage Investment Corporation Stockholders' Equity</b>	<b>\$ 315,120</b>	<b>\$ 154,232</b>	
Non-controlling interests in Operating Partnership	2,144	1,777	
<b>Total Stockholders' Equity</b>	<b>\$ 317,264</b>	<b>\$ 156,009</b>	
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 1,935,405</b>	<b>\$ 792,878</b>	

Note: Figures presented are rounded. As of September 30, 2017. Dollars in thousands.

# Income Statement

(unaudited)

Appendix

## Consolidated Statements of Income

	Three Months Ended September 30,	
	2017	2016
<b>Income</b>		
Interest income	\$ 11,932	\$ 7,157
Interest expense	6,096	1,877
Net interest income	5,836	5,280
Servicing fee income	6,307	2,365
Servicing costs	1,626	641
Net servicing income (loss)	4,681	1,724
Other income (loss)		
Realized gain (loss) on RMBS, net	(169)	770
Realized gain (loss) on derivatives, net	(1,480)	(2,147)
Unrealized gain (loss) on derivatives, net	1,684	3,199
Unrealized gain (loss) on investments in Excess MSR's	-	117
Unrealized gain (loss) on investments in MSR's	(2,334)	(1,847)
<b>Total Income</b>	<b>\$ 8,218</b>	<b>\$ 7,096</b>
<b>Expenses</b>		
General and administrative expense	948	864
Management fee to affiliate	948	802
<b>Total Expenses</b>	<b>\$ 1,896</b>	<b>\$ 1,666</b>
<b>Income (Loss) Before Income Taxes</b>	<b>6,322</b>	<b>5,430</b>
(Benefit from) provision for corporate business taxes	(537)	(89)
<b>Net Income (Loss)</b>	<b>\$ 6,859</b>	<b>\$ 5,519</b>
Net (income) loss allocated to noncontrolling interests in Operating Partnership	(93)	(77)
Dividends on preferred stock	593	-
<b>Net Income (Loss) Applicable to Common Stockholders</b>	<b>\$ 6,173</b>	<b>\$ 5,442</b>
<b>Net income (Loss) Per Share of Common Stock</b>		
Basic	\$ 0.49	\$ 0.72
Diluted	\$ 0.49	\$ 0.72
<b>Weighted Average Number of Shares of Common Stock Outstanding</b>		
Basic	12,700,348	7,511,653
Diluted	12,711,776	7,528,188

Note: Figures presented are rounded. As of September 30, 2017. Dollars in thousands, except per-share figures.

# Comprehensive Income

(unaudited)

Appendix

<b>Consolidated Statement of Comprehensive Income</b>		
	<b>Three Months Ended September 30,</b>	
	<b>2017</b>	<b>2016</b>
Net income (loss)	\$ 6,859	\$ 5,519
<b>Other comprehensive income (loss):</b>		
Net unrealized gain on RMBS	3,405	1,110
Reclassification of net realized (gain) loss on RMBS included in earnings	169	(770)
Other comprehensive income	3,574	340
<b>Comprehensive income</b>	<b>\$ 10,433</b>	<b>\$ 5,859</b>
Comprehensive income attributable to noncontrolling interests in Operating Partnership	\$ 142	\$ 99
Dividends on preferred stock	593	-
Comprehensive income attributable to common stockholders	\$ 9,698	\$ 5,760

Note: Figures presented are rounded. As of September 30, 2017. Dollars in thousands.

# Core Earnings

(unaudited)

Appendix

## Core Earnings

	Three Months Ended September 30,	
	2017	2016
Net income (loss)	\$ 6,859	\$ 5,519
<b>Other comprehensive income (loss):</b>		
+ Realized (gain) loss on RMBS, net	169	(770)
+ Realized (gain) loss on investments in Excess MSRs, net	-	-
+ Realized loss on derivatives, net	1,480	2,147
+ Unrealized (gain) loss on derivatives, net	(1,684)	(3,199)
+ Unrealized (gain) loss on investments in Excess MSRs	-	(117)
+ Unrealized (gain) loss on investments in MSRs	2,334	1,847
+ Tax (benefit) expense on unrealized (gain) loss on MSRs	(643)	(91)
+ Estimated 'catch up' premium amortization cost	-	21
+ Changes due to realization of expected cash flows	(1,975)	(1,228)
+ Reversal of loss on acquired assets, net	-	-
+ Yield maintenance income	750	-
<b>Total core earnings:</b>	<b>\$ 7,290</b>	<b>\$ 4,129</b>
Core earnings attributable to noncontrolling interests in Operating Partnership	(100)	(76)
Dividends on preferred stock	593	-
<b>Core Earnings Attributable to Common Stockholders</b>	<b>\$ 6,597</b>	<b>\$ 4,053</b>
<b>Core Earnings Attributable to Common Stockholders, per Share</b>	<b>\$ 0.52<sup>1</sup></b>	<b>\$ 0.54<sup>2</sup></b>
<b>GAAP Net income (Loss) Per Share of Common Stock</b>	<b>\$ 0.49</b>	<b>\$ 0.72</b>

Note: Core earnings is a non-GAAP financial measure and is defined by the Company as GAAP net income (loss) applicable to common stockholders, excluding realized gain (loss) on RMBS, realized and unrealized (gain) loss on investments in Excess MSRs and MSRs realized and unrealized gain (loss) on derivatives, realized (gain) loss on acquired assets, and changes in fair value of MSRs primarily due to realization of expected cashflows (runoff). Core earnings is adjusted to exclude outstanding LTIP-OP units in our Operating Partnership and dividends paid on preferred stock. Additionally, core earnings excludes (i) any tax (benefit) expense on unrealized (gain) loss on MSRs and (ii) any estimated catch up premium authorization (benefit) cost due to the use of current rather than historical estimates of constant prepayment rates for amortization of Excess MSRs. Core earnings include yield maintenance payments received in connection with the sale of the Company's Excess MSRs. Core earnings are provided for purposes of comparability to other issuers that invest in residential mortgage-related assets. The Company believes providing investors with core earnings, in addition to related GAAP financial measures, gives investors greater transparency into the Company's ongoing operational performance. The concept of core earnings does have significant limitations, including the exclusion of realized and unrealized gains (losses), and may not be comparable to similarly-titled measures of other peers, which may use different calculations. As a result, core earnings should not be considered a substitute for the Company's GAAP net income (loss) or as a measure of the Company's liquidity.

Note: Figures presented are rounded. Dollars in thousands, except per share figures. As of September 30, 2017.

1. Reflects revised method of calculating MSR amortization.
2. In 4Q 2016 the Company refined its method of calculating amortization of its MSRs to reflect expected cashflows (runoff) from the portfolio. Using this revised method of calculating MSR amortization, core earnings per share for 3Q16 would have been \$0.55.