

2009

# ANNUAL REPORT

**Walter**  
**INVESTMENT**  
MANAGEMENT CORP.  
MANAGEMENT CORP.  
INVESTMENT  
MANAGEMENT CORP.

## AT A GLANCE

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- **Company:** Walter Investment Management Corp.
- **Ticker:** WAC (NYSE Amex)
- **Employees:** 219
- **Business:** An asset manager, mortgage portfolio owner and mortgage servicer specializing in less-than-prime, non-conforming and other credit-challenged mortgage assets.
- **Our history:** Over our more than 50-year history, we have specialized in a disciplined approach to underwriting, coupled with a high-touch servicing platform. This approach has served us well, especially in the current distressed economic environment.
- **Our difference:** Our high-touch servicing approach relies on our field servicing organization to establish relationships with our customers and to keep delinquencies low. We help our customers stay in their homes by instilling financial discipline and helping them balance the competing demands for their limited financial resources.

## DISCIPLINED, CREDIT-ORIENTED INVESTMENT APPROACH

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Walter Investment Management Corp.'s investment strategy will capitalize on our extensive underwriting experience and market analytics to identify investments primarily in our geographic footprint that have appealing risk-return profiles.

- We expect to invest primarily in residential loans acquired from various public and private sources, including the FDIC, government-sponsored enterprises (GSEs), banks or other holders of these assets.

- We will also consider co-investment, structured transaction, new origination and servicing opportunities, especially servicing opportunities with fee arrangements offering performance-based structures or other attractive terms.

- In addition to current income, we expect to create capital appreciation opportunities by improving the value and performance of sub-performing or non-performing residential loans through our high-touch asset management and servicing platform, loan modification programs and other techniques focused on keeping borrowers in their homes.

- We will apply leverage to transactions prudently, in order to increase potential returns to our shareholders.

We believe our investment strategy must be dynamic and flexible, enabling us to respond to shifts in economic, real estate and capital markets conditions. This strategy will ultimately position us to generate attractive long-term total returns for our shareholders.

## DEAR FELLOW SHAREHOLDERS,

In 2009, Walter Investment Management Corp. demonstrated that it is one of the top asset managers and specialty mortgage servicers in the nation, achieving strong performance from our less-than-prime portfolio in the face of the most challenging economic environment in decades. This solid performance allowed us to produce 2009 income before income taxes and spin-off related costs of \$39.7 million, and pay quarterly dividends of \$0.50 per share.

Our accomplishments are attributable, quite simply, to the great people we have in our company. Our employees produced superior results, while also preparing for and executing the transactions that created our stand-alone public company and establishing the solid foundation for our future growth and success.

Our field servicing organization's commitment, combined with our tested and proven high-touch servicing approach, produced superior results from our less-than-prime portfolio during the worst economic environment of our company's history.

- Consolidated delinquencies were 5.44 percent at year's end, and when calculated on a comparable basis are better than the most recently released Mortgage Bankers Association's subprime industry survey average by more than half.
- Average delinquencies for the year were up only 15 percent from the average for the previous five-year period, despite a rise in unemployment rates to over 10 percent.
- Recovery rates averaged 84 percent for the

year, down only slightly from the previous five-year average of 86 percent, despite significant and widespread home price depreciation across the country.

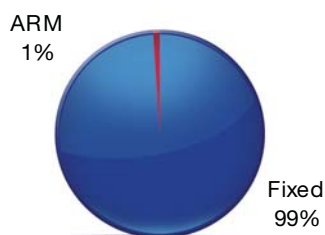
Our corporate employees provided much-needed support to the field servicing organization without interruption, while also transitioning us to a stand-alone public company with all the functions and systems needed by that company.

- The new company was formed on April 17, 2009 after the spin-off of our business from Walter Energy, Inc. and a merger with Hanover Capital Mortgage Holdings, Inc.
- Our management team accomplished much in a short timeframe, establishing the new functions required to support a public entity. Further, over the course of the year, management has made a concerted effort to communicate the key aspects of our operations and strategy to shareholders and potential investors.
- We raised \$76.8 million from the sale of common equity, giving us the financial resources needed to seize opportunities for growth.

At WIMC, we indeed have an engaging story to tell. Our methods of operation – anchored in more than 50 years of solid experience underwriting mortgages, coupled with a high-touch, personal approach to servicing our customer relationships – have allowed us to weather a tremendous storm in the mortgage industry.

