Notice of 2014 Annual Meeting, Proxy Statement and 2013 Annual Report

PHH®
CORPORATION

Five-Year Historical Financial Table

	Year Ended and As of December 31,				
	2013	2012	2011	2010	2009
Consolidated Statements of Operations Data:	(In millions, except per share data)				
Net revenues[1]	$ 2,842	$ 2,743	$ 2,214	$ 2,438	$ 2,606
Net income (loss) attributable to PHH Corporation[1]	135	34	(127)	48	153
Basic earnings (loss) per share attributable to PHH Corporation	$ 2.36	$ 0.60	$ (2.26)	$ 0.87	$ 2.80
Diluted earnings (loss) per share attributable to PHH Corporation	2.06	0.56	(2.26)	0.86	2.77
Consolidated Balance Sheet Data:					
Total assets	$ 8,848	$ 9,603	$ 9,777	$ 11,270	$ 8,123
Debt	5,505	6,554	6,914	8,085	5,160
PHH Corporation stockholders' equity	1,666	1,526	1,442	1,564	1,492

[1] For the year ended December 31, 2011 includes a $68 million pre-tax gain on the sale of 50.1% of the equity interests in our appraisal services business.

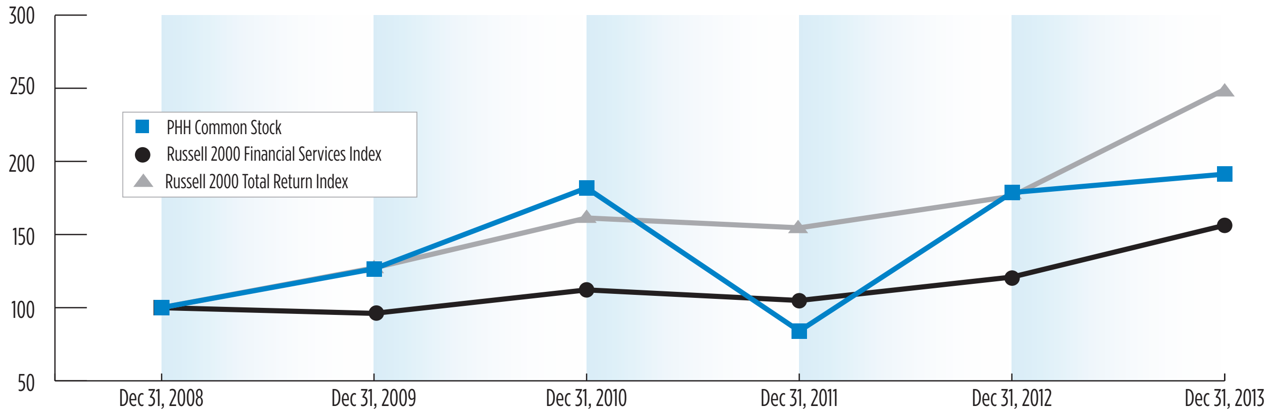
Market Price of Common Stock

Shares of our Common Stock are listed on the NYSE under the symbol "PHH." The following table sets forth the high and low sales prices for our Common Stock for the periods indicated as reported by the NYSE:

	Stock Price	
	High	Low
January 1, 2013 to March 31, 2013	$ 23.90	$ 20.58
April 1, 2013 to June 30, 2013	22.13	18.82
July 1, 2013 to September 30, 2013	25.13	20.20
October 1, 2013 to December 31, 2013	26.76	21.95

Stock Price Performance

The following graph and table compare the cumulative total stockholder return of PHH Common Stock with (i) the Russell 2000® Financial Services Index and (ii) the Russell 2000® Total Return Index.



	Amount in Dollars					
	Dec 31, 2008	Dec 31, 2009	Dec 31, 2010	Dec 31, 2011	Dec 31, 2012	Dec 31, 2013
■ PHH Common Stock	100.00	126.55	181.85	84.05	178.71	191.28
● Russell 2000 Financial Services Index	100.00	96.11	112.16	104.92	120.94	156.31
▲ Russell 2000 Total Return Index	100.00	127.17	161.32	154.59	176.21	249.12

The graph and table above assume that $100 was invested in PHH Common Stock, the Russell 2000 Financial Services Index and the Russell 2000 Total Return Index on December 31, 2008. Total stockholder performance returns assume reinvestment of dividends. The stock price performance depicted in the graph and table above may not be indicative of future stock price performance.

PHH® CORPORATION

Letter from Glen Messina

Dear Fellow PHH Stockholder:

In 2013, PHH Corporation continued to deliver solid segment profit in our Fleet business and delivered meaningful operational and process improvements in our Mortgage business in the face of rising interest rates and a rapidly changing mortgage industry environment. Our results for the year reflect our progress, but also indicate that much work lies ahead. For 2013, we reported consolidated net income attributable to PHH Corporation of $135 million or $2.36 per basic share. Our core loss (after-tax)* and core loss per share* for 2013 were $19 million and $0.32, respectively.

Operating Update

Our focus on operational excellence in the Mortgage business has allowed us to realize a 76% reduction in mortgage quality-related costs while improving mortgage customer satisfaction scores. We also implemented the necessary systems and process changes to ensure we operate in compliance with numerous regulatory, client and investor changes. These actions give PHH a leading mortgage origination and servicing platform that we believe is capable of meeting today's stringent standards.

In the face of declining mortgage origination volumes across the industry, we are taking decisive actions to control our expenses and, absent any meaningful increase in origination volumes, we expect to realize at least $110 million in run rate expense savings in 2014 as compared to the second quarter of 2013. Our focus on expanding our retail mortgage loan origination channels resulted in retail closings that were up 4% and retail home purchase applications that were up 19% in 2013 as compared to 2012.

Liquidity Update

We continued to significantly strengthen our balance sheet and improve our liquidity position in 2013. We ended the year with $1.245 billion in unrestricted cash and cash equivalents, an increase of $416 million from $829 million at the end of 2012. In 2013, we generated $351 million in adjusted cash flow* and improved our unencumbered asset coverage ratio to near our target level. We also reduced our borrowing costs, extended the maturities on certain debt and initiated alternative funding sources for some of our mortgage servicing rights ("MSRs").

Continuing to improve our balance sheet strength, diversifying our MSR funding sources and enhancing our liquidity remain top priorities going forward as we focus on supporting our businesses and delivering value to shareholders.

Outlook for 2014

We expect a highly challenging environment in the mortgage industry in 2014. The Mortgage Bankers Association is anticipating residential mortgage origination volumes across the industry to decline by approximately one-third compared to 2013, reaching levels the industry has not seen since 2000. Such a reduction in volume levels also could cause total loan margins to narrow. If these market conditions materialize, our Mortgage Production segment will likely be unprofitable and consume cash during the year; however, our Mortgage Servicing segment will likely deliver improved profitability if interest rates rise.

We continue to pursue making our Mortgage business a leading non-bank, retail-focused, prime mortgage lender with greater scale and increased capital and operating efficiencies. In our Mortgage Production segment, we are in active discussions with our Private Label Solutions ("PLS") clients

(continued)

regarding the amendment and renegotiation of contracts to reflect the significant increases in costs to produce and service mortgages today. We have achieved our economic objectives with clients representing 22% of our 2013 total PLS closing volume and discussions with our largest clients are expected to continue into the second quarter of 2014. PHH is committed to considering all alternatives to address the scale challenges in our Mortgage business and to expand our sources for growth. We see opportunities for growth by providing mortgage origination services to regional and community banks and wealth management firms. We also believe our real estate platform has opportunities for enhanced profitability and growth as we improve mortgage loan officer effectiveness and products to increase our capture rate in the real estate offices we serve and expand regional coverage to real estate offices we do not cover today.

In our Mortgage Servicing segment, we expect declines in mortgage quality-related costs and delinquent loan servicing, foreclosure and REO expenses to have a positive impact on 2014 segment results. Further, we have engaged an advisor to evaluate the benefits of loan sales and outsourcing opportunities for our highly delinquent servicing, which could further improve this segment's profitability.

In our Fleet segment, in addition to generating solid segment profit in 2013, we grew both our net investment in leases and average total service units in all three key ancillary services. We believe expansion of our Fleet business into new markets and new products could accelerate this segment's profitability improvement and cash flow generation capability.

Committed to Maximizing Value

In February 2014, we announced that we are exploring ways to maximize shareholder value through the separation or sale of our Fleet business, our Mortgage business or both businesses. We expect to come to some conclusions with regard to this process as we approach the end of the second quarter.

We continue to re-engineer our Mortgage business to offset the challenging market conditions expected in 2014. PHH has consistently shown the resilience to manage through credit crises and numerous interest rate cycles. We have accomplished this by staying focused on our customers' needs, enhancing our processes and pursuing new growth opportunities. I have confidence in our employees and leadership team to navigate us through these challenging times.

In closing, I want to recognize and thank my colleagues at PHH for their continued hard work and enduring commitment to our success, and our shareholders, clients and partners for supporting our vision for PHH.

Sincerely,

Glen A. Messina
President and Chief Executive Officer

* NOTE REGARDING NON-GAAP FINANCIAL MEASURES

Core earnings or loss (pre-tax and after-tax), core earnings or loss per share and adjusted cash flow are financial measures that are not in accordance with GAAP. See Non-GAAP Reconciliations below for a reconciliation of these measures to the most directly comparable GAAP financial measures as required by Regulation G.

Core earnings or loss (after-tax) and core earnings or loss per share involves differences from Segment profit or loss, Income or loss before income taxes, Net income or loss attributable to PHH Corporation and Basic earnings or loss per share attributable to PHH Corporation computed in accordance with GAAP. Core earnings or loss (after-tax) and core earnings or loss per share should be considered as supplementary to, and not as a substitute for, Segment profit (loss), Income (loss) before income taxes, Net income (loss) attributable to PHH Corporation or Basic earnings (loss) per share attributable to PHH Corporation computed in accordance with GAAP as a measure of the Company's financial performance.

Adjusted cash flow involves differences from Net increase or decrease in cash and cash equivalents computed in accordance with GAAP. Adjusted cash flow should be considered as supplementary to, and not as a substitute for, Net increase or decrease in cash and cash equivalents computed in accordance with GAAP as a measure of the Company's net increase or decrease in cash and cash equivalents.

The Company believes that these Non-GAAP Financial Measures can be useful to investors because they provide a means by which investors can evaluate the Company's underlying key drivers and operating performance of the business, exclusive of certain adjustments and activities that investors may consider to be unrelated to the underlying economic performance of the business for a given period.

The Company also believes that any meaningful analysis of the Company's financial performance by investors requires an understanding of the factors that drive the Company's underlying operating performance which can be obscured by significant unrealized changes in value of the Company's mortgage servicing rights, as well as any gain or loss on derivatives that are intended to offset market-related fair value adjustments on the Company's mortgage servicing rights, in a given period that are included in Segment profit (loss), Income (loss) before income taxes, Net income (loss) attributable to PHH Corporation and Basic earnings (loss) per share attributable to PHH Corporation in accordance with GAAP.

Core earnings or loss (after-tax) and core earnings or loss per share

Core earnings or loss (after-tax) and core earnings or loss per share measure the Company's financial performance excluding unrealized changes in fair value of the Company's mortgage servicing rights that are based upon projections of expected future cash flows and prepayments as well as realized and unrealized changes in the fair value of derivatives that are intended to offset changes in the fair value of mortgage servicing rights. The changes in fair value of mortgage servicing rights and related derivatives are highly sensitive to changes in interest rates and are dependent upon the level of current and projected interest rates at the end of each reporting period.

Value lost from actual prepayments and recurring cash flows are recorded when actual cash payments or prepayments of the underlying loans are received, and are included in core earnings based on the current fair value of the mortgage servicing rights at the time the payments are received.

The presentation of core earnings is designed to more closely align the timing of recognizing the actual value lost from prepayments in the mortgage servicing segment with the associated value created through new originations in the mortgage production segment.

Core earnings metrics are used in managing the Company's mortgage business. The Company has also designed certain management incentives based upon the achievement of core earnings targets, subject to potential adjustments that may be made at the discretion of the Human Capital and Compensation Committee of the Company's Board of Directors.

Limitations on the use of Core Earnings

Since core earnings or loss (after-tax) and core earnings or loss per share measure the Company's financial performance excluding unrealized changes in value of mortgage servicing rights, such measures may not appropriately reflect the rate of value lost on subsequent actual payments or prepayments over time. As such, core earnings or loss (after-tax) and core earnings or loss per share may tend to overstate operating results in a declining interest rate environment and understate operating results in a rising interest rate environment, absent the effect of any offsetting gains or losses on derivatives that are intended to offset changes in fair value on the Company's mortgage servicing rights.

Adjusted cash flow

Adjusted cash flow measures the Company's Net increase or decrease in cash and cash equivalents for a given period excluding changes resulting from the issuance of equity, the purchase of derivative securities related to the Company's stock or the issuance or repayment of unsecured or other debt by PHH Corporation. The Company believes that Adjusted cash flow is a useful measure for investors because the Company's ability to repay future unsecured debt maturities or return capital to equity holders is highly dependent on a demonstrated ability to generate cash. Accordingly, the Company believes that Adjusted cash flow may assist investors in determining the amount of cash and cash equivalents generated from business activities during a period that is available to repay unsecured debt or distribute to holders of the Company's equity.

Adjusted cash flow can be generated through a combination of earnings, more efficient utilization of asset-backed funding facilities, or an improved working capital position. Adjusted cash flow can vary significantly between periods based upon a variety of potential factors including, but not limited to, timing related to cash collateral postings, mortgage origination volumes and margins, fleet vehicle purchases, sales, and related securitizations.

Adjusted cash flow is not a substitute for the Net increase or decrease in cash and cash equivalents for a period and is not intended to provide the Company's total sources and uses of cash or measure its change in liquidity. As such, it is important that investors review the Company's consolidated statement of cash flows for a more detailed understanding of the drivers of net cash provided by (used in) operating activities, investing activities, and financing activities.

Adjusted cash flow metrics are used in managing the Company's mortgage and fleet businesses. The Company has also designed certain management incentives based upon the achievement of adjusted cash flow targets, subject to potential adjustments that may be made at the discretion of the Human Capital and Compensation Committee of the Company's Board of Directors.

PHH CORPORATION AND SUBSIDIARIES

NON-GAAP RECONCILIATIONS – CORE EARNINGS AND ADJUSTED CASH FLOW
(In millions, except per share data)

See "Note Regarding Non-GAAP Financial Measures" above for a description of the uses and limitations of these Non-GAAP Financial Measures.

REGULATION G RECONCILIATION

	Year Ended December 31,	
	2013	2012
Net income attributable to PHH Corporation — as reported	$ 135	$ 34
Market-related fair value adjustments, net of taxes(1)	(166)	131
Net derivative loss related to MSRs, net of taxes	12	3
Core earnings (loss) (after-tax)	$ (19)	$ 168
Basic earnings per share attributable to PHH Corporation — as reported	$ 2.36	$ 0.60
Market-related fair value adjustments, net of taxes(1)(2)	(2.88)	2.31
Net derivative loss related to MSRs, net of taxes(2)	0.20	0.05
Core earnings (loss) per share	$ (0.32)	$ 2.96
Net increase in Cash and cash equivalents	$ 416	$ 415
Adjustments:		
Decrease (increase) in unsecured borrowings	(62)	153
Issuances of common stock	(3)	(5)
Adjusted cash flow	$ 351	$ 563

(1) Represents the Change in fair value of MSRs due to changes in market inputs and assumptions used in the valuation model.

(2) Basic weighted-average shares outstanding of 57.357 million and 56.815 million for the years ended December 31, 2013 and 2012, respectively, were used to calculate per share amounts.

FORWARD-LOOKING STATEMENTS

Certain statements in this Notice of 2014 Annual Meeting, Proxy Statement and 2013 Annual Report are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Generally, forward-looking statements are not based on historical facts but instead represent only our current beliefs regarding future events. All forward-looking statements are, by their nature, subject to risks, uncertainties and other factors that could cause actual results, performance or achievements to differ materially from those expressed or implied in such forward-looking statements. Investors are cautioned not to place undue reliance on these forward-looking statements. Such statements may be identified by words such as "expects," "anticipates," "intends," "projects," "estimates," "plans," "may increase," "may fluctuate" and similar expressions or future or conditional verbs such as "will," "should," "would," "may" and "could."

You should understand that forward-looking statements are not guarantees of performance or results and are preliminary in nature. You should consider the areas of risk described under the heading "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors" in our periodic reports filed with the U.S. Securities and Exchange Commission, including our most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, in connection with any forward-looking statements that may be made by us or our businesses generally. Such periodic reports are available in the "Investors" section of our website at http://www.phh.com and are also available at http://www.sec.gov. Except for our ongoing obligations to disclose material information under the federal securities laws, applicable stock exchange listing standards and unless otherwise required by law, we undertake no obligation to release publicly any updates or revisions to any forward-looking statements or to report the occurrence or non-occurrence of anticipated or unanticipated events.

PHH®
CORPORATION

April 23, 2014

Dear Fellow Stockholder:

You are cordially invited to attend the 2014 Annual Meeting of Stockholders (the "Annual Meeting") of PHH Corporation (the "Company"), which will be held at our offices located at 3000 Leadenhall Road, Mt. Laurel, New Jersey 08054, on Thursday, May 22, 2014, at 10:00 a.m., local time. At the Annual Meeting, stockholders will be asked to vote on the matters described in the accompanying Notice of 2014 Annual Meeting.

