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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:)	
)	Case No. 12-12020 (MG)
RESIDENTIAL CAPITAL, LLC, <u>et al.</u> ,)	
)	Chapter 11
Debtors.)	
)	Jointly Administered

**TWENTY-FIRST POST-CONFIRMATION STATUS
REPORT OF THE RESCAP LIQUIDATING TRUST**

The ResCap Liquidating Trust (the “**Liquidating Trust**”), as successor in interest to the debtors (collectively, the “**Debtors**”) in the above-captioned cases (the “**Chapter 11 Cases**”), hereby submits this post-confirmation status report for the quarterly period ending on September 30, 2019 (the “**Reporting Period**”), and respectfully represents as follows:

STATUS REPORT

1. On December 11, 2013, the Court entered the *Order Confirming Second Amended Joint Chapter 11 Plan Proposed by Residential Capital, LLC et al. and the Official Committee of Unsecured Creditors* (the “**Confirmation Order**”) [Docket No. 6065] approving the terms of the Chapter 11 plan, as amended (the “**Plan**”), filed in these Chapter 11 Cases [Docket No. 6065-1].¹

¹ Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Plan.



2. On December 17, 2013, the Effective Date of the Plan occurred (the “**Effective Date**”), and the Liquidating Trust was established [Docket No. 6137]. Pursuant to the Plan, the Liquidating Trust was established to wind down the affairs of the Debtors. *See* Plan, Art. VI.

3. On August 13, 2014, the Liquidating Trust filed an application for entry of a post-confirmation order (the “**Post-Confirmation Order**”) [Docket No. 7385]. On August 26, 2014, the Court entered an amended Post-Confirmation Order [Docket No. 7431]. Pursuant to the Post-Confirmation Order, the Liquidating Trust is required to file quarterly and annual status reports detailing the actions taken by the Liquidating Trust and the progress made toward the consummation of the Plan.

4. Attached hereto as **Exhibit A** is a copy of the Liquidating Trust’s consolidated financial statements and letter to beneficiaries (collectively, the “**Financial Statements**”) detailing the Liquidating Trust’s activity during the Reporting Period. The Financial Statements have been posted to the Liquidating Trust’s website at <http://rescapliquidatingtrust.com>.

NOTICE

5. Notice of this Status Report has been provided to the parties identified on the Special Service List and General Service List, as those terms are defined in the Notice, Case Management, and Administrative Procedures approved by the Court [Docket No. 141], including the Office of the U.S. Trustee for the Southern District of New York.

Dated: November 7, 2019
New York, New York

KRAMER LEVIN NAFTALIS & FRANKEL LLP

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Counsel for the ResCap Liquidating Trust

Exhibit A

ResCap Liquidating Trust

ResCap Liquidating Trust

**Condensed Consolidated Financial Statements
as of and for the Period Ended September 30, 2019
(Unaudited)**

ResCap Liquidating Trust

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ResCap Liquidating Trust

Condensed Consolidated Statement of Net Assets in Liquidation

(Unaudited)

In thousands (except per unit)

Assets:	September 30, 2019	December 31, 2018
Cash and cash equivalents	\$ 106,852	\$ 146,942
Restricted cash	3,475	12,907
Mortgage assets	3,896	13,532
Other receivables	2,319	26,804
Other assets	1,033	1,321
Total assets	117,575	201,506
Liabilities:		
DOJ/AG consent settlement	-	9,444
Estimated costs to operate Trust	80,810	110,282
Liability for undistributed funds	224	204
Total liabilities	81,034	119,930
Net Assets in Liquidation	\$ 36,541	\$ 81,576
 Total units in the Trust	 98,859,354	 98,859,354
Net assets per authorized unit	\$ 0.37	\$ 0.83

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

ResCap Liquidating Trust

Condensed Consolidated Statement of Cash Receipts and Disbursements

(Unaudited)