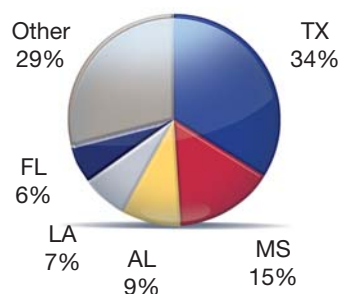
### Stable Portfolio of Fixed-Rate Product

99% are fixed-rate mortgages secured by owner-occupied, single-family homes



### Advantageous Geographic Dispersion

Located outside major markets, less affected by price volatility



Our performance today is aided by the fact that we maintained our underwriting discipline and didn't open the floodgates for approvals in recent years as many competitors did. With over half our loans originated in 2004 and earlier, we have a portfolio of well-seasoned loans, with less exposure to the bubble in real estate values that has created so many issues over the past two years.

How we service our assets is also critical. Our approach is designed to try to keep customers in their homes and making payments when possible – a foreclosure doesn't help anyone. Instead of servicing solely by phone from call centers, our local servicing representatives in the field maintain a high level of contact with customers, visiting with them in person when needed. Our field servicing personnel develop a deep knowledge of their markets and their customers, and have a strong sense of ownership and accountability for the mortgages assigned to them. With this approach, we are able to tackle problems before they get out of hand.

Again, a key to the success of this aspect of our unique business model is our people. Our field servicing organization is led by seasoned managers who have an average of 25 years of experience in the industry. Our local field servicing representatives have an average of six years of experience, and our retention rate among this group is roughly 70 percent annually.

Still, even though we have a long history and track record and use words such as "experienced" and "proven" to describe ourselves, we are not stuck in the past. We continue to make investments in and

improvements to our technology and operating systems to build for the future. We are supporting our skilled and experienced field organization with a servicing platform and other infrastructure to allow quick access to the critical information needed to produce continuing improvement in results.

## Looking Ahead

With a strong platform in place and financial capital to support our plans for growth, we have two primary goals for 2010:

1. Continue producing strong financial results and cash flow from our core business, keeping the existing portfolio's performance at industry-leading levels, even though the economy may recover more slowly than we all hope.

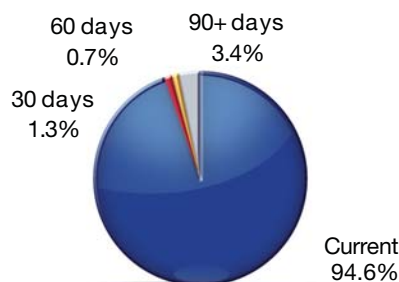
2. Take advantage of opportunities in the market and aggressively pursue options to grow our business, leveraging our available capacity and our capabilities as they relate to less-than-prime mortgage assets.

Nationally, there is a staggering level of problem residential loans, currently estimated to exceed \$1 trillion and continuing to grow. The FDIC has in excess of \$36 billion of assets from failed banks yet to be resolved and listed 702 banks with \$403 billion of assets as "problem" banks at December 31, 2009. We believe these numbers indicate that there are ample opportunities to deploy our superior servicing capabilities.

We are taking a wide view of our options. We will consider and evaluate opportunities to buy assets through FDIC transactions, as well as sourcing assets for purchase from private sellers. We will apply leverage to these

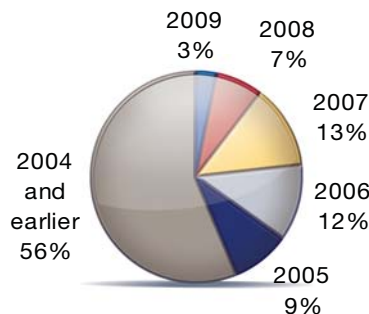
### Superior Portfolio Performance

95% of portfolio is current, with only 3.4% 90+ days delinquent <sup>(1)</sup>



### Well-seasoned Portfolio

56% of loans were originated in 2004 and earlier



<sup>(1)</sup> Accounts in bankruptcy paying in accordance with their plan are considered current. Delinquency status as of December 31, 2009. Expressed as a percentage of principal balance of residential loans outstanding as of December 31, 2009.

transactions prudently, to provide financial flexibility and to increase potential returns to our shareholders. However, our investment opportunities are not limited to outright purchases of loans. In addition to opportunities to acquire loans at attractive returns, our servicing capabilities should be extremely attractive to owners of distressed mortgage portfolios who need to improve the performance of their assets. In that vein, we will pursue potential opportunities for new originations, as well as co-investment, partnership and servicing arrangements that could involve our servicing for other holders of distressed assets.

Our successful capital raise gives us the financial capability to move quickly when the right opportunities present themselves. We remain focused on those options that leverage our existing capabilities and capacity, are principally within our geographic footprint, and offer attractive returns.

To assist us in these efforts, we recently announced the addition of Denmark Dixon to the management team. Driving business development efforts, Denmark will be working

with me, Charles Cauthen and the rest of the management team to find the right opportunities for our growth in the months ahead.