YOUR VOTE IS EXTREMELY IMPORTANT REGARDLESS OF THE NUMBER OF SHARES YOU OWN.

In order to ensure that your shares are represented at the Annual Meeting, whether you plan to attend or not, please vote in accordance with the enclosed instructions. You can vote your shares by telephone, electronically via the Internet or by completing and returning the enclosed proxy card or vote instruction form. If you vote using the enclosed proxy card or vote instruction form, you must sign, date and mail the proxy card or vote instruction form in the enclosed envelope. If you decide to attend the Annual Meeting and wish to modify your vote, you may revoke your proxy and vote in person at the meeting.

Admission to the Annual Meeting will be by admission ticket only. If you are a stockholder of record and plan to attend the Annual Meeting, retain the top portion of your proxy card as your admission ticket and bring it and a photo ID with you so that you may gain admission to the meeting. If your shares are held through a bank, broker or other nominee, please contact your nominee and request that the nominee obtain an admission ticket for you or provide you with evidence of your share ownership, which will gain you admission to the Annual Meeting.

Thank you for your continued interest in PHH Corporation. We look forward to seeing you at the meeting.

Sincerely,

Glen A. Messina
President and Chief Executive Officer

PHH CORPORATION

3000 Leadenhall Road
Mt. Laurel, New Jersey 08054

NOTICE OF 2014 ANNUAL MEETING

To Our Stockholders:

The 2014 Annual Meeting of Stockholders of PHH Corporation (the "Company") will be held at our offices located at 3000 Leadenhall Road, Mt. Laurel, New Jersey 08054, on Thursday, May 22, 2014, at 10:00 a.m., local time (the "Annual Meeting"), for the following purposes:

1. To elect nine directors, each to serve until the 2015 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified, or until their earlier death, retirement or resignation;

2. To approve the PHH Corporation 2014 Equity and Incentive Plan, including the performance goals established under the plan for purposes of compliance with Section 162(m) of the Internal Revenue Code of 1986, as amended;

3. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2014;

4. To conduct an advisory vote to approve the compensation of our named executive officers; and

5. To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

The Board of Directors has fixed the close of business on March 26, 2014 as the record date for the Annual Meeting. Only stockholders of record as of the close of business on the record date are entitled to notice of, and to vote at, the Annual Meeting and any adjournment or postponement thereof.

By Order of the Board of Directors

William F. Brown
Senior Vice President, General Counsel and Secretary

April 23, 2014

IMPORTANT NOTICE REGARDING THE INTERNET AVAILABILITY OF PROXY MATERIALS FOR THE 2014 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 22, 2014.

THIS NOTICE OF 2014 ANNUAL MEETING, PROXY STATEMENT AND 2013 ANNUAL REPORT IS AVAILABLE ON THE INTERNET AT:
http://www.proxyvote.com

PHH CORPORATION

3000 Leadenhall Road
Mt. Laurel, New Jersey 08054

PROXY STATEMENT FOR THE 2014 ANNUAL MEETING OF STOCKHOLDERS

This Proxy Statement is being furnished to the holders of common stock, par value $0.01 per share, of PHH Corporation, a Maryland corporation (the "Company"), in connection with the solicitation by our Board of Directors of proxies to be voted at the 2014 Annual Meeting of Stockholders of the Company (the "Annual Meeting") to be held at our offices located at 3000 Leadenhall Road, Mt. Laurel, New Jersey, on Thursday, May 22, 2014, at 10:00 a.m., local time, or at any postponement or adjournment of the Annual Meeting, for the purposes set forth in the accompanying Notice of 2014 Annual Meeting.

This Proxy Statement and the other proxy materials are being mailed to stockholders and are first being made available via the Internet on or about April 23, 2014. If a stockholder executes and returns the enclosed proxy card or vote instruction form or submits vote instructions to us by telephone or via the Internet, the stockholder may nevertheless revoke their proxy at any time prior to its use by filing with the Secretary of the Company a written revocation or a duly executed proxy bearing a later date or by submitting revised vote instructions to us by telephone or via the Internet prior to 11:59 p.m. EDT on Wednesday, May 21, 2014, in accordance with the instructions on the enclosed proxy card or vote instruction form. A stockholder who attends the Annual Meeting in person may revoke his or her proxy at that time and vote in person if so desired.

Admission to the Annual Meeting will be by admission ticket only. If you are a stockholder of record and plan to attend the Annual Meeting, retain the top portion of your proxy card as your admission ticket and bring it and a photo ID with you so that you may gain admission to the meeting. If your shares are held through a bank, broker or other nominee, please contact your nominee and request that the nominee obtain an admission ticket for you or provide you with evidence of your share ownership, which will gain you admission to the Annual Meeting.

Unless revoked or unless contrary instructions are given, each proxy that is properly signed, dated and returned or authorized by telephone or via the Internet in accordance with the instructions on the enclosed proxy card or vote instruction form prior to the start of the Annual Meeting will be voted as indicated on the proxy card or vote instruction form or via telephone or the Internet and if no indication is made, each such proxy will be deemed to grant authority to vote, as applicable:

(1) Proposal 1: ***FOR***, the election of each of Ms. Jane D. Carlin, Mr. James O. Egan, Mr. Thomas P. Gibbons, Mr. Allan Z. Loren, Mr. Glen A. Messina, Mr. Gregory J. Parseghian, Mr. Charles P. Pizzi, Ms. Deborah M. Reif and Mr. Carroll R. Wetzel, Jr., each to serve until the 2015 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified, or until their earlier death, retirement or resignation (the "Director Election Proposal");

(2) Proposal 2: ***FOR*** the approval of the PHH Corporation 2014 Equity and Incentive Plan, including the performance goals established under the plan for purposes of compliance with Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Equity Incentive Plan Proposal");

(3) Proposal 3: ***FOR*** the ratification of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014 (the "Ratification of Auditors Proposal");

(4) Proposal 4: ***FOR*** the advisory resolution approving compensation of our named executive officers as disclosed pursuant to Item 402 of Regulation S-K (the "Say on Pay Vote"); and

(5) At the discretion of the persons named in the enclosed proxy card, on any other matter that may properly come before the Annual Meeting or any adjournment or postponement of the Annual Meeting.

OUR BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE "*FOR*" THE ELECTION OF EACH OF THE NOMINEES LISTED UNDER THE DIRECTOR ELECTION PROPOSAL, "*FOR*" THE EQUITY INCENTIVE PLAN PROPOSAL, "*FOR*" THE RATIFICATION OF AUDITORS PROPOSAL, AND "*FOR*" THE SAY ON PAY VOTE.

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GENERAL INFORMATION ABOUT THE 2014 ANNUAL MEETING

Why am I receiving these proxy materials?

You are receiving these proxy materials because our Board of Directors (the "Board") is soliciting your proxy to cast your vote at the 2014 Annual Meeting of Stockholders (the "Annual Meeting") of PHH Corporation, a Maryland corporation ("we," "our," "us," "PHH" or the "Company"), and any adjournment or postponement of the Annual Meeting. This Proxy Statement, the accompanying Notice of 2014 Annual Meeting, our Annual Report on Form 10-K for the year ended December 31, 2013 filed with the U.S. Securities and Exchange Commission (the "SEC") on February 26, 2014 (the "2013 Annual Report"), and the enclosed proxy card or vote instruction form for those stockholders that have been sent printed copies of our proxy materials are being mailed to stockholders or are first being made available to stockholders via the Internet on or about April 23, 2014.

When and where is the Annual Meeting going to be held?

The Annual Meeting will be held at our offices located at 3000 Leadenhall Road, Mt. Laurel, New Jersey, on Thursday, May 22, 2014, at 10:00 a.m., local time. Registration and seating will begin at 9:00 a.m., local time.

What is the purpose of the Annual Meeting?

At the Annual Meeting, stockholders will vote on the matters described in the accompanying Notice of 2014 Annual Meeting and this Proxy Statement. The only matters expected to be voted upon at the Annual Meeting are (1) the Director Election Proposal, (2) the Equity Incentive Plan Proposal, (3) the Ratification of Auditors Proposal and (4) the Say on Pay Vote.

What are the Board's recommendations for how I should vote my shares?

The Board recommends that you vote your shares as follows:

- Proposal 1: ***FOR***, the election of each of Ms. Jane D. Carlin, Mr. James O. Egan, Mr. Thomas P. Gibbons, Mr. Allan Z. Loren, Mr. Glen A. Messina, Mr. Gregory J. Parseghian, Mr. Charles P. Pizzi, Ms. Deborah M. Reif and Mr. Carroll R. Wetzel, Jr., each to serve until the 2015 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified, or until their earlier death, retirement or resignation;
- Proposal 2: ***FOR*** the approval of the PHH Corporation 2014 Equity and Incentive Plan, including the performance goals established under the plan for purposes of compliance with Section 162(m) of the Internal Revenue Code of 1986, as amended;
- Proposal 3: ***FOR*** the ratification of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014; and
- Proposal 4: ***FOR*** the advisory resolution approving compensation of our named executive officers as disclosed pursuant to Item 402 of Regulation S-K.

Who can attend the Annual Meeting?

Only stockholders of record as of the close of business on March 26, 2014, or their duly appointed proxies, may attend the Annual Meeting. Stockholders will be asked to present valid picture identification, such as a driver's license or passport. Please note that, if you hold your shares in "street name" (that is, through a bank, broker or other nominee), you must bring either a copy of the vote instruction form provided by your bank, broker or other nominee or a copy of a brokerage statement reflecting your stock ownership as of the record date.

Cameras and video recording devices will not be permitted at the Annual Meeting. A list of stockholders entitled to vote at the Annual Meeting will be available for examination by any stockholder for any purpose germane to the Annual Meeting beginning ten days prior to the Annual Meeting during ordinary business hours at 3000 Leadenhall Road, Mt. Laurel, New Jersey 08054, our principal place of business, and ending on the date of the Annual Meeting.

Do I need an admission ticket to attend the Annual Meeting?

Yes. Attendance at the Annual Meeting will be limited to stockholders of record as of the record date, their authorized representatives and our guests. Admission will be by admission ticket only. For registered stockholders, the top portion of the proxy card enclosed with the Proxy Statement will serve as an admission ticket. If you are a beneficial owner and hold your shares in "street name," or through an intermediary, such as a bank, broker or other nominee, you should request an admission ticket from your bank, broker or other nominee or send a request in writing to PHH Corporation, Attention: Investor Relations, 3000 Leadenhall Road, Mt. Laurel, New Jersey 08054, and include proof of ownership of PHH Corporation common stock, such as a bank or brokerage firm account statement or letter from the bank, broker or other nominee holding your stock, confirming your beneficial ownership. Stockholders who do not obtain admission tickets in advance of the Annual Meeting may obtain them on the date of the Annual Meeting at the registration desk upon verifying their stock ownership as of the record date. In accordance with our security procedures, all persons attending the Annual Meeting must present picture identification along with their admission ticket or proof of beneficial ownership in order to gain admission to the meeting. Admission to the Annual Meeting will be expedited if admission tickets are obtained in advance. Admission tickets may be issued to others at our discretion.

How many votes must be present at the Annual Meeting to constitute a quorum?

Stockholders holding a majority of the issued and outstanding shares of our common stock entitled to vote as of the record date, March 26, 2014, must be present, in person or by proxy, to constitute a quorum at the Annual Meeting. As of the record date, there were 57,377,894 shares of our common stock issued and outstanding. Shares represented by abstentions on any proposal to be acted upon by stockholders at the Annual Meeting will be treated as present at the Annual Meeting for purposes of determining whether a quorum is present.

How many votes can be cast by all stockholders?

57,377,894 votes may be cast at the Annual Meeting. Each stockholder is entitled to cast one vote for each share of common stock held by such stockholder as of the record date. There is no cumulative voting and the holders of our common stock vote together as a single class.

What vote is needed for each of the proposals to be adopted?

- Proposal 1—Director Election Proposal: Directors are elected by a plurality of the votes cast by stockholders of record as of the record date that are present, in person or by proxy, at a meeting of stockholders at which a quorum is present. Accordingly, the nine candidates with the highest number of "***FOR***" votes will be elected, subject to our majority vote standard for directors in uncontested elections as set forth in our Corporate Governance Guidelines and described below. Under applicable Maryland law, abstentions and broker non-votes, if any, will not be counted as votes cast for the election of directors and, therefore, will have no effect on the outcome of the vote, although abstentions and broker non-votes will be taken into account for purposes of determining whether a quorum is present at the meeting.

  Under our Corporate Governance Guidelines, a director that fails to receive more votes cast "for" than "against" his or her election or re-election is expected to tender his or her resignation from the

Board and, within 90 days following certification of the stockholder vote, the Corporate Governance Committee of the Board is required to determine whether to accept the director's resignation and to submit such recommendation for prompt consideration by the Board. Under our Corporate Governance Guidelines, the Board is required to act on any such recommendation from the Corporate Governance Committee and the Board shall nominate for election or re-election as director only candidates who agree to tender, promptly following such person's failure to receive the required vote for election or re-election at the next meeting at which such person would face election or re-election, an irrevocable resignation that will be effective upon Board acceptance of such resignation.

- Proposal 2—Equity Incentive Plan Proposal: Approval of the PHH Corporation 2014 Equity and Incentive Plan, including the performance goals established under the plan for purposes of compliance with Section 162(m) of the Internal Revenue Code of 1986, as amended, requires the affirmative vote of a majority of the votes cast on the proposal by stockholders of record as of the record date that are present, in person or by proxy, at a meeting of stockholders at which a quorum is present. Under applicable Maryland law, abstentions will be taken into account for the purpose of determining whether a quorum is present at the meeting, but will not be counted as votes cast or shares voting on the proposal and will have no effect on the outcome of the vote.
- Proposal 3—Ratification of Auditors Proposal: Approval of the ratification of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014 requires the affirmative vote of a majority of the votes cast on the proposal by stockholders of record as of the record date that are present, in person or by proxy, at a meeting of stockholders at which a quorum is present. Under applicable Maryland law, abstentions will be taken into account for the purpose of determining whether a quorum is present at the meeting, but will not be counted as votes cast or shares voting on the proposal and will have no effect on the outcome of the vote.
- Proposal 4—Say on Pay Vote: Approval of the advisory resolution approving compensation of our named executive officers as disclosed pursuant to Item 402 of Regulation S-K, requires the affirmative vote of a majority of the votes cast on the proposal by stockholders of record as of the record date that are present, in person or by proxy, at a meeting of stockholders at which a quorum is present. Under applicable Maryland law, abstentions and broker non-votes, if any, will be taken into account for the purpose of determining whether a quorum is present at the meeting, but will not be counted as votes cast or shares voting on the proposal and will have no effect on the outcome of the vote. Although the Say on Pay Vote is only advisory in nature and is not binding on the Board or the Company, we intend to review the voting results with the Board and the Human Capital and Compensation Committee of the Board so that such voting results may be taken into consideration in connection with future executive compensation decisions.
- Other business: All other business that may properly come before the Annual Meeting requires the affirmative vote of a majority of the votes cast on the proposal by stockholders of record as of the record date that are present, in person or by proxy, at a meeting of stockholders at which a quorum is present. Under applicable Maryland law, abstentions and broker non-votes, if any, will not be counted as votes cast or shares voting on the proposal and, therefore, will have no effect on the outcome of the vote, although abstentions and broker non-votes will be taken into account for the purpose of determining whether a quorum is present at the meeting.

What is a broker non-vote?

Generally, a broker non-vote occurs when shares held by a bank, broker or other nominee for a beneficial owner are not voted with respect to a particular proposal because (i) the nominee has not received voting instructions from the beneficial owner and (ii) the nominee lacks discretionary voting power to vote such shares. Under the rules of the New York Stock Exchange (the "NYSE"), a nominee does not have discretionary voting power with respect to "non-routine" matters.

"Non-routine" matters under the NYSE's rules include director elections, whether contested or uncontested, and votes concerning executive compensation and certain corporate governance proposals. As a result, your bank, broker or other nominee may only vote your shares on "non-routine" matters if you have provided your bank, broker or other nominee with specific voting instructions.

Thus, if your shares are held in "street name" and you do not provide instructions as to how your shares are to be voted on "non-routine" matters, your bank, broker or other nominee will not be able to vote your shares on your behalf and your shares will be reported as "broker non-votes." For matters that are still considered "routine" under the NYSE's rules (e.g., ratification of auditors), your bank, broker or other nominee may continue to exercise discretionary voting authority and may vote your shares on your behalf for such routine matters even if you fail to provide your bank, broker or other nominee with specific voting instructions as to how you would like your shares voted on such routine matters.

We urge you to provide instructions to your bank, broker or other nominee so that your votes may be counted for each proposal to be voted upon. You should vote your shares by following the instructions provided on the vote instruction form that you receive from your bank, broker or other nominee.

How do I vote?

You can vote in person or by valid proxy received by telephone, via the Internet or by mail. We urge you to vote by doing one of the following:

- *Vote by Telephone:* You can vote your shares by calling the toll-free number indicated on your proxy card using a touch-tone telephone 24 hours a day. Easy-to-follow voice prompts enable you to vote your shares and confirm that your voting instructions have been properly recorded. If you are a beneficial owner, or you hold your shares in "street name," please check your vote instruction form or contact your bank, broker or other nominee to determine whether you will be able to vote by telephone.