In thousands

	Quarter ended September 30, 2019	Year to date ended September 30, 2019	Effective Date through September 30, 2019
Receipts			
Receipts on assets held for sale	\$ 4,522	\$ 8,306	\$ 640,523
Litigation / claim recoveries	183	76,858	1,255,286
Other receipts	2,247	5,956	164,988
Plan settlements	-	-	2,100,000
Total receipts	6,952	91,120	4,160,797
Disbursements			
Claims and settlement	-	-	(1,642,074)
DOJ / AG consent settlement	1	(65)	(88,211)
Costs to operate the Trust	(8,318)	(40,596)	(657,395)
Total disbursements	(8,317)	(40,661)	(2,387,680)
Distributions			
Declared distribution	-	(100,000)	(3,370,000)
Recaptured distribution	-	-	29,506
Change in undistributed funds	-	19	224
Total distributions	-	(99,981)	(3,340,270)
Net cash flow	(1,365)	(49,522)	(1,567,153)
Cash and restricted cash, beginning of period	111,692	159,849	1,677,480
Cash and restricted cash, September 30, 2019	\$ 110,327	\$ 110,327	\$ 110,327

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

ResCap Liquidating Trust

Condensed Consolidated Statement of Changes in Net Assets in Liquidation

(Unaudited)

In thousands (except per unit)

	Quarter to date ended September 30, 2019	Year to date ended September 30, 2019	Effective Date through September 30, 2019
Net cash flow	\$ (1,365)	\$ (49,522)	\$ (1,567,153)
Other non-cash changes:			
Increase (decrease) in asset value assumptions	241	(2,066)	(54,686)
(Increase) decrease in costs to operate the Trust	518	(11,107)	(531,816)
(Increase) decrease in DOJ/AG consent settlement	1	9,379	(7,550)
Basis of assets/liabilities liquidated/resolved	4,415	8,300	(317,631)
(Increase) decrease in distributions held for Beneficiaries	-	(19)	(224)
Total non-cash changes	5,175	4,487	(911,907)
Total increase (decrease) in net assets	3,810	(45,035)	(2,479,060)
Net assets in liquidation, beginning of period	32,731	81,576	2,515,601
Net assets in liquidation, September 30, 2019	\$ 36,541	\$ 36,541	\$ 36,541

Per unit information:

	\$ per Unit	\$ per Unit	\$ per Unit
Net assets per unit, beginning of period	\$ 0.33	\$ 0.83	\$ 25.16
Impact of cancelled units on beginning balance	-	-	0.29
Revised beginning of period balance	0.33	0.83	25.45
Recognition of cancelled unit prior period distributions	-	-	-
Increase in net assets per unit	0.04	0.55	8.71
Declared distributions per unit	-	(1.01)	(33.79)
Net asset per unit, September 30, 2019	\$ 0.37	\$ 0.37	\$ 0.37

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

ResCap Liquidating Trust

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Description of Business and Basis of Presentation

The ResCap Liquidating Trust ("Trust") was formed in connection with the Plan of Reorganization under chapter 11 of the United States Bankruptcy Code ("Plan") in the bankruptcy case of Residential Capital, LLC ("ResCap"). The Plan became effective on December 17, 2013 ("Effective Date").

Units of beneficial interest ("Units") were issued by the Trust. The Units entitle their holders ("Beneficiaries") to receive a proportionate amount of cash distributions ("Declared Distributions") made by the Trust.

Basis of Presentation

The unaudited Condensed Consolidated Financial Statements (the "Statements") reflect the accounts of the Trust and subsidiaries after eliminating all significant intercompany balances and transactions. The Statements reflect all adjustments that are, in management's opinion, necessary for the fair presentation of the results for the periods presented. The Statements have not been prepared in accordance with generally accepted accounting principles; rather they have been prepared using a liquidation basis of accounting, which the Trust considers an appropriate basis of accounting at this time. The assets are stated at their estimated net realizable value, which is the amount of cash into which an asset is expected to be converted during the liquidation period. The Trust also accrues costs that it expects to incur through the end of its liquidation. The Trust will record and value affirmative settlements or judgments when realized and collectability is reasonably anticipated. The Trust does not accrue contingent costs.

These Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto for the year ended December 31, 2018.

2. Restricted Cash

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

	September 30, 2019	December 31, 2018
DOJ/AG consent settlement reserve	\$ -	\$ 9,444
Servicer Escrow	3,251	3,259
Distributions held for Beneficiaries	224	204
Total restricted cash	<u>\$ 3,475</u>	<u>\$ 12,907</u>

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3. Mortgage Assets

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

	September 30, 2019		December 31, 2018	
	Gross Balance	Carry Value	Gross Balance	Carry Value
Mortgage insurance claims (FHA/VA)	\$ 10,839	\$ 3,529	\$ 33,623	\$ 12,219
Non-insured mortgage loans	1,944	-	1,926	-
Real estate owned	1,421	367	1,854	1,313
Trading Securities	178	-	217	-
Total mortgage assets	\$ 14,382	\$ 3,896	\$ 37,620	\$ 13,532

Mortgage insurance claims gross balances are mainly comprised of \$2.8 million of mortgage principal and \$7.9 million of servicing advances. The Trust is actively marketing all real estate owned assets. The Trust carrying value reflects the net present value of the cash flows expected to be received over the lifetime of the mortgage assets. Because of the uncertainties associated with estimating the amounts, timing and likelihood of possible outcomes, actual results could differ from the Trust's estimates.

Mortgage Insurance Claims resolution timelines are subject to asset specific hurdles, including but not limited to eviction, litigation, property preservation work to place the property in conveyable condition, and HUD review and approval. During this period, the Trust will continue to advance property related expenses (e.g. legal, taxes, preservation) which are subject to curtailment by HUD.

4. Other Receivables

Other receivables is comprised of the following (in \$000's):

	September 30, 2019	December 31, 2018
Affirmative Matters, net	\$ 2,300	\$ 25,157
Other Receivables	19	1,647
Total other receivables	\$ 2,319	\$ 26,804

5. Estimated Costs to Operate the Trust

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

	September 30, 2019	December 31, 2018
Professional fees (legal, expert, other professional costs)	\$ 45,012	\$ 76,161
Compensation	8,122	12,223
Document management	14,044	11,719
Information technology	5,973	4,089
Other operating costs	7,659	6,090
Total costs to operate the Trust	\$ 80,810	\$ 110,282

The estimated cost to operate the Trust is \$80.8 million reflecting a net decrease of \$8.8 million from the prior quarter. Of the total \$80.8 million, there is \$13.3 million of expenses that have been incurred but not yet paid (\$9.1 million professional fees, \$1.7 million compensation and \$2.5 million other operating costs) and \$67.5

ResCap Liquidating Trust

million of expected future costs for October 2019 through May 2021. Of the future \$67.5 million cost, \$29.1 million supports the on-going RMBS litigation and \$38.4 million represents contractual obligations and the future costs for the operations and winddown of the Trust.

6. Commitments and Contingencies

Litigation

From time to time claims may be asserted against the Trust. At this time, the Trust cannot estimate the possible financial effect of these claims.

Affirmative Matters

The Trust is pursuing various affirmative matters. These include:

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

On June 21, 2019, The Court issued an order awarding the Trust a total of \$68.5 million dollars against Home Loan Center Inc. (“HLC”). On July 19, 2019, HLC filed an appeal of the order to the 8th circuit Court of Appeals. On July 21, 2019, HLC filed Chapter 11 in the Northern District of California (Case 19-51455). On July 31, 2019, the Trust filed a motion to convert the case to a Chapter 7. The jury verdict is now stayed with the filing of HLC bankruptcy. The Trust has filed a case against LendingTree LLC alleging, among other allegations, that LendingTree assumed the HLC liability. Per the Trust’s accounting policy the Trust has not recorded the judgment in these Condensed Consolidated Financial Statements.

During the quarter ended September 30, 2019, the Trust settled and recognized a total of \$2.3 million. The agreements provide for the full and final resolution of any pending or future litigation against the correspondents and a mutual release of all claims relating to residential mortgage loans that the correspondents sold to RFC.