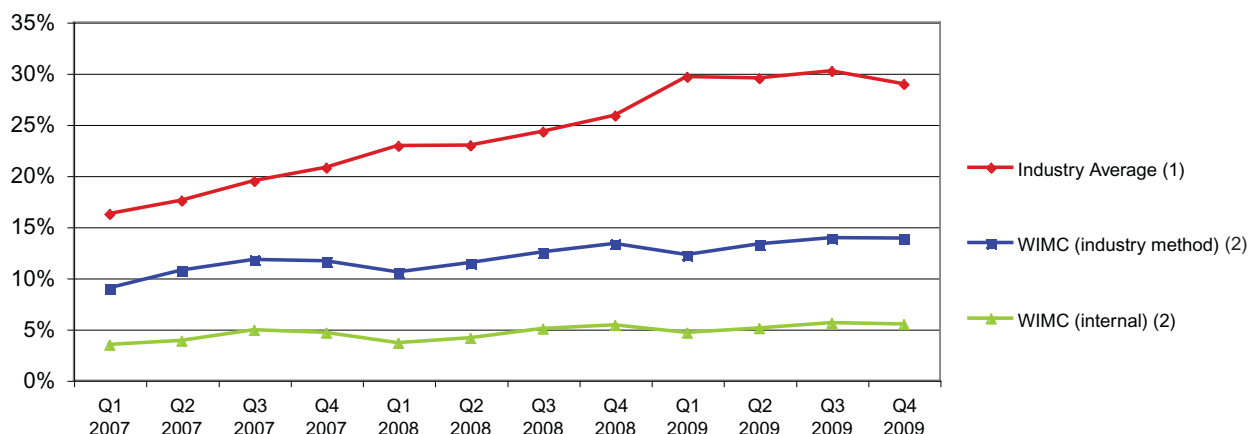
That said, I promise to you, my fellow shareholders, that we won't take our eyes off the ball as we pursue this growth, knowing that the strength of our existing portfolio is the platform that allows us the opportunity to extend our reach.

We are greatly appreciative of the tremendous efforts and support that our employees, advisors, vendors and shareholders provided us throughout the past year. Your management team is hard at work, with our full focus on making our 2010 goals a reality. At Walter Investment Management Corp., we combine a tradition of excellence with a high-powered, entrepreneurial spirit for growth that positions us extremely well for the future.



**Mark J. O'Brien**  
Chairman and Chief Executive Officer  
March 10, 2010

## WIMC OUTPERFORMS THE INDUSTRY DELINQUENCIES AS COMPARED TO OTHER PORTFOLIOS



(1) Delinquencies are derived from a voluntary survey by the Mortgage Bankers Association (MBA) of over 120 mortgage lenders, including mortgage banks, commercial banks, thrifts, savings and loan associations, subservicers, and life insurance companies. Delinquency rate is derived by combining the MBA delinquency rate for subprime loans plus subprime foreclosure starts. MBA delinquency rate considers all accounts in bankruptcy to be delinquent. Source: Mortgage Bankers Association.

(2) WIMC (industry method) calculation considers all accounts in bankruptcy to be delinquent. WIMC (internal) calculation ages accounts in bankruptcy based upon payment status in accordance with their bankruptcy plan.



## CONSOLIDATED FINANCIAL HIGHLIGHTS

(\$ in millions, except per share amounts)

### INCOME STATEMENT HIGHLIGHTS

	2009 Q4	2009 Q3	2009 Q2	2009 Q1
Net interest income	\$ 20.1	\$ 20.8	\$ 22.0	\$ 22.7
Average consolidated residential loans(1)(2)	\$ 1,678.3	\$ 1,709.0	\$ 1,739.6	\$ 1,773.2
Net interest margin	4.79%	4.87%	5.06%	5.13%
Provision for loan losses	\$ 4.0	\$ 3.1	\$ 3.8	\$ 4.4
Annualized loss ratio (3)	0.95%	0.73%	0.87%	0.99%
Income before income taxes	\$ 8.1	\$ 9.6	\$ 8.6	\$ 11.3
Dividends per share (4)	\$ 0.50	\$ 0.50	\$ 0.50	

(1) Includes delinquent, bankrupt and foreclosure loans and excludes real estate owned. Calculated using beginning and end of period residential loan balances.

(2) Average residential loans are net of yield adjustments and gross of allowance.

(3) Annualized provision as a percentage of average residential loans.

(4) Dividends per share related to Q4 2009 were declared in Q4 2009 and paid in Q1 2010.