- *Vote by Internet:* You can also vote via the Internet by following the instructions on your proxy card. The website address for Internet voting is indicated on your proxy card. Internet voting is also available 24 hours per day. If you are a beneficial owner, or you hold your shares in "street name," please check your vote instruction form or contact your bank, broker or other nominee to determine whether you will be able to vote via the Internet.

- *Vote by Mail:* If you choose to vote by mail, complete, sign, date and return your proxy card in the postage-paid envelope provided. Please promptly mail your proxy card to ensure that it is received on or before May 21, 2014.

The deadline for voting by telephone or electronically through the Internet is 11:59 p.m. EDT on May 21, 2014.

Can I change my vote?

Yes. A proxy may be revoked at any time prior to the voting at the Annual Meeting by submitting a later dated proxy (including a proxy authorization submitted by telephone or electronically through the Internet prior to the deadline for voting by telephone or the Internet), by giving timely written notice of such revocation to our Corporate Secretary in advance of the Annual Meeting or by attending the Annual Meeting and voting in person. If you have shares held by a bank, broker or other nominee or in "street name," you may change your vote by submitting a later dated voting instruction form to your broker, bank or other nominee or fiduciary, or if you obtained a legal proxy from your broker, bank nominee or fiduciary giving you the right to vote your shares, by attending the Annual Meeting and voting in person.

Could other matters be decided at the Annual Meeting?

The Board does not intend to bring any matter before the Annual Meeting other than those described in this Proxy Statement. If any other matters properly come before the Annual Meeting, the persons named in the enclosed proxy card, or their duly appointed substitutes acting at the Annual Meeting, will be authorized to vote or otherwise act in respect of any such matters in their discretion.

What if I vote for some but not all of the proposals?

Shares of our common stock represented by proxies received by us (whether received through the return of the enclosed proxy card or received via telephone or the Internet) where the stockholder has provided voting instructions with respect to the proposals described in this Proxy Statement, including the Director Election Proposal, the Equity Incentive Plan Proposal, the Ratification of Auditors Proposal, and the Say on Pay Vote will be voted in accordance with the voting instructions so made. If your proxy card is properly executed and returned but does not contain voting instructions as to one or more of the proposals to be voted upon at the Annual Meeting, or if you give your proxy by telephone or via the Internet without indicating how you want to vote on each of the proposals to be voted upon at the Annual Meeting, your shares will be voted:

- ***FOR*** the Director Election Proposal;
- ***FOR*** the Equity Incentive Plan Proposal;
- ***FOR*** the Ratification of Auditors Proposal;
- ***FOR*** the Say on Pay Vote; and
- At the discretion of the persons named in the enclosed proxy card, on any other matter that may properly come before the Annual Meeting or any adjournment or postponement of the Annual Meeting.

If your shares are held in street name and you do not properly instruct your bank, broker or other nominee how to vote your shares, your bank, broker or other nominee may either use its discretion to vote your shares on matters deemed "routine" by the NYSE or may not vote your shares. For any matters deemed "non-routine" by the NYSE, your bank, broker or other nominee would not be able to vote your shares on such matters. We encourage you to provide instructions to your bank, broker or other nominee by carefully following the instructions provided to ensure that your shares are voted at the Annual Meeting in accordance with your desires.

Who will pay for the cost of this proxy solicitation?

We will pay the cost of soliciting proxies on behalf of our Board. Our directors, officers and employees may solicit proxies on our behalf in person or by telephone, facsimile or electronically through the Internet, as described above. We have engaged Broadridge Financial Solutions, Inc. ("Broadridge") to assist us in the distribution and solicitation of proxies. We will also reimburse brokerage firms and other custodians, nominees and fiduciaries for their expenses incurred in sending our proxy materials to beneficial owners of our common stock as of the record date.

Who will count and certify the vote?

Representatives of Broadridge will count the votes and certify the voting results. The voting results are expected to be published in a Current Report on Form 8-K filed with the SEC within four business days following the conclusion of the Annual Meeting.

How can I access the proxy materials and 2013 Annual Report electronically?

Copies of the Notice of 2014 Annual Meeting, Proxy Statement and 2013 Annual Report, as well as other materials filed by us with the SEC, are available without charge to stockholders on our corporate website at www.phh.com or upon written request to PHH Corporation, Attention: Investor Relations, 3000 Leadenhall Road, Mt. Laurel, New Jersey 08054. You can elect to receive future annual reports, proxy statements and other proxy materials electronically by marking the appropriate box on your proxy card or vote instruction form or by following the instructions provided if you vote by telephone or via the Internet.

Copies of our Corporate Governance Guidelines, Independence Standards for Directors, Code of Business Ethics and Conduct, Code of Ethics for Chief Executive Officer and Senior Financial Officers, and the charters of each standing committee of our Board, including our Audit Committee, Human Capital and Compensation Committee, Corporate Governance Committee, Finance and Risk Management Committee, and Regulatory Oversight Committee are also available without charge to stockholders on our corporate website at www.phh.com or upon written request to PHH Corporation, Attention: Investor Relations, 3000 Leadenhall Road, Mt. Laurel, New Jersey 08054.

PROPOSAL 1—DIRECTOR ELECTION PROPOSAL

The Board has nominated for election as directors at the Annual Meeting Ms. Jane D. Carlin, Mr. James O. Egan, Mr. Thomas P. Gibbons, Mr. Allan Z. Loren, Mr. Glen A. Messina, Mr. Gregory J. Parseghian, Mr. Charles P. Pizzi, Ms. Deborah M. Reif and Mr. Carroll R. Wetzel, Jr., each to serve until the 2015 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified, or until their earlier death, retirement or resignation. Each nominee has consented to being named in this Proxy Statement and to serve if elected. Shares of our common stock represented by duly authorized proxies will be voted ***FOR*** the foregoing nominees or any substitute nominee or nominees designated by the Board if, prior to the Annual Meeting, any nominee should become unable to serve, unless the Board determines to reduce the total number of directors in accordance with our Articles of Amendment and Restatement, as amended through June 12, 2013 (the "Charter"), and Amended and Restated By-Laws, as amended through December 5, 2013 (the "By-Laws").

THE BOARD RECOMMENDS A VOTE "*FOR*" THE ELECTION OF EACH DIRECTOR NOMINATED BY THE BOARD. UNLESS MARKED TO THE CONTRARY, VALID PROXIES RECEIVED BY US WILL BE VOTED "*FOR*" THE ELECTION OF EACH DIRECTOR NOMINATED BY THE BOARD.

BOARD OF DIRECTORS

During 2013, our Board held nineteen meetings. Each incumbent director and director nominee attended at least 75% of the meetings held by the Board during the period in which each such director served as a member of the Board. All directors are expected to attend Board meetings, meetings of the Committees upon which they serve and meetings of our stockholders absent exceptional cause. Except for Mr. Allan Z. Loren, all of our directors that were serving as directors on June 12, 2013, attended the 2013 Annual Meeting of Stockholders held on June 12, 2013.

Nominees to Serve as Directors—Term Expires in 2015

Jane D. Carlin, 58, has served as a director since September 27, 2012. Ms. Carlin currently serves as President of Carlin Consulting, LLC and as a director of Astoria Financial Corporation and its wholly owned subsidiary, Astoria Federal Savings and Loan Association. Ms. Carlin previously served as a Managing Director and Global Head of Operational Risk, Business Continuity Planning, Information Security and New Product Approvals of the Morgan Stanley Group from 2006 until 2012. Ms. Carlin also served as Chairperson of the Financial Services Sector Coordinating Counsel for Critical Infrastructure Protection and Homeland Security from 2010 until 2012 and as Vice Chair from 2009 until 2010. From 2003 to 2006, she was with Credit Suisse Group as Managing Director and Global Head of Credit Suisse's Operational Risk Oversight Department. From 1987 until 2003, Ms. Carlin held a series of progressively responsible positions at the Morgan Stanley Group, including Managing Director, Deputy General Counsel and Head of Legal for Global Sales and Trading. Ms. Carlin's investment banking and financial services industry experience led to a conclusion that it is appropriate that she be nominated to stand for re-election as a director.

James O. Egan, 65, serves as our Non-Executive Chairman of the Board and has served as a director since March 30, 2009. Mr. Egan served as a Managing Director of Investcorp International, Inc., an alternative asset management firm specializing in private equity, hedge fund offerings and real estate and technology investments, from 1998 through 2008. Mr. Egan was the partner-in-charge, M&A Practice, U.S. Northeast Region for KPMG LLP from 1997 to 1998 and served as the Senior Vice President and Chief Financial Officer of Riverwood International, Inc. from 1996 to 1997. Mr. Egan began his career with PricewaterhouseCoopers (formerly Coopers & Lybrand) in 1971 and served as partner from 1982 to 1996 and a member of the Board of Partners from 1995 to 1996. Mr. Egan possesses over forty years of business experience involving companies of varying sizes from start-ups to Fortune 500 public companies operating across numerous industries, including twenty-five years of public accounting experience having served as lead audit partner involved in the audits of annual financial statements of numerous public companies. He also has ten years of private equity experience working with portfolio companies in the US and Europe to create shareholder value. Mr. Egan also currently serves as a director of New York & Company, Inc. and privately-held Victor Technologies Group, Inc.. Mr. Egan's broad business, strategic, operational, financial, M&A and private equity experience led to a conclusion that it is appropriate that he be nominated to stand for re-election as a director.

Thomas P. Gibbons, 57, has served as a director since July 1, 2011. Mr. Gibbons currently serves as a Vice Chairman and Chief Financial Officer of The Bank of New York Mellon Corporation and BNY Mellon, N.A. Mr. Gibbons served as Chief Risk Officer of BNY Mellon from July 2007 to July 2008. Prior to the merger of The Bank of New York with Mellon Financial Corporation, Mr. Gibbons served as Senior Executive Vice President and Chief Financial Officer of The Bank of New York Company, Inc. from September 2006 until June 2007, and in various other capacities at The Bank of New York Company, Inc. since 1986. Mr. Gibbons currently serves on the Board of Managers of ConvergEx Holdings, LLC and is on the advisory board of Wake Forest University's Business School. Mr. Gibbon's senior financial management and leadership experience in the financial services industry led to a conclusion that it is appropriate that he be nominated to stand for re-election as a director.

Allan Z. Loren, 75, has served as a director since June 10, 2009. Mr. Loren currently serves as an Executive Coach to chief executive officers. He served as both Chairman and Chief Executive Officer of Dun & Bradstreet from 2000 through 2004 and as Chairman in 2005. Prior to joining Dun & Bradstreet, he served as Executive Vice President and Chief Information Officer of American Express from 1994 to 2000, as President and Chief Executive Officer of Galileo International from 1991 to 1994, as President of Apple Computer USA from 1988 to 1990, and as Chief Information Officer of Apple Computer from 1987 to 1988. Mr. Loren was also the Chief Administrative Officer and Chief Information Officer of Cigna from 1979 to 1987 and 1971 to 1987, respectively. He currently serves as a trustee on the Board of Trustees of Queens College, City University of New York. Mr. Loren previously served on the board of directors of Iron Mountain Inc., Fair Isaac Corporation, Hershey Foods, Reynolds & Reynolds, U.S. Cellular, and Venator Group (currently known as Foot Locker, Inc.). Mr. Loren's operational, technological, executive coaching and leadership experience, including experience leading transformational change, led to a conclusion that it is appropriate that he be nominated to stand for re-election as a director. In accordance with our Corporate Governance Guidelines, the Corporate Governance Committee of the Board has determined to waive the mandatory retirement age policy for Mr. Loren which would have otherwise required Mr. Loren to retire from the Board due to his age.

Glen A. Messina, 52, has served as a director and as President and Chief Executive Officer since January 3, 2012. Mr. Messina served as our Chief Operating Officer from July 2011 to December 2011. Prior to joining PHH, Mr. Messina spent 17 years at General Electric Company ("GE") most recently as Chief Executive Officer of GE Chemical and Monitoring Solutions, a global water and process specialty chemicals services business, from 2008 until July 2011. Previously, Mr. Messina served as Chief Financial Officer of GE Water and Process Technologies from 2007 to 2008 and Chief Financial Officer of GE Equipment Services from 2002 to 2007. Prior thereto, Mr. Messina served in various other senior level positions at GE including, at GE Capital Mortgage Corporation, Chief Executive Officer from 1998 to 2000 and Chief Financial Officer from 1996 to 1998. Mr. Messina's position as our President and Chief Executive Officer and his operational and leadership experience led to a conclusion that it is appropriate that he be nominated to stand for re-election as a director.

Gregory J. Parseghian, 53, has served as a director since June 10, 2009. Mr. Parseghian is currently a private investor and, from September 2007 through December 2008, served as Director of Research for Brahman Capital. He has substantial experience in the financial and mortgage industries, having served in executive positions at First Boston Corp., BlackRock Financial Management and Salomon Brothers from 1982 through 1995. In 1996, Mr. Parseghian became Chief Investment Officer of Freddie Mac and served in that position until June 2003 at which time he was promoted by Freddie Mac's board of directors to serve as Chief Executive Officer until December 2003. He previously served on the board of directors of the Armenian Church Endowment Fund and The Langley School, both of which are non-profit organizations, and Everquest Financial, Ltd., a specialty finance holding company. Mr. Parseghian has had over twenty-five years of progressively increasing responsibility in the areas of investment banking, investment management and risk management. His background includes substantial involvement in the analysis, securitization and management of mortgage-backed securities. Mr. Parseghian's mortgage industry and risk management experience led to a conclusion that it is appropriate that he be nominated to stand for re-election as a director.

Charles P. Pizzi, 63, has served as a director since January 26, 2012. Mr. Pizzi was a member of the Board of Directors of the Federal Reserve Bank of Philadelphia from 2006 through 2011 and served as its Chairman from 2010 through 2011. He served as the President and Chief Executive Officer of Tasty Baking Company from 2002 until its merger with Flowers Foods, Inc. in 2011. From 1989 to 2002, Mr. Pizzi was the President and Chief Executive Officer of the Greater Philadelphia Chamber of Commerce. Mr. Pizzi currently serves on the boards of Brandywine Realty Trust, AlliedBarton Security Services LLC, Independence Blue Cross, Pennsylvania Real Estate Investment Trust and FS Energy and Power Fund. Mr. Pizzi holds a B.S. in Business Administration from LaSalle University and an M.S. from the University of Pennsylvania. Mr. Pizzi's operational and leadership experience, including experience leading transformational change, led to a conclusion that it is appropriate that he be nominated to stand for re-election as a director.

Deborah M. Reif, 61, has served as a director since April 1, 2010. Ms. Reif served most recently as Chief Executive Officer and President of the Equipment Services division of General Electric Company, a global transportation equipment enterprise, from 2006 through 2009 with responsibility for a global operating lease portfolio and a supply chain service strategy. From 2005 to 2006, Ms. Reif served as President of Digital Media of NBC Universal where she led the transformation of that operation to a digital business model. Prior to that, Ms. Reif served as Executive Vice President of Financial Structuring for NBC Universal where she led the assessment and restructuring of the Universal Theme Park portfolio from 2004 through 2005. From 2001 through 2004, she served as Chairman and Chief Executive Officer of Financial Guaranty Insurance Company and earlier in her career, in various risk roles of increasing scope and importance with GE Capital from 1971 through 2001. Ms. Reif's financial, risk management and relevant operational experience and leadership roles within a large, publicly-traded global enterprise led to a conclusion that it is appropriate that she be nominated to stand for re-election as a director.

Carroll R. Wetzel, Jr., 70, has served as a director since January 1, 2010. Mr. Wetzel also serves as a director of Exide Technologies, Inc. He previously served as Vice Chairman and lead director at Arch Wireless from 2001 through 2002; as non-executive Chairman of the Board of Directors of Safety Components International from 2000-2005; as a director of Laidlaw International, Inc. from 2004 to 2007; as a director of Brink's Home Security Holdings, Inc. from 2008-2010; and as a director of The Brink's Company during 2008. Before that, he spent approximately 20 years working in investment banking and corporate finance. From 1988 to 1996, Mr. Wetzel served as head of the Merger and Acquisition Group at Chemical Bank and following its merger with Chase Manhattan Bank as co-head of the Merger and Acquisition Group and also previously served as a corporate finance officer at Dillon Read & Co., Inc. and Smith Barney. Mr. Wetzel's investment banking and financial services industry experience and his past service as a member of several other public company Board's led to a conclusion that it is appropriate that he be nominated to stand for re-election as a director.

Directors Not Standing for Re-Election

Jon A. Boscia, 61, has served as a director since September 27, 2012, and his term as a director will end effective with his retirement from the Board immediately prior to the commencement of the Annual Meeting. Mr. Boscia currently serves as the President and Chief Executive Officer of Boardroom Advisors, LLC, a corporate governance consulting business based in Bala Cynwyd, Pennsylvania. From 2008 until his retirement in 2011, Mr. Boscia was President of Sun Life Financial, Inc. Beginning in 1983, Mr. Boscia held a series of increasingly responsible positions with Lincoln National Corporation, ultimately serving as Chief Executive Officer from 1998 to 2007. Mr. Boscia currently serves as a member of the Board of Directors and Chair of the Audit Committee of The Southern Company (NYSE:SO), and has served the company since 2007. Mr. Boscia was a member of the Board of Directors of Lincoln National Corporation from 1998 until 2007, serving as Chairman from 2001 through 2007. Mr. Boscia previously served on the Board of Directors of Sun Life Financial (2011 to 2013), Armstrong World Industries, Inc. (2008 to 2010), Hershey Foods Corporation (2001 to 2007), and Georgia-Pacific Corporation (2005).