One case is set for trial in early 2020.

- Other affirmative matters. The Trust is party to certain other affirmative matters, including an action against certain insurers for failure to cover certain settlement costs.
- Reservation of rights. The Trust has reserved its rights with respect to other affirmative claims it may bring in the future.

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

Since the Effective Date, through September 30, 2019 and excluding subsequent events, the Trust settled a total of \$1,262.4 million in affirmative matters including \$1,209.8 million in Correspondent Litigation, \$9.7 million in International, and \$42.9 million in other matters. Of the total, \$2.3 million has not yet been received and is recorded in Other Receivables, net of a reserve for uncollectible amounts.

ResCap Liquidating Trust

7. Subsequent Events

Events subsequent to September 30, 2019 were evaluated through November 6, 2019, the date on which these Condensed Consolidated Financial Statements were issued. Subsequent to September 30, 2019, cash related to the \$2.3 million outstanding receivable was collected.

RESCAP

LIQUIDATING TRUST

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Q3 2019 Beneficiary Letter



November 6, 2019

LIQUIDATING TRUST

Dear Beneficiaries:

The Trust has made significant progress in reducing the correspondent cases to just one case, and substantially liquidated the mortgage portfolio. Some key highlights of the successful quarter are outlined below.

On June 21, 2019, the Court issued an order awarding the Trust a total of \$68.5 million dollars against Home Loan Center Inc. ("HLC"). On July 19, 2019, HLC filed an appeal of the order to the 8th circuit Court of Appeals. On July 21, 2019, HLC filed Chapter 11 in the Northern District of California (Case 19-51455). The case has now been converted to a Chapter 7. The jury verdict is now stayed with the filing of HLC bankruptcy. The Trust has filed suit against LendingTree LLC alleging, among other allegations, that LendingTree assumed the HLC liability. Per the Trust's accounting policy, the Trust has not recorded the HLC judgments in these Condensed Consolidated Financial Statements.

As of the date of this letter, the Trust has one open case against Primary Residential Mortgage, Inc which is set for a bench trial in February 2020 in Federal District Court in Minnesota. The Trust has reached an additional settlement in Q3. Settlements total approximately \$1.2 billion since the inception of the Trust through September 30, 2019.

The Trust made progress reducing the remaining mortgage loan portfolio. It continues to work with LoanCare and HUD to pursue claim recoveries with respect to our remaining insured loan portfolio and pursue sales of our Real Estate Owned (REO) properties. As of September 30, 2019, there are 7 assets pending filing of the initial claim with HUD. Carrying value for the mortgage loan portfolio of \$3.9 million represents the Trust's future expected recovery based on the current path for disposition, including the payment of claims filed from HUD. Timing of full recovery of the mortgage loan portfolio is affected by the inherent nature of the troubled assets.

The Administrative Set Aside of \$80.8 million reflects the extension of the Trust through May 2021 to support the continuing work with the correspondent litigation and final wind down actions. Of the total Administrative Set Aside expense, there is \$13.3 million of expenses incurred but not yet paid and \$67.5 million of expected future costs for October 2019 forward. Of the future \$67.5 million cost, \$29.1 million supports the on-going RMBS and other litigation and \$38.4 million represents contractual obligations and the future costs for the operations and winddown of the Trust.

To aid Beneficiaries in their tax reporting, the Trust is providing a quarterly Tax Information Letter and estimated quarterly tax information. The Tax Information Letter is being distributed along with this quarterly Beneficiary Letter.

The Trust's third quarter 2019 financial report and certain tax information have been posted on our website at <http://www.rescapliquidatingtrust.com/#financial-statements>.

RESCAP

LIQUIDATING TRUST

The Board and management of the Trust continue to work diligently towards the goal of maximizing value for Beneficiaries in the most efficient manner possible. We look forward to reporting on the results of our efforts.

Sincerely,



John Ray

Liquidating Trust Manager