### BALANCE SHEET

	12/31/09		
	ASSETS	LIABILITIES	NET ASSETS
Securitized residential loans (1)	\$ 1,310.7	\$ (1,276.3)	\$ 34.4
Securitized short-term investments (2)	45.8		45.8
Securitized deferred debt issuance costs	18.5		18.5
Securitized real estate owned	41.1		41.1
Total securitized net assets	1,416.1	(1,276.3)	139.8
Unencumbered residential loans	333.6		333.6
Unencumbered real estate owned	22.0		22.0
Total unencumbered net assets	355.6	-	355.6
Unrestricted cash	99.3		99.3
Other (3)	16.7	(43.2)	(26.5)
Total GAAP net assets	\$ 1,887.7	\$ (1,319.5)	\$ 568.2

GAAP Reconciliation for 12/31/09

(1) Securitized residential loan liabilities in the above table consist of the following GAAP balances: mortgage-backed debt of \$1,267.5 M and accrued interest of \$8.8 M.

(2) GAAP short-term investments of \$51.7 M includes restricted cash associated with our insurance business of \$5.9 M in addition to the securitized restricted cash shown in the table above.

(3) Other assets in the above table consist of the following GAAP balances: short-term investments (insurance) of \$5.9 M, receivables of \$3.0 M, subordinated security of \$1.8 M, and other assets of \$6.0 M.

Other liabilities in the above table consist of the following GAAP balances: accounts payable of \$14.0 M, accrued expenses of \$28.3 M, deferred income taxes of \$0.2 M, and other liabilities of \$0.7 M.

### ADDITIONAL PORTFOLIO DETAIL

	Residential Loans, Net				
	Principal Balance	Yield Adjustment	Balance	Allowance for Loan Losses	Carrying Value
Securitized	\$ 1,454.2	\$ 129.3	\$ 1,324.9	\$ 14.2	\$ 1,310.7
Unencumbered	365.8	28.7	337.1	3.5	333.6
Total per GAAP balance sheet	\$ 1,820.0	\$ 158.0	\$ 1,662.0	\$ 17.7	\$ 1,644.3

# CORPORATE DIRECTORY AND SHAREHOLDER INFORMATION

## BOARD OF DIRECTORS

**Mark J. O'Brien**

Chairman of the Board and Chief Executive Officer,  
Walter Investment Management Corp.

**Steven R. Berrard**

Chairman of the Board and Chief Executive Officer,  
Swisher International

Co-founder, New River Capital Partners

**Ellyn L. Brown**

President, Brown and Associates

**Denmar J. Dixon**

Vice Chairman of the Board and Executive Vice President,  
Walter Investment Management Corp.

**William J. Meurer**

Retired Managing Partner, Central Florida Operations,  
Arthur Andersen LLP

**Shannon E. Smith**

Senior Vice President, Chief Operating Officer and  
Chief Financial Officer, American Land Lease Inc.

Managing Director, Green Courte Partners, LLC

**Michael T. Tokarz**

Member, Tokarz Group, LLC

## CORPORATE OFFICERS

**Mark J. O'Brien**

Chairman of the Board and Chief Executive Officer

**Charles E. Cauthen**

President and Chief Operating Officer

**Denmar J. Dixon**

Vice Chairman of the Board and Executive Vice President

**Kimberly A. Perez**

Vice President, Chief Financial Officer and Treasurer

**Stuart D. Boyd**

Vice President, General Counsel and Secretary

**William T. Atkins**

President, Best Insurors and Director, Risk Management

**William J. Batik**

Director, Information Technology

**Joseph H. Kelly**

Vice President, Business Integration

**Del M. Pulido**

Vice President, Human Resources

**Irma N. Tavares**

Vice President, Servicing Operations

**Curtis T. Witherington**

Vice President, Operations

## ANNUAL MEETING

The annual meeting of shareholders of Walter Investment Management Corp. will be held April 30, 2010 at 10 a.m. local time at the Grand Hyatt Tampa Bay, Tampa, Florida.

## CORPORATE OFFICES

Walter Investment Management Corp.

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(813) 421-7600

Web Site: [www.walterinvestment.com](http://www.walterinvestment.com)

## INVESTOR CONTACT

Investor Relations

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(813) 421-7694

Fax (813) 286-2154

[investorrelations@walterinvestment.com](mailto:investorrelations@walterinvestment.com)

## AVAILABLE INFORMATION

Walter Investment makes available on its website at [www.walterinvestment.com](http://www.walterinvestment.com), free of charge, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, investor presentations, press releases, charters for the committees of the board of directors, the Code of Business Conduct and other company information, including amendments to such documents. Such information is also furnished upon written request to:

Walter Investment Management Corp.

Attention: Investor Relations

3000 Bayport Drive

Suite 1100

Tampa, FL 33607

## COMMON STOCK

Trading Symbol: WAC

New York Stock Exchange AMEX

## TRANSFER AGENT AND REGISTRAR

Computershare Shareholder Services

250 Royall St.

Canton, MA 02021

## INDEPENDENT ACCOUNTANTS

Ernst & Young LLP

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Suite 1200

Tampa, FL 33602



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