Independence of the Board of Directors

Under the rules of the NYSE and the SEC, our Board is required to affirmatively determine which directors are independent and to disclose such determination in our annual report to stockholders and in our proxy statement for each annual meeting of stockholders. Our Board has reviewed each director's relationships with us in conjunction with our previously adopted categorical Independence Standards for Directors (the "Independence Standards") and Section 303A of the NYSE's Listed Company Manual (the "NYSE Listing Standards"). A copy of our categorical Independence Standards is available on our corporate website at www.phh.com under the heading "Investor Relations—Corporate Governance." A copy of our Independence Standards is also available to stockholders upon request, addressed to the Corporate Secretary at 3000 Leadenhall Road, Mt. Laurel, New Jersey, 08054. Based on the Board's review, our Board has affirmatively determined that each of our current non-employee directors and director nominees is independent within the meaning of our categorical Independence Standards and the NYSE Listing Standards and has no material relationship with us or any of our subsidiaries, either directly or as a partner, stockholder or officer of an organization that has a relationship with us. Our Board has also determined that Mr. Messina, who serves as a director and our Chief Executive Officer, is not an independent director. Accordingly, 90% of our current incumbent directors and 89% of our director nominees standing for election at the Annual Meeting, in each case representing more than two-thirds of our directors as required by our Corporate Governance Guidelines, are independent.

COMMITTEES OF THE BOARD

The Board has a standing Audit Committee, Human Capital and Compensation Committee, Corporate Governance Committee, Finance and Risk Management Committee, and Regulatory Oversight Committee. Each such committee consists solely of directors who have been affirmatively determined to be "independent" within the meaning of the NYSE Listing Standards and our Independence Standards. Each such committee operates pursuant to a written charter and a copy of each committee's charter is available on our corporate website at www.phh.com under the heading "Investor Relations—Corporate Governance." A copy of each committee's charter is also available to stockholders upon request, addressed to the Corporate Secretary at 3000 Leadenhall Road, Mt. Laurel, New Jersey, 08054.

Audit Committee

The Audit Committee assists our Board in the oversight of the integrity of our financial statements, our independent registered public accounting firm's qualifications and independence, the performance of our independent registered public accounting firm and our internal audit function, and our compliance with legal and regulatory requirements. The Audit Committee is a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Audit Committee also oversees our corporate accounting and reporting practices by:

- meeting with our financial management and independent registered public accounting firm to review and discuss our financial statements, quarterly earnings releases and financial data, and internal controls over financial reporting;
- appointing and pre-approving all services provided by the independent registered public accounting firm that will audit our financial statements;
- reviewing the internal audit plan; and
- reviewing the scope, procedures and results of our audits.

The Audit Committee is currently comprised of Ms. Carlin and Messrs. Boscia (Chair), Gibbons and Parseghian. Immediately following the Annual Meeting, the Audit Committee is intended to be comprised of Ms. Carlin and Messrs. Egan, Gibbons, Parseghian and Wetzel (Chair). Our Board has determined that Messrs. Boscia, Egan and Gibbons qualify as "audit committee financial experts" within the meaning of applicable SEC rules and are independent directors under the Independence Standards and the NYSE Listing Standards. During 2013, the Audit Committee met fourteen times and each incumbent member of the Audit Committee attended at least 75% of the meetings held by the Audit Committee during the period in which each such member served as a member of the Audit Committee.

Human Capital and Compensation Committee

The Human Capital and Compensation Committee determines and approves all elements of compensation for our senior management and our Chief Executive Officer, whose compensation is further subject to final approval by the Board; reviews and approves our compensation strategy, including the elements of total compensation for senior management; reviews and approves the annual bonus and long-term bonus incentive plans, and reviews and grants equity awards for our employees. The Human Capital and Compensation Committee also assists us in reviewing and approving our stated compensation philosophy and strategy for all employees, and developing compensation and benefit strategies to attract, develop and retain qualified employees. See "Executive Compensation" for additional information regarding the process for the determination and consideration of executive compensation. The Human Capital and Compensation Committee is also responsible for reviewing and recommending to the Board the compensation of our non-employee directors. The Human Capital and Compensation Committee is currently comprised of Ms. Reif (Chair) and Messrs. Egan, Pizzi and Wetzel. During 2013, the Human

Capital and Compensation Committee met nineteen times and each incumbent member of the Human Capital and Compensation Committee attended at least 75% of the meetings held by the Human Capital and Compensation Committee during the period in which each such member served as a member of the Human Capital and Compensation Committee.

Corporate Governance Committee

The Corporate Governance Committee's responsibilities with respect to its governance function include considering matters of corporate governance and reviewing and revising our Corporate Governance Guidelines, Code of Business Ethics and Conduct, and Code of Ethics for Chief Executive Officer and Senior Financial Officers. The Corporate Governance Committee identifies, evaluates and recommends nominees for our Board for each annual meeting (see "Corporate Governance—Nomination Process and Qualifications for Director Nominees" below); evaluates the composition, organization and governance of our Board and its committees, and develops and recommends corporate governance principles and policies applicable to us. The Corporate Governance Committee is currently comprised of Messrs. Wetzel (Chair), Egan, Loren and Pizzi. Immediately following the Annual Meeting, the Corporate Governance Committee is intended to be comprised of Messrs. Egan, Loren and Pizzi (Chair). During 2013, the Corporate Governance Committee met eight times and each incumbent member of the Corporate Governance Committee attended at least 75% of the meetings held by the Corporate Governance Committee during the period in which each such member served as a member of the Corporate Governance Committee.

Finance and Risk Management Committee

The Finance and Risk Management Committee assists our Board in fulfilling its oversight responsibilities with respect to the assessment of our overall capital structure and its impact on the generation of appropriate risk adjusted returns, as well as the existence, operation and effectiveness of our risk management programs, policies and practices. The Finance and Risk Management Committee is currently comprised of Messrs. Parseghian (Chair), Gibbons, Wetzel and Ms. Carlin and Ms. Reif. Immediately following the Annual Meeting, the Finance and Risk Management Committee is intended to be comprised of Ms. Carlin and Messrs. Gibbons, Parseghian (Chair) and Reif. During 2013, the Finance and Risk Management Committee met eight times and each incumbent member of the Finance and Risk Management Committee attended at least 75% of the meetings held by the Finance and Risk Management Committee during the period in which each such member served as a member of the Finance and Risk Management Committee.

Regulatory Oversight Committee

The Regulatory Oversight Committee was formed on February 26, 2013 to assist the Board, the Audit Committee and other Board Committees, as determined by the Board from time to time, with the oversight of any significant regulatory or compliance matter in which our regulators have requested or expect direct Board oversight, as well as to assist our Board in fulfilling its oversight responsibilities with the identification, review and reporting of significant issues with respect to our Compliance Management System. The Regulatory Oversight Committee is currently comprised of Ms. Carlin (Chair) and Messrs. Boscia and Parseghian. Immediately following the Annual Meeting, the Regulatory Oversight Committee is intended to be comprised of Ms. Carlin (Chair) and Messrs. Parseghian and Pizzi. During 2013, the Regulatory Oversight Committee met fourteen times and each incumbent member of the Regulatory Oversight Committee attended at least 75% of the meetings held by the Regulatory Oversight Committee during the period in which each such member served as a member of the Regulatory Oversight Committee.

CORPORATE GOVERNANCE

Board of Directors' Role in Risk Oversight

Our business and affairs are managed under the direction of the Board in accordance with our By-Laws. The role of the Board is one of oversight, including as to matters relating to risk management. Our management is responsible for managing our day-to-day operations and affairs, including the development and implementation of systems and processes to identify and monitor our risks and policies and procedures to ensure that risks undertaken by us are consistent with our business objectives and risk tolerances. To assist it in fulfilling its oversight function, the Board has established five standing committees comprised of the Audit Committee, the Human Capital and Compensation Committee, the Corporate Governance Committee, the Finance and Risk Management Committee and the Regulatory Oversight Committee. Each standing committee regularly reports to the Board and is responsible for oversight in connection with actions taken by such committee consistent with the exercise of fiduciary duties by the directors serving on such committee. Our risk management process is intended to ensure that our risks are undertaken knowingly and purposefully.

As noted above, the primary purpose of the Finance and Risk Management Committee is to assist the Board in fulfilling its oversight responsibilities with respect to the assessment of our overall capital structure and its impact on the generation of appropriate risk adjusted returns, as well as the existence, operation and effectiveness of our risk management programs, policies and practices, among other things. The Finance and Risk Management Committee regularly discusses with our management, including, among others, our Chief Executive Officer, Chief Financial Officer, Chief Risk Officer and Treasurer, the risks we face and management's plans and initiatives undertaken to mitigate such risks.

The Audit Committee charter provides that the Audit Committee is responsible for discussing our guidelines and policies governing the process by which we undertake risk assessment and risk management, including our major financial risk exposures and the steps our management has taken to monitor and control such exposures. Further, as part of our periodic reporting process, management reviews with the Audit Committee our disclosure process and the disclosures contained in our periodic reports filed with the SEC, including disclosure concerning our risk factors.

The Human Capital and Compensation Committee has focused on aligning our compensation policies with our long-term interests and avoiding short-term rewards for management decisions that could pose long-term risks to us as described in more detail below under "Executive Compensation." The Board's compensation risk governance includes the Human Capital and Compensation Committee consulting with the Board's Audit Committee and Finance and Risk Management Committee around compensation and risk. The Finance and Risk Management Committee reviews the risk factors each year, and reviews program changes for these factors, consistent with its Charter.

Board Leadership Structure

Since 2005, our Chairman of the Board has been an independent, non-employee director. The Chairman of the Board is elected by a majority vote of the directors. Currently, James O. Egan serves as our non-executive Chairman of the Board, a position he has held since June 17, 2009. Mr. Egan has served as a director since March 30, 2009. Mr. Egan previously served as Chair of the Audit Committee of the Board and currently serves as a member of the Corporate Governance Committee and Human Capital and Compensation Committee of the Board. Immediately following the Annual Meeting, it is intended that Mr. Egan will serve as a member of the Audit Committee, Corporate Governance Committee and Human Capital and Compensation Committee of the Board.

In his capacity as non-executive Chairman of the Board, Mr. Egan leads all meetings of our Board at which he is present, but does not serve as an employee or corporate officer. The non-executive Chairman of the Board serves on appropriate committees as requested by the Board, sets meeting schedules and agendas and manages information flow to the Board to assure appropriate understanding of, and discussion regarding matters of interest or concern to the Board. The non-executive Chairman of the Board also has such additional powers and performs such additional duties consistent with organizing and leading the actions of the Board as the Board may from time-to-time prescribe.

The decision to separate the positions of Chairman of the Board and Chief Executive Officer was made at the time of our spin-off in early 2005. Although the Board does not currently have a policy requiring that the positions of Chairman of the Board and Chief Executive Officer be separated, the Board continues to believe that it is appropriate for the Chairman of the Board to be an independent, non-employee director to ensure that the Board operates independently of management in the fulfillment of its oversight function and that the matters presented for consideration by the Board and its committees reflect matters of key importance to us and our stockholders as determined by the independent directors.

Executive Sessions of Non-Management Directors

Executive sessions of non-management directors are held regularly by the Board and its Committees without management present to discuss the criteria upon which the performance of the Chief Executive Officer and other senior executives is based, the performance of the Chief Executive Officer and other senior executives against such criteria, the compensation of the Chief Executive Officer and other senior executives and any other relevant matters. Our Board has designated Mr. Egan, our non-executive Chairman of the Board and Chairman of the Audit Committee, as the presiding director of executive sessions of the non-management directors of the Board.

Corporate Governance Guidelines

The Board has adopted Corporate Governance Guidelines to assist the Board in monitoring the effectiveness of decision-making, both at the Board and management levels and to enhance long-term stockholder value. The Corporate Governance Guidelines outline the following:

- the responsibilities of the Board;
- the composition of the Board, including the requirement that two-thirds of the directors be independent within the meaning of the NYSE Listing Standards;
- Director duties, tenure, retirement and succession;
- conduct of Board and Committee meetings; and
- the selection and evaluation of the Chief Executive Officer.

Our Corporate Governance Guidelines are available on our corporate website at www.phh.com under the heading "Investor Relations—Corporate Governance." A copy of our Corporate Governance Guidelines is also available to stockholders upon request, addressed to the Corporate Secretary at 3000 Leadenhall Road, Mt. Laurel, New Jersey, 08054.

Code of Business Ethics and Conduct

We are committed to conducting business ethically and in compliance with applicable laws, rules and regulations. In furtherance of this commitment, we promote ethical behavior and have adopted a Code of Business Ethics and Conduct (the "Code of Conduct") that is applicable to all of our directors, officers and employees. The Code of Conduct provides, among other things:

- guidelines for our directors, officers and employees with respect to ethical handling of conflicts of interest, including special procedures covering related party transactions between us and members of our Management Operating Committee or directors and their families, examples of the most common types of conflicts of interest that require disclosure (e.g., personal or family relationships with suppliers, vendors or contractors or a directors' service on other boards of directors) or that should be avoided altogether (e.g., receipt of improper personal benefits, having an ownership interest in other businesses that may compromise an officer's loyalty to us, obtaining outside employment with a competitor of ours, etc.);

- restrictions on competition between us and our directors, officers and employees and the protection of all our proprietary and personal and confidential information in our possession;
- a set of standards to promote full, fair, accurate, timely and understandable disclosure in periodic reports required to be filed by us, including, for example, a specific requirement that all financial records must be maintained accurately and in accordance with appropriate controls;
- a requirement to comply with all applicable laws, rules and regulations;
- restrictions on insider trading by our directors, officers and employees;
- guidance providing resources for compliance with the Code of Conduct and promoting prompt internal communication of any suspected violations of the Code of Conduct to the appropriate person or persons identified in the Code of Conduct, including information regarding our toll-free and anonymous Integrity hotline and secure website and our commitment to non-retaliation for reporting suspected violations of the Code of Conduct in good faith; and
- disciplinary measures for violations of the Code of Conduct and any other applicable rules and regulations.

The Code of Conduct is available on our corporate website at www.phh.com under the heading "Investor Relations—Corporate Governance—Code of Business Ethics and Conduct." We will post any amendments to the Code of Conduct, or waivers of its provisions with respect to our directors or executive officers, to our corporate website under the heading "Investor Relations—Corporate Governance." A copy of the Code of Conduct is also available to stockholders upon request, addressed to the Corporate Secretary at 3000 Leadenhall Road, Mt. Laurel, New Jersey, 08054.

Code of Ethics for Chief Executive Officer and Senior Financial Officers

Our Board has also adopted a Code of Ethics for the Chief Executive Officer and Senior Financial Officers (the "Financial Officers Code") that is applicable to our Chief Executive Officer, our Chief Financial Officer, Chief Accounting Officer, Treasurer, Controller and other persons performing similar functions (the "Covered Officers"). The Financial Officers Code provides, among other things:

- guidelines for our Covered Officers with respect to ethical handling of conflicts of interest, including procedures for handling any actual or apparent conflicts of interests;
- a set of standards to promote full, fair, accurate, timely and understandable disclosure in periodic reports required to be filed by us, including, for example, a specific prohibition from misrepresenting, omitting or causing others to misrepresent or omit material facts about us in our financial reporting and disclosure process;
- a requirement to comply with all applicable laws, rules and regulations;
- guidance promoting prompt internal communication of any violations, whether actual or probable, of the Financial Officers Code to the Chief Ethics and Compliance Officer; and
- disciplinary measures for violations of the Code of Conduct or failure to adhere to the Financial Officers Code.

The Financial Officers Code is available on our corporate website at www.phh.com under the heading "Investor Relations—Corporate Governance—Code of Ethics for Chief Executive Officer and Senior Financial Officers." We will post any amendments to the Financial Officers Code, or waivers of its provisions for any of our executive officers, to our corporate website under the heading "Investor Relations—Corporate Governance." A copy of the Financial Officers Code is also available to stockholders upon request, addressed to the Corporate Secretary at 3000 Leadenhall Road, Mt. Laurel, New Jersey, 08054.

Nomination Process and Qualifications for Director Nominees

The Board has established certain procedures and criteria for the selection of nominees for election to our Board. In accordance with such procedures and criteria as set forth in our Corporate Governance Guidelines, the Board seeks members from diverse professional and personal backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity. Pursuant to its charter, the Corporate Governance Committee is required to identify individuals qualified to become members of the Board, which shall be consistent with the Board's criteria for selecting new directors. In identifying possible director candidates, the Corporate Governance Committee considers recommendations of professional search firms, stockholders, and members of management or the Board. In evaluating possible director candidates, the Corporate Governance Committee, consistent with the Board's Corporate Governance Guidelines and its charter, considers criteria such as skills, experience, age, diversity, and availability to prepare, attend and participate in Board and Board Committee meetings, as well as personal qualities of leadership, character, judgment, and reputation for integrity and adherence to the highest ethical standards, so as to enhance the Board's ability to oversee in the interest of our stockholders our affairs and business, including, when applicable, to enhance the ability of Committees of the Board to fulfill their duties and/or to satisfy any independence requirements imposed by law, regulation or NYSE requirement. In considering diversity, in particular, the Corporate Governance Committee considers general principles of diversity in the broadest sense. The Corporate Governance Committee seeks to recommend the nomination of directors who represent different qualities and attributes and a mix of professional and personal backgrounds and experiences that will enhance the quality of the Board's deliberations and oversight of our business. The Corporate Governance Committee is also responsible for conducting a review of the credentials of individuals it wishes to recommend to the Board as a director nominee, recommending director nominees to the Board for submission for a stockholder vote at either an annual meeting of stockholders or at any special meeting of stockholders called for the purpose of electing directors, reviewing the suitability for continued service as a director of each Board member when his or her term expires and when he or she has a significant change in status, including but not limited to an employment change, and recommending whether such a director should be re-nominated to the Board or continue as a director. The Corporate Governance Committee's assessment of director nominees includes an examination of whether the individual is independent and whether the individual's service as a director may give rise to a conflict of interest, as well as consideration of diversity, age, skills and experience in the context of the needs of the Board. Additionally, the Corporate Governance Committee conducts a vetting process that generally includes, among other things, personal interviews, discussions with professional references, background and credit checks, and resume verification. When formulating its director nominee recommendations, the Corporate Governance Committee also considers the advice and recommendations from others as it deems appropriate.

Our By-Laws provide the procedure for stockholders to make director nominations either at any annual meeting of stockholders or at any special meeting of stockholders called for the purpose of electing directors. A stockholder who is both a stockholder of record on the date of notice as provided for in our By-Laws and on the record date for the determination of stockholders entitled to vote at such meeting and gives timely notice can nominate persons for election to our Board either for an annual meeting of stockholders or at any special meeting of stockholders called for the purpose of electing directors. The notice must be delivered to or mailed and received by the Corporate Secretary at 3000 Leadenhall Road, Mt. Laurel, New Jersey, 08054:

- in the case of an annual meeting, not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the 90th day prior to the date of such annual meeting and not later than the close of business on the later of the 60th day prior to the date of such annual meeting or the tenth day following the day on which public announcement of the date of such annual meeting is first made, and
- in the case of a special meeting of stockholders called for the purpose of electing directors, not later than the close of business on the tenth day following the day on which notice of the date of the special meeting was sent or public announcement of the date of the special meeting was made, whichever first occurs.

The stockholder's notice to our Corporate Secretary must be in writing and include the information set forth in Section 1.10 of our By-Laws. Such notice must be accompanied by a written consent to be named as a nominee and to serve as a director if elected signed by each person whom the stockholder proposes to nominate for election as a director. No person shall be eligible for election as a director unless nominated in accordance with the procedures set forth in our By-Laws. If the chairman of the meeting determines that a nomination was not made in accordance with the above-described procedures, the chairman of the meeting shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded. No adjournment or postponement of a meeting of stockholders shall commence a new period for the giving of notice of a stockholder proposal under our By-Laws.

Communication with Non-Management Directors

In accordance with our Corporate Governance Guidelines, all stockholder and interested party communications to any director, the non-management directors as a group or the Board shall be forwarded to the attention of the Chair of the Corporate Governance Committee, c/o the Corporate Secretary, 3000 Leadenhall Road, Mt. Laurel, New Jersey, 08054. The Corporate Secretary shall review all such stockholder and interested party communications and discard those which (i) are not related to our business or governance of our Company, (ii) are commercial solicitations which are not relevant to the Board's responsibilities and duties, (iii) pose a threat to health or safety or (iv) the Chair of the Corporate Governance Committee has otherwise instructed the Corporate Secretary not to forward. The Corporate Secretary will then forward all relevant stockholder and interested party communications to the Chair of the Corporate Governance Committee for review and dissemination.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Review and Approval of Related Person Transactions

Pursuant to the Audit Committee's charter, the Audit Committee reviews and approves all transactions with related persons, including executive officers and directors, as described in Item 404(a) of Regulation S-K promulgated by the U.S. Securities and Exchange Commission. We review any relationships or transactions in which we and our directors or executive officers, or their immediate family members, are participants to determine whether these persons have a direct or indirect material interest. Our Code of Conduct and Financial Officers Code provide specific provisions regarding such relationships between our directors or executive officers and us. Our Code of Conduct requires that any relationship that appears to create a conflict of interest must be promptly disclosed to our General Counsel or the Chairman of the Corporate Governance Committee, who will refer the matter, if appropriate, to the Corporate Governance Committee for further review.

See "Corporate Governance—Code of Business Ethics and Conduct "and "Corporate Governance—Code of Ethics for Chief Executive Officer and Senior Financial Officers" above for more information.

Transactions with BlackRock, Inc.

On January 30, 2014, BlackRock, Inc. ("BlackRock") filed a Schedule 13G/A with the U.S. Securities and Exchange Commission disclosing that certain of its affiliates held, in the aggregate, approximately 5.9% of our common stock as of December 31, 2013. During the year ended December 31, 2013, we paid affiliates of BlackRock approximately $1.7 million for various investment management and risk analytics products and services. During the year ending December 31, 2014, we expect to pay affiliates of BlackRock approximately $170,000 for risk analytics products and services. All of our agreements with BlackRock's affiliates were made pursuant to arm's length transactions at prevailing market rates for the services or products rendered or delivered.

Transactions with BNY Mellon

Thomas P. Gibbons, who has served as one of our directors since July 1, 2011, is Vice Chairman and Chief Financial Officer of the Bank of New York Mellon Corporation, the Bank of New York Mellon, and BNY Mellon, N.A. (collectively, together with their respective affiliates, "BNY Mellon"). We have certain relationships and engage in various transactions with BNY Mellon, including financial services, commercial banking and other transactions. BNY Mellon participates as a lender in several of our credit facilities, functions as the custodian for loan files, and functions as the indenture trustee in respect of certain of our outstanding debt obligations. We also execute forward loan sales agreements and interest rate contracts with BNY Mellon. These transactions were entered into in the ordinary course of business upon terms, including interest rate and collateral, substantially the same as those prevailing at the time for comparable transactions. The fees paid by us to BNY Mellon, including interest expense, during the year ended December 31, 2013, aggregated approximately $5.8 million, or less than 0.04% of BNY Mellon's gross revenues for the year ended December 31, 2013. Notwithstanding the foregoing, the Board has determined that Mr. Gibbons is an independent director within the meaning of our categorical Independence Standards and the NYSE Listing Standards and has no material relationship with us or any of our subsidiaries, either directly or as a partner, stockholder or officer of an organization that has a relationship with us.

Indemnification Agreements

We have entered into indemnification agreements with each of our directors and certain of our officers, including our President and Chief Executive Officer, Mr. Messina. Pursuant to such indemnification agreements, we have agreed to indemnify and advance expenses and costs incurred by each such director or officer in connection with any claims, suits or proceedings arising as a result of his or her service as a director or officer, to the maximum extent permitted by law, including third-party claims and proceedings brought by or in right of us.

Employment of Mr. George J. Kilroy's Immediate Family Member

Bradford C. Burgess, who serves as Vice President, Sales at PHH Arval, is the son-in-law of George J. Kilroy, our former Executive Vice President, Fleet. Mr. Burgess received total compensation, including base salary, commissions and bonus payments, of $355,943 for 2013 and was eligible to participate in employee benefit plans available to employees generally on a non-discriminatory basis. Mr. Burgess' compensation and benefits were commensurate with other employees in comparable positions at PHH Arval. Mr. Kilroy was not involved in decisions with respect to Mr. Burgess' compensation or job performance, and procedures were established to limit Mr. Kilroy's access to such information.

Consumer Credit Loans in the Ordinary Course of Business

One or more of our mortgage lending subsidiaries has made, in the ordinary course of their respective consumer credit businesses, mortgage loans and/or home equity lines of credit to certain of our directors and executive officers or their immediate family members of types generally made available to the public by such mortgage lending subsidiaries. Such mortgage loans and/or home equity lines of credit were made on substantially the same terms, including interest rates and collateral requirements, as those prevailing at the time for comparable transactions with our other customers generally, and they did not involve more than the normal risk of collectability or present other unfavorable features. Generally, we sell these mortgage loans and/or home equity lines of credit, soon after origination, into the secondary market in the ordinary course of business.

DIRECTOR COMPENSATION

Our non-employee director compensation program aligns our non-employee directors' interests with those of our stockholders by compensating non-employee directors with a mix of cash and equity to focus them on sustainable, long-term shareholder value creation and to provide market-competitive compensation for their Board service. We pay over one-half of non-employee director compensation in the form of equity, and the rest in cash. The equity is in the form of restricted stock units (the "Director RSUs") that are granted under the PHH Corporation Amended and Restated 2005 Equity and Incentive Plan, as amended. This relative equity weighting also supports stock retention requirements for directors as described below. We do not provide one time grants for commencement of Board service. Currently, our only employee director is our Chief Executive Officer who does not receive any additional compensation for his Board service as a director and has no input on our non-employee director compensation program. The Human Capital and Compensation Committee is responsible for the annual review of our non-employee director compensation program, which is based on a number of variables, including market practice, work-load and other strategic imperatives, and for making recommendations to the Board for changes in such compensation when it deems appropriate. Recommendations must be approved by the full Board. Non-employee director compensation has not changed since 2011 and has been increased only once since we became publicly traded in 2005.

The following table describes the components of our non-employee director compensation program for 2013:

Compensation Element	Non-Employee Director Compensation Program
Non-Executive Chairman of the Board Retainer	\$295,000—of which \$122,500 is paid in cash and \$172,500 in Director RSUs[1]
Board Member Retainer	\$220,000—of which \$85,000 is paid in cash and \$135,000 in Director RSUs
Committee Chair Stipends	The Stipends for Committee Chairs are paid 50% in cash and 50% in Director RSUs as follows: —Audit Committee Chair—\$25,000 —Human Capital and Compensation Committee Chair—\$25,000 —Corporate Governance Committee Chair—\$10,000 —Finance & Risk Management Committee Chair—\$25,000 —Regulatory Oversight Committee Chair—\$25,000
Committee Stipends	The Stipends for Committee members are paid 50% in cash and 50% in Director RSUs as follows: —Audit Committee—\$15,000 —Human Capital and Compensation Committee—\$15,000 —Corporate Governance Committee—\$8,000 —Finance & Risk Management Committee—\$15,000 —Regulatory Oversight Committee—\$15,000
Retention Requirements	Currently, 100% of the Director RSUs granted to Directors for service on the Board are settled one year after termination of service on the Board, absent a qualifying change of control.

Compensation Element	Non-Employee Director Compensation Program
Timing of Compensation	Non-employee director compensation is paid in arrears in four equal quarterly installments at the end of each calendar quarter ("Fee Payment Date") and is paid in the form of Director RSUs and cash as described above. It is our practice to prorate non-employee director compensation for the portion of each calendar quarter during which an individual director actually serves as a member or chairperson of the Board or a Committee of the Board.

Notes:

(1) Director RSUs represent the right to receive one share of our common stock upon settlement of such Director RSU. The currently outstanding Director RSUs are immediately vested and are settled in shares of our common stock one year after the director is no longer a member of the Board, absent a qualifying change of control.

(2) We do not maintain a pension plan or any deferred compensation plan for non-employee directors. Non-employee directors did not receive any other form of compensation for 2013.

Our non-employee directors are effectively restricted from selling any of their vested equity-based compensation, not only while serving as a director, but also for one year after their Board service ends. Accordingly, our non-employee directors are essentially subject to a 100% stock ownership requirement with respect to their Director RSUs and we believe that our non-employee directors' compensation program aligns the interests of our directors with long-term shareholder interests. This additional one year holding period also focuses directors on longer term performance, since the value delivered through the Director RSUs will continue to change after their Board service ends.

Director Compensation Table

The following table sets forth the compensation paid to or earned by each of our current and former non-employee directors that served as directors during 2013:

Name	Committee membership as of December 31, 2013	Fees Earned or Paid in Cash ($)	Stock Awards ($)[(1)]	Total ($)
Jon A. Boscia[(2)]	• Audit (Chair) • Regulatory Oversight	$103,390	$153,286	$256,676
Jane D. Carlin[(2)]	• Audit • Finance & Risk Management • Regulatory Oversight (Chair)	$107,388	$157,307	$264,695
James O. Egan, Chairman of the Board	• Corporate Governance • Human Capital & Compensation	$136,285	$186,193	$322,478
Thomas P. Gibbons	• Audit • Finance & Risk Management	$100,031	$149,969	$250,000
Allan Z. Loren	• Corporate Governance	$ 94,643	$144,552	$239,195
Gregory J. Parseghian[(2)]	• Audit • Finance & Risk Management (Chair) • Regulatory Oversight	$113,126	$163,028	$276,154
Charles P. Pizzi	• Corporate Governance	$100,686	$150,597	$251,283

Name	Committee membership as of December 31, 2013	Fees Earned or Paid in Cash ($)	Stock Awards ($)[1]	Total ($)
	• Finance & Risk Management • Human Capital & Compensation			
Deborah M. Reif	• Finance & Risk Management • Human Capital & Compensation (Chair)	$102,808	$152,714	$255,522
Carroll R. Wetzel, Jr.	• Corporate Governance (Chair) • Finance & Risk Management • Human Capital & Compensation	$105,036	$154,964	$260,000

(1) Represents the aggregate grant date fair value of Director RSUs granted during 2013, as calculated in accordance with Accounting Standards Codification Topic 718 ("ASC 718"). Pursuant to ASC 718, the grant date fair value is calculated using the closing market price of our common stock on the date of grant. See also Note 19, "Stock-Based Compensation" in the Notes to Consolidated Financial Statements included in the 2013 Annual Report for the assumptions used in calculating our equity based compensation expense.

(2) Includes additional compensation awarded in the fourth quarter of 2013 for services performed by the Regulatory Oversight Committee from November 30, 2012 through February 25, 2013 prior to formal Board approval of the Regulatory Oversight Committee's charter.

The following table sets forth the grant date fair value computed in accordance with ASC 718 of each equity award made to non-employee directors during 2013 and the aggregate number of stock awards (representing Director RSUs that are currently settled one year following termination of service as a Director) outstanding at fiscal year-end 2013 for each non-employee director that served as a non-employee director during 2013. We do not provide stock option awards to our non-employee Directors and, therefore, there are no outstanding option awards.

Name	Quarter Ended March 31, 2013 ($)	Quarter Ended June 30, 2013 ($)	Quarter Ended September 30, 2013 ($)	Quarter Ended December 31, 2013 ($)	Total ($)	Aggregate Number of Stock Awards Outstanding at Fiscal Year End 2013 (#)	Aggregate Number of Option Awards Outstanding at Fiscal Year End 2013 (#)
Jon A. Boscia	$36,256	$37,744	$38,743	$40,543	$153,286	8,441	0
Jane D. Carlin	$36,673	$38,742	$38,744	$43,148	$157,307	8,616	0
James O. Egan	$47,236	$46,976	$45,984	$45,997	$186,193	44,556	0
Thomas P. Gibbons	$37,486	$37,499	$37,485	$37,499	$149,969	20,040	0
Allan Z. Loren	$37,859	$37,214	$34,732	$34,747	$144,552	34,186	0
Gregory J. Parseghian	$39,374	$40,617	$40,619	$42,418	$163,028	36,156	0
Charles P. Pizzi	$36,607	$37,010	$38,483	$38,497	$150,597	13,801	0
Deborah M. Reif	$37,486	$37,744	$38,743	$38,741	$152,714	31,624	0
Carroll R. Wetzel	$38,737	$38,742	$38,744	$38,741	$154,964	31,964	0

PROPOSAL 2—EQUITY INCENTIVE PLAN PROPOSAL

Introduction

The purpose of this Proposal 2 is to obtain shareholder approval of a new equity and incentive plan. The PHH Corporation Amended and Restated 2005 Equity and Incentive Plan, as amended, was last approved by shareholders in 2009 and expires by its terms on January 14, 2015 (the "2005 Plan"). Section 162(m) of the Internal Revenue Code of 1986, as amended (the "IRC") requires shareholder approval of applicable performance goals contained in incentive and equity plans generally every five years to preserve the ability to deduct for tax purposes, awards and payments to certain of our named executive officers. Therefore, to comply with IRC Section 162(m), and because the 2005 Plan expires in 2015, we seek shareholder approval of the PHH Corporation 2014 Equity and Incentive Plan (the "2014 Plan") and the performance goals set forth in the 2014 Plan.

The 2014 Plan was designed by the Human Capital and Compensation Committee (the "HC&CC") to allow for flexibility to create compensation programs consistent with our pay-for-performance compensation philosophy. The purpose of the 2014 Plan is to provide stock and cash incentives to certain officers, employees, directors, consultants, and other service providers of us and our affiliates in order to stimulate their efforts toward our continued success and the creation of shareholder value; to encourage stock ownership by certain officers, employees, directors, consultants, and other service providers by providing them with a means to acquire a proprietary interest in the Company or to receive compensation which is based upon appreciation in the value of our common stock; and to provide a means of attracting, rewarding and retaining officers, employees, directors, consultants, and other service providers.

The 2014 Plan was approved by our Board on April 4, 2014, subject to the further approval of the 2014 Plan by our stockholders at the Annual Meeting. If the 2014 Plan is approved by our stockholders at the Annual Meeting, no additional awards will be granted under the 2005 Plan, and the 2014 Plan will then be the only equity-based incentive and compensation plan pursuant to which equity-based incentive compensation awards may be granted to our employees, directors and consultants.

The Board has reserved shares of our common stock for issuance under the terms of the 2014 Plan in an amount equal to 3,500,000 shares plus any shares remaining available for grant under the 2005 Plan immediately prior to shareholder approval of the 2014 Plan (including shares issuable in connection with awards outstanding under the 2005 Plan which are not issued under those awards as a result of the settlement, exercise, cancellation or forfeiture of the awards). Specifically, any shares of our common stock subject to an award under the 2014 Plan or an award granted under the 2005 Plan which is outstanding as of the effective date of the 2014 Plan (a "2005 Plan Award"), that is forfeited, expires or otherwise terminates without issuance of shares of our common stock will again be available for awards under the 2014 Plan. Additionally, any award under the 2014 Plan and any 2005 Plan Award that is settled for cash or otherwise does not result in the issuance of all or a portion of the shares of our common stock subject to such award will also again be available for awards under the 2014 Plan to the extent our common stock is not issued under that award. Finally, if the exercise price of, or withholding tax liabilities attributable to, an award (whether under the 2014 Plan or a 2005 Plan Award) is satisfied through the tendering of shares of our common stock by the recipient or by our withholding of our common stock, the shares so tendered or withheld will again be available for use under the 2014 Plan. As of December 31, 2013, there were 2,803,362 shares that remained available for issuance under the 2005 Plan that will be available for issuance under the 2014 Plan if Proposal 2 is approved at the Annual Meeting, and there were 3,409,320 shares that were subject to outstanding 2005 Plan Awards that could potentially become available under the 2014 Plan if Proposal 2 is approved at the Annual Meeting.

The 2014 Plan provides for a variety of equity and equity-based awards, including the following: cash performance awards, incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock units, restricted stock awards and other stock-based awards. Shareholder approval of the 2014 Plan will allow the Board and the HC&CC, should the Board or the HC&CC deem it appropriate, to grant "performance-based compensation" awards that qualify for certain tax deductions under IRC Section 162(m).

The following is merely a summary of the material features of the 2014 Plan and such summary is qualified in its entirety by reference to the full text of the 2014 Plan, which is included as Appendix A hereto and incorporated herein by reference.

Classes of Eligible Persons

Officers, directors, employees, consultants and other service providers of the Company or any affiliate of the Company (the "Eligible Persons") are eligible for awards under the 2014 Plan. As of the date of this proxy statement, there were 9 non-employee directors and approximately 6,000 officers and other employees of the Company or its affiliates who comprise Eligible Persons, excluding consultants and other service providers. The aggregate benefits and or amounts that will be received in the future by Eligible Persons are not presently determinable. As indicated above, no additional awards will be granted under our 2005 Plan if the 2014 Plan is approved by our stockholders at the Annual Meeting. Consequently, executive officers and non-employee directors will receive awards from the 2014 Plan going forward if such plan is approved. For information regarding our executive compensation philosophy and structure, as well as awards made to our named executive officers in 2013, see "EXECUTIVE COMPENSATION" below. For information regarding our non-employee director compensation structure, as well as awards made to our non-employee directors in 2013, see "DIRECTOR COMPENSATION" above.

Administration

The HC&CC has been appointed to administer the 2014 Plan, unless and until another committee is appointed by the Board. The Board will consider the advisability of whether the members of the HC&CC will consist solely of two or more members of the Board that are "outside directors" (as defined in U.S. Treasury Regulation 1.162-27(e)) and "non-employee directors" (as defined in Rule 16b-3(b)(3) as promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) and, if applicable, that satisfy the requirements of the national securities exchange or nationally recognized quotation or market system upon which our common stock is then traded. All questions of interpretation of the 2014 Plan will be determined by the HC&CC, and its decisions are final and binding upon all plan participants.

Consistent with applicable laws, the 2014 Plan also permits the Board, but not the HC&CC, to delegate to one or more members of the Board the ability to grant equity-based awards to individuals other than directors and officers of the Company or any affiliate that is subject to Section 16 of the Exchange Act. The member(s) so designated can grant awards subject to certain parameters and restrictions consistent with the 2014 Plan, as the Board shall determine, including without limitation, the maximum number of shares that may be granted. The Board may delegate the ability to set such parameters and restrictions to the HC&CC. Additionally, the 2014 Plan permits the Board or the HC&CC to delegate to one or more officers of the Company and/or one or more members of the Board the ability to grant cash performance awards under the 2014 Plan to individuals other than directors and officers of the Company or any affiliate that is subject to Section 16 of the Exchange Act. The officers and/or members so designated can determine the amount subject to such cash performance awards, subject to a maximum amount of compensation that may be granted as established by the Board or the HC&CC.

Awards Generally

The 2014 Plan permits the grant of any of the following types of awards: incentive stock options, nonqualified stock options, stock appreciation rights, cash performance awards, restricted stock units, restricted stock awards and other stock-based awards that are settled in shares of our common stock or cash. Awards may be made on an individual basis or pursuant to a program for the benefit of a group of

Eligible Persons. The last reported sale price per share of our common stock on the New York Stock Exchange as of the record date for the Annual Meeting of March 26, 2014, was $24.74.

Any shares of our common stock issued pursuant to an award under the 2014 Plan granted in assumption, substitution or exchange for a previously granted award of a company acquired by the Company will not reduce the shares of common stock otherwise available under the 2014 Plan. In the event all or a portion of an award is forfeited, cancelled, expired, or terminated before becoming vested, paid, exercised, converted, or otherwise settled in full, or if shares of stock are used in settlement of a withholding obligation with respect to any award, that number of shares will again be available under the 2014 Plan and will not count against the maximum number of reserved shares under the 2014 Plan. Additionally, available shares under a shareholder-approved plan of an acquired company (as appropriately adjusted to reflect the transaction) may be used for awards under the 2014 Plan and will not reduce the number of shares available for issuance under the 2014 Plan (subject to stock exchange listing requirements). Any shares of our common stock made subject to an award under the 2014 Plan will be counted against the shares of common stock available for awards under the 2014 Plan.

The Board, the HC&CC or their respective delegates will determine the recipient, the exercise or strike price, if applicable, any applicable performance, exercise or vesting conditions, applicable payment terms and the number of shares of our common stock subject to, or dollar amount of, any award under the 2014 Plan.

IRC Section 162(m) limits the deductibility for U.S. federal income tax purposes of compensation paid to certain "covered employees" of publicly held companies, including us, that is in excess of $1,000,000 and is not "performance-based compensation." "Covered employees" include the chief executive officer and the three most highly compensated executive officers (other than the chief executive officer or the chief financial officer). The 2014 Plan is designed to permit, but does not require, the granting of awards that qualify as performance-based compensation for purposes of satisfying the conditions of IRC Section 162(m).

If the HC&CC intends that an award qualify as performance-based compensation under IRC Section 162(m), the vesting or payment of the award must be subject to the achievement of any one or more of the performance goals listed below. The performance goals may be based on the performance of the Company as a whole or any business unit, division, or Affiliate. Performance goals are measured over a specified period, whether cumulatively or averaged over that period. Performance goals maybe measured based on an absolute basis or relative to a pre-established target, to a previous period's results, or to a designated comparison group, in each case as specified by the HC&CC in the award. The following are the performance goals set forth in the 2014 Plan:

1) earnings before or after any, or any combination, of the following: taxes, interest, depreciation, amortization, or extraordinary or special items;
2) book value;
3) operating cash flow;
4) free cash flow;
5) cash flow return on investments (discounted or otherwise);
6) cash available;
7) gross or net income (before or after taxes);
8) revenue or revenue growth;
9) total shareholder return;
10) return on investment;
11) return on capital;
12) return on shareholder equity;
13) return on assets (gross or net);
14) return on common book equity;

15) return on revenues;
16) market share;
17) market penetration;
18) geographic business expansion;
19) customer satisfaction;
20) employee satisfaction;
21) human resources management;
22) supervision of litigation;
23) information technology;
24) economic value added;
25) operating margin;
26) profit margin;
27) stock price;
28) operating income;
29) expenses or operating expenses;
30) productivity of employees as measured by revenues, costs, or earnings per employee;
31) working capital;
32) improvements in capital structure;
33) cost reduction goals
34) goals relating to divestures, joint ventures, and similar transactions; or
35) any combination of the foregoing.

Any of the foregoing may be determined on a per share basis (basic or diluted) as appropriate.

The HC&CC may appropriately adjust any performance goal to remove the effect of any one or more of the following: equity compensation expense under Generally Accepted Accounting Principles ("GAAP"); the value of intangible assets; amortization of acquired technology and/or intangibles; depreciation; impairment of goodwill and/or intangible assets; asset write-downs; mark to market adjustments; changes (realized or unrealized) in fair value of mortgage servicing rights that are based upon projections of expected future cash flows and prepayments, whether before or after tax; changes (realized or unrealized) in the fair value of derivatives that are intended to offset changes in the fair value of mortgage servicing rights, whether before or after taxes; litigation or claim judgments or settlements; changes in or provisions under tax law, accounting principles or other such laws or provisions affecting reported results; accruals for reorganization and restructuring programs; discontinued operations; or any items or events that are extraordinary, unusual in nature, non-recurring or infrequent in occurrence.

The maximum number of shares of our common stock with respect to which awards (other than other stock-based awards that are payable in cash or cash performance awards) that are intended to be performance-based compensation under IRC Section 162(m) may be granted during any thirty-six (36) month period to any employee may not exceed two million five hundred thousand (2,500,000) shares. Furthermore, the maximum aggregate dollar amount (determined as of the date of grant) that may be paid in any calendar year to any employee with respect to awards that are payable in cash may not exceed five million dollars ($5,000,000). Such cash limit may be multiplied by two for any employee in his or her first calendar year of employment with the Company or an affiliate.

In addition to the above limits on certain employees, the 2014 Plan includes a limitation with regard to non-employee director compensation. Specifically, the 2014 Plan provides that the aggregate grant date fair value (determined under applicable financial accounting rules of all awards granted to any director during any single calendar year) may not exceed $500,000. Awards made at the election of the director in lieu of all or a portion of annual and committee cash retainers and awards made for incremental compensation for special service or for services other than that of a director do not count toward this cap.

Approval of Proposal 2 by our stockholders at the Annual Meeting will be deemed to constitute approval of the material terms of the 2014 Plan, including the performance goals under the 2014 Plan for purposes of IRC Section 162(m). The material terms of the 2014 Plan include the persons eligible to participate in the 2014 Plan, as described under the heading "Classes of Eligible Persons" above, as well as the performance goals upon which awards that are performance-based compensation can be based and the maximum shares or cash value of awards that may be granted to an individual in any one year, as described above.

Awards generally may not be transferable or assignable during a holder's lifetime unless otherwise provided under the terms of the award. However, incentive stock options may not be transferred except by will or by the laws of intestate succession. Any award granted under the 2014 Plan is subject to any clawback or recoupment policy adopted by the Board or any committee thereof.

Additionally, no award will vest or become payable solely as a result of a change in control, unless otherwise provided in an award agreement or award program. The 2014 Plan contains a definition of "change in control," although the HC&CC may provide a different definition in an award agreement or award program. "Change in control" under the 2014 Plan is generally: (1) the acquisition by a person or group, together with stock the person or group already holds, of more than 50% of the fair market value or voting power of the stock of the Company, (2) the acquisition by a person or group of at least 30% of the total voting power of the stock of the Company in a twelve-month period, (3) the replacement of a majority of the members of the Board in a twelve-month period by directors whose appointment or election is not endorsed by a majority of the Board; or (4) the acquisition by one person or group of all or substantially all the assets of the Company and its affiliates. However, solely for awards which are subject to IRC Section 409A, an event must also constitute a "change in control event" under IRC Section 409A to be a change in control under the terms of the 2014 Plan in addition to any definition in the award agreement.

Options

The 2014 Plan permits the grant of both incentive and non-qualified stock options. Options may be made exercisable at a price per share not less than the fair market value per share of our common stock on the date that the option is awarded. The 2014 Plan provides that the HC&CC may determine fair market value by reference to: (1) the closing price per share on the date of grant or, if such date is not a trading day, on the immediately preceding trading day, (2) the average price on such day, or (3) the average price for a period ending on such day. The exercise price of an option may not be reduced, and an option may not be exchanged for an option with a lower exercise price than the option being exchanged, without the approval of our shareholders, except in the event of a recapitalization, reorganization, or similar event as described below. Incentive stock options granted under the 2014 Plan will expire ten years after their respective grant dates. However, an incentive stock option granted to an individual who owns more than 10% of our common stock is required to expire five years after its grant date. Nonqualified stock options are required to have an expiration date specified in the award agreement, but may not exceed ten years after the date the option is granted. However, if the term specified in an award agreement for a nonqualified stock option would otherwise expire during a period when trading in our common stock is prohibited by law or our insider trading policy, then the term of the option will be deemed to expire on the thirtieth (30^{th}) day after expiration of the applicable prohibition.

In the case of incentive stock options, the aggregate fair market value (determined as of the date an incentive stock option is granted) of our common stock with respect to which stock options intended to meet the requirements of IRC Section 422 become exercisable for the first time by an individual during any calendar year under all of our plans may not exceed $100,000. Only our employees and employees of our subsidiaries of which we own at least 50%, directly or indirectly may receive awards of incentive stock options.

The HC&CC may permit an option exercise price to be paid in cash, by the delivery of previously-owned shares of our common stock, through a cashless exercise executed through a broker, or by having a number of shares of our common stock otherwise issuable at the time of exercise withheld. Options (and shares of our common stock underlying any Option) will not be eligible for dividends or dividend equivalents.

The 2014 Plan prohibits so-called "reload grants." Reload grants are grants of stock options that are made in consideration for or as a condition of the delivery of shares of stock to the issuer in payment of the exercise price or tax withholding obligation of any other option held by the recipient.

Stock Appreciation Rights

Stock appreciation rights may be granted separately or in connection with another award. Each stock appreciation right allows the recipient to receive the appreciation per share of our common stock over a defined price which may not be less than fair market value (determined in accordance with the 2014 Plan as described above under the heading "Options") per share of our common stock on the date the stock appreciation right is granted. The price of a stock appreciation right may not be reduced without shareholder approval and a stock appreciation right may not be exchanged for a stock appreciation right with a lower defined price, except in the event of a recapitalization, reorganization, or similar event as described below.

The term of any stock appreciation right will be specified in the applicable award agreement, provided that such term may not exceed ten (10) years after the date the stock appreciation right is granted. However, if the term specified in an award agreement for a stock appreciation right would otherwise expire during a period when trading in our common stock is prohibited by law or our insider trading policy, then the term of the stock appreciation right will be deemed to expire on the thirtieth (30^{th}) day after expiration of the applicable prohibition.

If a stock appreciation right is granted in connection with another award, it may only be exercised to the extent that the related award has not been exercised, paid, or otherwise settled. Stock appreciation rights are exercisable or payable at a time or times certain or upon the occurrence or non-occurrence of certain events. Stock appreciation rights may be settled in shares of our common stock or in cash, according to terms established by the HC&CC in the award agreement. The HC&CC may, at any time before complete termination of the stock appreciation right, accelerate the time or times at which the stock appreciation right may be exercised or paid. Stock appreciation rights (and any shares of our common stock underlying a stock appreciation right) will not be eligible for dividends or dividend equivalents.

Other Stock-Based Awards

The HC&CC may grant other stock-based awards that are settled in shares of our common stock or cash and have a value derivative of, or determined by reference to, a number of shares of our common stock, including, but not limited to, grants of common stock, grants of rights to receive common stock in the future (such as restricted stock units and restricted stock awards) and dividend equivalent rights, subject to the provisions of the 2014 Plan.

Cash Performance Awards

The HC&CC may grant cash performance awards that are settled in cash and do not have a value that is derivative of the value of, determined by reference to a number of shares of, or determined by reference to dividends payable on, shares of our common stock, subject to the provisions of the 2014 Plan.

General Rules

The terms of particular awards or award programs describe when or under what circumstances the grant may be terminated s, cancelled, accelerated, paid or continued. Awards may also include exercise, conversion or settlement rights to a holder's estate or personal representative in the event of the holder's death or disability.

Recapitalizations and Reorganizations

The number of shares of our common stock reserved for issuance under the 2014 Plan in connection with the grant or settlement of an award and the exercise price of each option are subject to adjustment in the event of any recapitalization of the Company or similar event effected without receipt of consideration by the Company.

In the event of certain corporate reorganizations, awards may be substituted, cancelled, cashed-out or otherwise adjusted by the HC&CC, provided such adjustment is not inconsistent with the express terms of the 2014 Plan or the applicable award agreement or award program.

Other Provisions

The 2014 Plan gives the HC&CC the ability to determine which affiliates shall be covered by the 2014 Plan and which employees outside the United States will be eligible to participate. The HC&CC may adopt, amend or rescind rules, procedures or sub-plans to accommodate the specific requirements of local laws, procedures, and practices for grants made to those employees.

Additionally, the HC&CC may, in its discretion, grant any award holder a cash payment intended to reimburse the holder for all or a portion of the taxes incurred by the holder in connection with the award.

Amendment or Termination

In general, the 2014 Plan may be amended by the Board without shareholder approval. However, the Board of must have shareholder approval to implement the following changes: (1) increase the number of shares of common stock available for awards under the 2014 Plan, (2) materially expand the classes of individuals eligible to receive awards, (3) materially expand the types of awards available under the 2014 Plan, or (4) to comply with the rules of an applicable stock exchange.

After an award is granted, the HC&CC may modify the terms of the award consistent with the terms of the 2014 Plan. To the extent a permitted modification would materially and adversely impact the rights of a participant, such modification may not be implemented without the participant's consent.

However, no awards may be granted more than ten (10) years after the date the 2014 Plan is approved by our stockholders.

Tax Consequences

The following discussion outlines generally the federal income tax consequences of participation in the 2014 Plan. Individual circumstances may vary and each recipient should rely on his or her own tax counsel for advice regarding federal income tax treatment under the 2014 Plan. Furthermore, any tax advice contained in this discussion is not intended to be used, and cannot be used, to avoid penalties imposed under the IRC.

Non-Qualified Stock Options. A recipient will not recognize income upon the grant of an option or at any time prior to the exercise of the option or a portion thereof. At the time the recipient exercises a non-qualified stock option or portion thereof, he or she will recognize compensation taxable as ordinary income in an amount equal to the excess of the fair market value of common stock on the date the option is exercised over the price paid for common stock, and we will then be entitled to a corresponding tax deduction.

Depending upon the period shares of common stock are held after exercise, the sale or other taxable disposition of shares acquired through the exercise of a non-qualified stock option generally will result in a short- or long-term capital gain or loss equal to the difference between the amount realized on such disposition and the fair market value of such shares when the non-qualified stock option was exercised.

Incentive Stock Options. A recipient who exercises an incentive stock option will not be taxed at the time he or she exercises the option or a portion thereof. Instead, he or she will be taxed at the time he or she sells common stock purchased pursuant to the option. The recipient will be taxed on the difference between the price he or she paid for the stock and the amount for which he or she sells the stock. If the recipient does not sell the stock prior to two years from the date of grant of the option and one year from the date the stock is transferred to him or her, the recipient will be entitled to capital gain or loss treatment based upon the difference between the amount realized on the disposition and the aggregate exercise price and we will not get a corresponding tax deduction. If the recipient sells the stock at a gain prior to that time, the excess of the lesser of the fair market value on the date of exercise or the amount for which the stock is sold over the amount the recipient paid for the stock will be taxed as ordinary income and we will be entitled to a corresponding tax deduction; if the stock is sold for an amount in excess of the fair market value on the date of exercise, the excess amount is taxed as capital gain. If the recipient sells the stock for less than the amount he or she paid for the stock prior to the one or two year periods indicated, no amount will be taxed as ordinary income and the loss will be taxed as a capital loss.

Exercise of an incentive option may subject a recipient to, or increase a recipient's liability for, the alternative minimum tax.

Stock Awards. A recipient will not be taxed upon the grant of a stock award if such award is not transferable by the recipient and is subject to a "substantial risk of forfeiture," as defined in the IRC. However, when the shares of common stock that are subject to the stock award are transferable by the recipient or are no longer subject to a substantial risk of forfeiture, the recipient will recognize compensation taxable as ordinary income in an amount equal to the fair market value of the stock subject to the stock award, less any amount paid for such stock, and we will then be entitled to a corresponding deduction. However, if a recipient so elects at the time of receipt of a stock award, he or she may include the fair market value of the stock subject to the stock award, less any amount paid for such stock, in income at that time and we also will be entitled to a corresponding deduction at that time.

Other Awards. A recipient will not recognize income upon the grant of a stock appreciation right, dividend equivalent right, performance unit award or restricted stock unit (the "Equity Incentives") or cash performance award. Generally, at the time a recipient receives payment under any Equity Incentive or cash performance award, he or she will recognize compensation taxable as ordinary income in an amount equal to the cash or the fair market value of common stock received, and we will then be entitled to a corresponding deduction.

The 2014 Plan is not qualified under IRC Section 401(a).

The HC&CC may, at any time and in its discretion, grant to any holder of an award the right to receive, at such times and in such amounts as determined by the HC&CC in its discretion, a cash amount which is intended to reimburse such person for all or a portion of the federal, state and local income taxes imposed upon such person as a consequence of the receipt of the award or the exercise of the rights under the award.

THE BOARD RECOMMENDS A VOTE "*FOR*" THE EQUITY INCENTIVE PLAN PROPOSAL. UNLESS MARKED TO THE CONTRARY, VALID PROXIES RECEIVED BY US WILL BE VOTED "*FOR*" THE EQUITY INCENTIVE PLAN PROPOSAL.

PROPOSAL 3—RATIFICATION OF AUDITORS PROPOSAL

The Audit Committee has appointed Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014. The submission of this matter for approval by stockholders is not legally required; however, the Board believes that such submission provides stockholders an opportunity to provide feedback to the Board on an important issue of corporate governance. If stockholders do not approve the appointment of Deloitte & Touche LLP, the selection of such firm as our independent registered public accounting firm will be reconsidered. In the event that Deloitte & Touche LLP is unable to serve as independent registered public accounting firm for the fiscal year ending December 31, 2014, for any reason, the Audit Committee will appoint another independent registered public accounting firm. Representatives of Deloitte & Touche LLP are expected to be present at the Annual Meeting, will be given an opportunity to make a statement if they desire to do so and will be available to respond to appropriate stockholder questions regarding the Company.

THE BOARD RECOMMENDS A VOTE "*FOR*" THE RATIFICATION OF AUDITORS PROPOSAL. UNLESS MARKED TO THE CONTRARY, VALID PROXIES RECEIVED BY US WILL BE VOTED "*FOR*" THE RATIFICATION OF AUDITORS PROPOSAL.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

Our Audit Committee is responsible for pre-approving all audit services and permitted non-audit services, including the fees and terms thereof, to be performed for us and our subsidiaries by our independent registered public accounting firm, Deloitte & Touche LLP (the "Independent Auditor"). The Audit Committee has adopted a pre-approval policy and implemented procedures that provide that all engagements of our Independent Auditor are reviewed and pre-approved by the Audit Committee, except for such services that fall within the *de minimis* exception for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act that our Audit Committee approves prior to the completion of the audit. The pre-approval policy also permits the delegation of pre-approval authority to a member of the Audit Committee between meetings of the Audit Committee, and any such approvals are reviewed and ratified by the Audit Committee at its next scheduled meeting.

For the years ended December 31, 2013 and 2012, professional services were performed for us by our Independent Auditor pursuant to the oversight of our Audit Committee. Representatives of our Independent Auditor are expected to be present at the Annual Meeting, will be given an opportunity to make a statement if they desire to do so and will be available to respond to appropriate stockholder questions regarding the Company.

Set forth below are the fees billed to us by Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu and their respective affiliates. All fees and services were approved in accordance with the Audit Committee's pre-approval policy.

	Year Ended December 31,	
Fees by Type	2013	2012
	(In millions)	
Audit fees	$4.1	$3.8
Audit-related fees	0.9	0.9
Tax fees	0.2	0.4
All other fees	0.0	0.0
Total	$5.2	$5.1

Audit Fees. Audit fees primarily related to the annual audits of the Consolidated Financial Statements included in our Annual Reports on Form 10-K and our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002, the reviews of the Condensed Consolidated Financial Statements included in our Quarterly Reports on Form 10-Q and services provided in connection with regulatory and statutory filings.

Audit-Related Fees. Audit-related fees primarily related to audit fees for our employee benefit plans, comfort letters for registration statements and agreed upon procedures.

Tax Fees. Tax fees related to tax compliance, tax advice and tax planning.

All Other Fees. The aggregate fees billed for all other services during the years ended December 31, 2013 and 2012 were not significant.

AUDIT COMMITTEE REPORT

The Audit Committee is a standing committee of the Board of Directors of the Company that is comprised solely of non-employee directors who have been affirmatively determined to be "independent" within the meaning of the NYSE Listing Standards and the Company's Independence Standards. The Audit Committee operates pursuant to a written charter that is available at www.phh.com under the heading "Investor Relations—Corporate Governance" and is also available to stockholders upon request, addressed to the Corporate Secretary at 3000 Leadenhall Road, Mt. Laurel, New Jersey, 08054. See "Committees of the Board—Audit Committee" above for additional information regarding the role and responsibilities of the Audit Committee.

The Company's management is responsible for the preparation of the Company's consolidated financial statements. In connection with the preparation of the Company's consolidated financial statements for the year ended December 31, 2013, the Audit Committee:

- Reviewed and discussed the Company's audited consolidated financial statements with management;
- Discussed with the Company's independent registered public accounting firm, Deloitte & Touche LLP, the matters required to be discussed by Statement on Auditing Standards ("SAS") No. 61, as amended (AICPA, *Professional Standards*, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T; and
- Received the written disclosures and the letter from Deloitte & Touche LLP required by the applicable requirements of the Public Company Accounting Oversight Board regarding Deloitte & Touche LLP's communications with the Audit Committee concerning independence, and has discussed with Deloitte & Touche LLP their independence.

Based upon these reviews and discussions, the Audit Committee recommended to the Board of Directors that the Company's audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013, for filing with the Securities and Exchange Commission.

Date: April 4, 2014

Audit Committee of the Board of Directors
Jon A. Boscia (Chair)
Jane D. Carlin
Thomas P. Gibbons
Gregory J. Parseghian

PROPOSAL 4—SAY ON PAY VOTE

In accordance with Section 14A of the Exchange Act and rules promulgated by the SEC, we are requesting the approval of the following advisory resolution:

"RESOLVED, that the compensation paid to the Company's named executive officers, as disclosed pursuant to Item 404 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion is hereby APPROVED."

Although the foregoing resolution is only advisory in nature and is not binding on the Board or the Company, we intend to review the voting results with the Board and the Human Capital and Compensation Committee of the Board so that such voting results may be taken into consideration in connection with future executive compensation decisions.

THE BOARD RECOMMENDS A VOTE "*FOR*" THE SAY ON PAY VOTE. UNLESS MARKED TO THE CONTRARY, PROXIES RECEIVED BY US WILL BE VOTED "*FOR*" THE SAY ON PAY VOTE.

COMPENSATION COMMITTEE REPORT

The Human Capital and Compensation Committee reviewed and discussed the Compensation Discussion and Analysis set forth below with management and, based on such review, recommended to the Board of Directors that the Compensation Discussion and Analysis set forth below be included in the Company's Proxy Statement and Annual Report on Form 10-K for the year ended December 31, 2013.

Date: April 10, 2014

Human Capital and Compensation Committee of the Board of Directors
Deborah M. Reif (Chair)
James O. Egan
Charles P. Pizzi
Carroll R. Wetzel, Jr.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

In this section, we provide an overview on our performance and the business environment during 2013 followed by a description of the components of our executive compensation program for our Named Executive Officers, or "NEOs," whose compensation is set forth in the Summary Compensation Table and other compensation tables contained in this Proxy Statement.

Named Executive Officers

- **Glen A. Messina**, President and Chief Executive Officer
- **Robert B. Crowl**, Executive Vice President and Chief Financial Officer
- **David E. Tucker**, Executive Vice President, Mortgage
- **Richard J. Bradfield**, Senior Vice President and Treasurer
- **William F. Brown**, Senior Vice President, General Counsel and Secretary
- **George J. Kilroy,** former Executive Vice President, Fleet

An overview of our executive compensation philosophy and our executive compensation program are included as well as an explanation of how and why the Human Capital and Compensation Committee of our Board (the "HC&CC" or "Committee") arrive at specific compensation policies and decisions involving the NEOs.

Business Highlights

Our Business

We are a leading outsource provider of mortgage and fleet management services. We provide mortgage banking services to a variety of clients, including financial institutions and real estate brokers, throughout the U.S. Our mortgage banking activities include originating, purchasing, selling and servicing mortgage loans through our wholly owned subsidiary, PHH Mortgage Corporation and its subsidiaries (collectively, "PHH Mortgage"). We provide commercial fleet management services to corporate clients and government agencies throughout the U.S. and Canada through our wholly owned subsidiary, PHH Vehicle Management Services Group LLC ("PHH VMS"). PHH VMS is a fully integrated provider of fleet management services with a broad range of product offerings, including managing and leasing vehicle fleets and providing other fee-based services for our clients' vehicle fleets.

According to *Inside Mortgage Finance*, for the year ended December 31, 2013, PHH Mortgage was the 7th largest overall mortgage loan originator with a 2.7% market share and the 8th largest mortgage loan servicer with a 2.3% market share. We believe PHH VMS is a leading provider of outsourced commercial fleet management services in the U.S. and Canada.

2013 Business Environment

2013 was a particularly challenging year for the Company, and our financial results for 2013 reflect the current dynamics in the mortgage origination environment, as increases in interest rates during 2013 have significantly reduced refinance origination volumes and the industry is transitioning to a home purchase-driven market. Our Mortgage segments are also still experiencing the impacts of the adverse developments in the housing market and the resulting higher regulatory focus. Our Fleet Management Services segment has continued its strong, consistent operating performance.

Throughout 2013, we have continued to make significant progress in placing PHH in a position of strength to deal with the cyclical and dynamic nature of the mortgage industry. These actions have significantly improved our liquidity position, capital structure and operating execution and while we have experienced organic growth in our Fleet Management Services segment, we are positioning the mortgage business to be a less capital intensive, fee-based business with less volatile cash flow and increased strategic and financial flexibility.

We expect a highly challenging mortgage industry environment in 2014, as we are anticipating a decline in industry origination volumes, further total loan margin compression, and an increasing mix of fee-based closings related to our private label originations. We have reduced staffing levels in our Mortgage Production segment in response to expected client and industry demand, and have identified further overhead reductions that we expect to take place in 2014.

Executive Summary

As described above, 2013 was an extremely challenging year for the Company resulting from the numerous forces at play in the mortgage business environment. As we faced these challenges, the Committee and Board of Directors took steps to ensure that management would remain focused on creating shareholder value despite what we anticipate will be a difficult business cycle for the Mortgage industry. The expected business conditions in 2014, coupled with the prospect of strategic transactions in an effort to maximize shareholder value, resulted in decisive action on the part of the Board to create greater alignment between management and shareholder success. Notably, in October 2013, the HC&CC changed the timing of what was intended to be March 2014 Long-Term Incentive Award grants to November 2013. The Committee also changed the vesting and performance provisions associated these November 2013 grants to include double-trigger vesting features, which is expected to bolster retention value in the event of a change in control. These actions accomplished the dual objectives of ensuring that management was properly incented to pursue all opportunities that could maximize shareholder value, while at the same time same minimizing the financial uncertainty that would be associated with the business environment we faced.

In looking back at 2013 financial performance, the Committee acted consistent with its pay for performance philosophy and reduced Management Incentive Plan (“MIP”) awards (as a % of their target level) for Corporate, Mortgage and Fleet by 35%, 34% and 11%, respectively, when compared to 2012.

In looking ahead toward 2014, and what is anticipated to be lower financial performance, the Committee decided it was appropriate to lower the incentive that management in Mortgage and Corporate could expect under the MIP for target performance by 25% and 12.5%, respectively, as compared to 2013, where target performance yielded 100% of their annual MIP target. While the Committee lowered the compensation that would be earned at target level, it also changed the structure of the MIP across the company to focus on both financial and strategic outcomes. The Committee believes that it is critical that management is incented not only for delivering financial results despite a difficult environment, but also for delivering against the strategic initiatives which lay the foundation for future growth.

The program changes made in 2013, along with the Committee's decision to retain Frederic W. Cook & Co., Inc. as its new Independent Executive Compensation Advisor, reinforce the Committee's commitment to continue to evolve our pay-for-performance programs in an objective manner so that they align with the creation of long-term shareholder value.

Our Compensation Philosophy and Structure

Our Total Rewards Philosophy

Paying for Performance

Our Compensation Program is designed to deliver Pay-for-Performance.

Our compensation program places a strong emphasis on pay-for-performance. We have created and implemented a pay-for-performance-based Total Rewards Philosophy that aligns our compensation programs with sustainable long-term shareholder value creation.

How we structure our Compensation to deliver against our Philosophy

- We start by ensuring that a significant portion of our executive's total direct compensation opportunity is in the form of variable pay linked to performance.
- We then review both performance objectives and related compensation to ensure that we are operating within our risk framework and that appropriate controls are in place to monitor and assess performance.
- The target mix of pay for our NEOs in 2013 aligns well with the mix of pay within the Proxy Peer Group.

Target Total Direct Compensation			As reference:		As reference:	
	2013 PHH Mix of Pay		Proxy Peer Group Mix of Pay		Break out of PHH's Variable Pay	
NEO	Fixed	Variable	Fixed	Variable	Annual	Long-Term
Messina	20%	80%	17%	83%	14%	66%
Tucker	25%	75%	21%	79%	16%	59%
Crowl	30%	70%	22%	78%	15%	55%
Bradfield	30%	70%	39%	61%	27%	43%
Brown	36%	64%	28%	72%	18%	46%
Kilroy	29%	71%	30%	70%	21%	50%

- The HC&CC focuses on each component of pay to ensure it is factoring in the executive's performance and relevant market data.
- The chart below illustrates factors considered by the HC&CC when setting compensation levels and making awards.

Compensation Element	Factors considered by the Human Capital and Compensation Committee	Reviewed in
2013 Base Salary	Base salary is the principal fixed component of the total direct compensation of our executive officers and is determined by considering the relative importance of the position, the competitive marketplace, and the individual's performance and contributions.	March 2013
2013 Annual Incentive (MIP)Target Opportunity	The MIP target opportunity is reviewed annually which includes an assessment of the scope and impact of each executive's position. Consideration is given to recent performance as well as the executives' total cash opportunity vs. the market median total cash position of the peer group.	March 2013
2013 Annual Incentive Award (MIP)	The financial performance of the Company and its business units during 2013 sets the maximum MIP opportunity NEOs can earn. In 2013, MIP funding was determined by business unit financial performance against: 1. Adjusted Cash Flow 2. Core Earnings (Pre-tax) per Diluted Share 3. Pre-tax Core ROE After the funding maximum is determined for each NEO, the HC&CC reviews each NEO's 2013 performance against their specific goals and leadership objectives and applies negative discretion, if appropriate to reduce the award.	February 2014
Annual March 2013 Long-Term Incentive Awards(1)	The executive's performance during the prior performance year and total direct compensation position vs. the total direct compensation opportunity in the market peer group.	March 2013
November 2013 Long-Term Incentive Awards(2)	A combination of the executive's performance during 2013 and emerging retention needs based on the business environment.	November 2013

Notes:

(1) March 2013 Long-Term Incentive Awards were delivered in the form of both Performance Restricted Stock Units and Non-Qualified Stock Options.

(2) November 2013 Long-Term Incentive Awards were delivered in the form of both Performance Restricted Stock Units and time-vested Restricted Stock Units. This award tranche was granted in November 2013 as opposed to the previously intended March 2014 time frame. As a result, no new Long-Term incentive awards have been granted in 2014.

Other Key Perspectives factored into Developing our Programs

The HC&CC incorporates a number of perspectives to ensure our compensation programs continue to be market competitive, tax effective and generally consistent with best practices while remaining aligned with shareholder interests. In particular, the HC&CC retains the advice of Pillsbury Winthrop Shaw Pittman LLP ("Pillsbury"), the Board of Directors' independent legal counsel, and Frederic W. Cook & Co., Inc. ("Frederic W. Cook"), an independent compensation consultant. They also carefully consider the opinions provided by ISS, Glass-Lewis and other shareholder advisory groups in response to our Advisory "Say on Pay" recommendation.* In addition, Senior Management and members of the Board have had numerous meetings during 2013 with shareholders who collectively own over 90% of the Company's issued and outstanding common stock. As a result of this process, we have made three notable changes to how we structured and made compensation decisions for 2013: 1) We did not provide any discretionary bonus amounts to our NEOs for 2013 performance; 2) We introduced a "double-trigger" vesting provision in our November 2013 LTIPs; and 3) We updated our Stock Ownership and Retention Guidelines.

The Role of Benchmarking and Compensation Peer Group in the Development and Assessment of our Programs

The Committee believes that an understanding of market-competitive practices is critical when making sound executive compensation decisions. The Committee utilizes a peer group of publicly-traded companies as a data point in determining market-competitive compensation practices. In 2013, the Committee conducted its regular review of the peer group with Frederic W. Cook's assistance. Based on this review and other strategic factors, the Committee decided to retain the peer group listed in the table below which is consistent with what we disclosed in our prior year's Proxy Statement. The Committee decided it will revisit the Peer Group composition in the third quarter of 2014 to ensure it is appropriate with our business profile, market changes and size. The peer group was selected because the Committee believes that it was representative of the fact that we compete in both the mortgage and fleet management industries for customers and executive talent, as well as with outsourcing companies.

Alliance Data Systems Corp.	Avis Budget Group, Inc.	Corelogic, Inc.
Euronet Worldwide, Inc.	Fidelity National Information Services, Inc.	GATX Corp.
Genpact, Ltd.	Heartland Payment Systems, Inc.	Lender Processing Services, Inc.
MGIC Investment Corp.	Nationstar Mortgage Holdings	New York Community Bancorp, Inc.
Ocwen Financial	Radian Group, Inc.	Ryder System, Inc.
United Rentals, Inc.		

The Company's percentile rank against this peer group in terms of Revenue, EBIT, Assets, Enterprise Value and Employees is 70th, 60th, 61st, 46th, and 51st, respectively.

Recognizing that we compete in multiple industries, and many of the competitors in each of our business units are divisions of much larger organizations, or are privately-held, the Committee also examined national compensation data in order to assist in the compensation evaluation. The Committee is able to be flexible in making the right decisions to attract, retain and motivate executive talent, since it uses multiple data sources for benchmarking executive compensation.

The Committee evaluated the base salary, short-term and long-term incentives and actual and target total compensation levels, as well as shareholder dilution levels, for the peer group and from the survey data. This included the median and percentile ranges for each compensation component, and in the aggregate, for comparison with that of our NEOs. The Committee further reviewed the realizable value of the equity grants in analyzing the effectiveness and relative pay-for-performance relationships of the

* Approximately 81% of the votes cast on the "Say on Pay" proposal in 2013 were voted in support of the compensation of our NEOs. This compares with 94% of the votes cast in support of the "Say on Pay" proposal submitted for shareholder consideration at the 2012 Annual Meeting of Shareholders.

executive compensation program. The Committee determined that for 2013, total executive compensation for our Named Executive Officers should incent them to achieve above-market performance by paying them commensurate with that performance. The Committee further determined that the total compensation opportunity, including realizable value, represents an appropriate relationship between executive rewards and shareholder value creation, especially given the focus on profitability in the 2013 MIP and share price appreciation in the long-term incentive grants. The Committee intends to utilize this compensation philosophy again in 2014 with some adaptations to focus on both financial measures as well as the accomplishment of strategic initiatives in the MIP and may adjust target total compensation levels, as well as base salary, short-term and long-term incentives, of our executive officers based upon how they deliver against these factors and sustainable shareholder value creation.

Key Governance Considerations in our Executive Compensation Programs

We do the following in governing our Programs		We do not allow for the following in our Programs	
Pay for performance	Most of our executives pay is at risk and not guaranteed. We set clear and transparent financial goals with long-term incentive awards which include performance based vesting conditions.	Tax gross-ups	It is our policy to not provide tax gross-ups. In 2012, we discontinued the practice of providing tax gross-ups for any compensation or benefits provided to our executives.
Discourage Excessive Risk Taking	We operate within our risk management framework and include a balanced program design, multiple performance measures claw-back and retention provision, as well as robust Board and management processes to identify risk. In addition, our Chief Risk and Chief Compliance and Ethics Officers review and provide input into the design of our programs prior to their approval.	No option back-dating, re-pricing or reloading	We do not permit back-dating, re-pricing of stock options, nor reloading of stock options.
Retain an independent compensation consultant	The HC&CC has retained the services of Frederic W. Cook, an independent executive compensation consulting firm, which does not provide any other services to PHH and reports directly to the Chair of the HC&CC.	No hedging or pledging	We prohibit hedging and/ or pledging shares of our stock as collateral for loans or other reasons by our non-employee directors and executive officers.

We do the following in governing our Programs		We do not allow for the following in our Programs	
Caps on Annual Incentives and Long-Term Awards	Our Annual Incentive Program caps maximum payout opportunity at 150% of the target incentive and our current Equity and Incentive plan limits maximum shares allowable to any individual at 1,000,000 per calendar year.	No enhanced Retirement Benefits	No enhanced retirement formulas or inclusion of Long-Term Incentives in pension calculations
Stock Ownership and Retention Guidelines	Executives who receive equity awards are prohibited from disposing of them other than to meet tax obligations until they attain their required multiple of PHH stock holdings	No Employment Agreements . . .	All our Executives are employed at will and are subject to an HC&CC approved Tier I Severance Plan

Parties involved in the Corporate Governance of our Executive Compensation Programs

The effective management and governance of our Executive Compensation Programs is generally carried out through interaction of three groups. The Human Capital and Compensation Committee; Management and Frederic W. Cook, the Independent Compensation Consultant to the Board. On occasion, and as appropriate, the committee may enlist the advice of independent counsel to the Board of Directors.

Role of the HC&CC

- The HC&CC is responsible to our Board for overseeing the development and administration of our compensation and benefits policies and programs. The Committee, which currently consists of four independent directors, is responsible for the review and approval of all aspects of our executive compensation program. Among its duties, the HC&CC formulates compensation recommendations for our CEO subject to Board approval and reviews and approves all compensation recommendations for the Management Operating Committee ("MOC") which is currently comprised of 13 of our most senior leaders. The Committee's review includes:
  - Approval of corporate incentive goals and objectives relevant to compensation, including the development of the MOCs performance goals
  - Evaluation of individual performance results in light of these goals and objectives
  - Evaluation of the competitiveness of each executive officer's total compensation; and
  - Approval of any changes to the total compensation package, including, but not limited to, base salary, annual and long-term incentive award opportunities, and payouts and retention programs.
- The Committee focused on sustainable long-term shareholder value creation as the underpinning of our compensation programs.

- The Committee reviews the performance and compensation for the Chief Executive Officer, and makes recommendations to the Board for final approval.
- The Committee also has the authority to engage and retain executive compensation consultants to assist with such evaluation. Board members who are not members of the Committee are not involved in the decisions surrounding the engagement and/or retention of the Committee's consultant.
- As appropriate, the HC&CC will engage the services of independent external counsel to the Board to review and advise on matters relating to executive compensation.

Role of Management

- Our Chief Executive Officer makes compensation recommendations to the Committee as it relates to the compensation of our other executive officers.
- In addition, our executive officers, including our Chief Executive Officer, as well as our Chief Human Resources Officer, Chief Financial Officer, Chief Risk Officer, Chief Ethics and Compliance Officer and other human resources personnel, may provide input and make proposals as requested by the Committee regarding the design, operation, objectives and values of the various components of compensation in order to provide appropriate performance and retention incentives for key employees.
- These proposals may be made on the initiative of the Chief Executive Officer, the executive officers, or upon the request of the Committee.
- Our Chief Executive Officer provides a self-assessment to the Committee, but otherwise is not involved in deliberations relating to his own compensation.

Role of Frederic W. Cook

- Effective July 1, 2013, Frederic W. Cook began serving as the independent compensation consultant to the HC&CC. Their primary role was to assist with the evaluation of our executive compensation programs.
- The Committee selected Frederic W. Cook as the advisor after soliciting bids from a number of compensation consulting firms that specialize in advising Board of Directors on matters relating to executive compensation design and delivery.
- Frederic W. Cook was selected because of the independence of the firm along with its reputation as a leading consultant in the field of executive compensation.
- Pursuant to its engagement, Frederic W. Cook has performed a number of services for the HC&CC, including but not limited to:
  - Reviewing and providing perspective on the ISS and Glass Lewis reports relating to the 2013 Proxy
  - Reviewing and providing perspective on the appropriateness of the 2013 Proxy Peer Group
  - Reviewing and providing perspective on actions relating to retention of key talent which resulted in the acceleration of the March 2014 Long-Term Incentive award cycle to November of 2013
  - Assisting with the design of a new Equity and Incentive plan, subject to shareholder approval in 2014
  - Reviewing and providing perspective on the market competitiveness of the compensation provided to the Named Executive Officers vs. the 2013 Proxy Peer Group
  - Reviewing and providing perspective on the market competitiveness of the Board of Directors Compensation Program
- Frederic W. Cook was paid $211,274 in fees during 2013 for performing the above and other activities. Frederic W. Cook did not receive any other fees or provide any other consulting outside of its work for the HC&CC to PHH Corporation during 2013.

Our 2013 Compensation Program Delivered Pay-for-Performance

2013 Management Incentive Plan (MIP)

Key Objectives of our 2013 MIP

Our 2013 (MIP) for our NEOs was comprised of the following three metrics: (1) Core Earnings (Pre-tax) Per Diluted Share, (2) Adjusted Cash Flow and (3) Pre-tax Core ROE. Based on the performance of these three metrics, the earnings opportunity for the NEOs could range from 0% to 150% of their MIP target.

These performance metrics accomplish the following objectives:

- Adjusted Cash Flow—50% of Opportunity: Our businesses rely on cash flow in order to fund our operations and pay our debt. A focus on this non-GAAP financial measure is important to sustainable success.
- Core Earnings (Pre-tax) Per Diluted Share—25% of Opportunity: This is a non-GAAP financial measure of the profitability of our ongoing business operations.
- Pre-tax Core ROE—25% of Opportunity: This is a non-GAAP financial measure of the efficiency of our use of shareholder assets, and a focus on Pre-tax Core ROE is intended to ensure that we are operating in a manner that will drive shareholder value.

In order to focus our employees on driving performance that they can control, we created separate goals for each of our Mortgage and Fleet business units. Our business unit leaders during most of 2013, George Kilroy and David Tucker, were eligible for MIP payouts based on 75% of their respective business unit's performance and 25% on the Company's overall consolidated performance. The remaining Named Executive Officers received payouts based on 100% of the Company's overall consolidated performance.

Our focus on Adjusted Cash Flow in 2013 was emphasized by our using it as a "gate", such that no payouts would be made for business unit performance unless the business unit generated Adjusted Cash Flow at the Threshold level, which is 90% of Target.

We recognized that 2013 performance might not match prior years. Therefore, our target performance goals were set above our business plan, requiring performance levels above plan in order to receive target payouts. In order to provide an appropriate pay-for-performance relationship, performance above Target results in progressively greater payouts up to a maximum of 150% of an individual's target award amount for maximum performance, and performance below Target results in decreased payouts. Performance below threshold levels results in no payouts.

2013 Financial Results and its link to NEOs Maximum Earning Opportunity Under MIP

In 2013, we exceeded the Adjusted Cash Flow goal across all three reporting segments; arriving at 207.1% of target for the Mortgage business unit, 124.6% of target for the Fleet business unit and 177.1% for overall consolidated performance of PHH Corporation. However, only the Fleet business unit had positive Core Earnings (Pre-tax) Per Diluted Share and Pre-tax Core ROE achieving 88.2% and 88.8% of its 2013 target objectives on these measures, respectively. Mortgage Core Earnings (Pre-tax) Per Diluted Share and Pre-tax Core ROE were negative $1.19 and negative 7.3%, respectively, versus target objectives of $4.27 and 25.0% and plan thresholds of $1.94 and 11.4%. On a consolidated basis, PHH Corporation Core Earnings (Pre-tax) Per Diluted Share and Pre-tax Core ROE and were negative $0.68 and negative 2.9%, respectively, versus target objectives of $5.80 and 25.0% and plan thresholds of $2.84 and 12.2%.

The net impact of the above financial performance to our Management Incentive Plan is that funding (as a % of the incentive target opportunity) was at the levels shown in the chart below by business unit (as compared to 2012):

Business Unit	2012 MIP (as % of Target)	2013 MIP (as % of Target)	% Change
Mortgage	113.2%	75.0%	−33.7%
Fleet	120.2%	106.5%	−11.4%
PHH Consolidated	116.0%	75.0%	−35.3%

The final MIP award for our NEOs however was determined based on the Committee's careful review of the executive's individual performance against their goals and leadership competencies.

Details on MIP Funding Based on Business Unit Financial Performance

		Mortgage				Fleet				Consolidated			
Financial Metric	Weight	Threshold	Target	Actual	% of Target	Threshold	Target	Actual	% of Target	Threshold	Target	Actual	% of Target
Adjusted Cash Flow ($M)	50%	101	112	232	150.0%	110	122	152	124.6%	204	227	402	150.0%
Core-Earnings (Pre-tax) Per Diluted Share	25%	$1.94	$4.27	($1.19)	0.0%	$1.14	$1.52	$1.34	88.2%	$2.84	$5.80	($0.68)	0.0%
Pre-tax Core ROE	25%	11.4%	25.0%	−7.3%	0.0%	18.8%	25.0%	22.2%	88.8%	12.2%	25.0%	−2.9%	0.0%
Total	100%				75.0%				106.5%				75.0%

Maximum NEO MIP Opportunity

- **Messina—75%**
- **Crowl—75%**
- **Tucker—75%(1)**
- **Bradfield—75%**
- **Brown—75%**
- **Kilroy—98.6%(1)**

The percentages shown to the right of each NEO is the maximum percent of their 2013 MIP target that they were eligible to receive based on Financial Performance of Mortgage, Fleet and PHH Corporation business units.

Definitions of Financial Metrics Used in MIP

Adjusted Cash Flow

For purposes of the 2013 MIP, the Adjusted Cash Flow metric is based on either Consolidated Adjusted Cash Flow or Segment Adjusted Cash Flow, as applicable. Consolidated Adjusted Cash Flow is defined as free cash flow calculated as follows: the total change in our cash and cash equivalents from the beginning to the end of the performance period, adjusted as follows: (a) subtract net cash proceeds received by us from the sale of equity or equity instruments, (b) add cash paid by us for options and other derivative securities, (c) add cash paid by us for principal payments on unsecured borrowings, and (d) subtract proceeds received by us from unsecured borrowings. Segment Adjusted Cash Flow is defined as segment free cash flow calculated as follows: the total change in cash and cash equivalents from the beginning to the end of the performance period for either our fleet segment or combined mortgage

(1) David Tucker's maximum MIP opportunity is driven 75% by Mortgage Performance and 25% by consolidated results of PHH. George Kilroy's maximum MIP opportunity is driven 75% by Fleet Performance and 25% by consolidated results of PHH.

segment, as applicable, adjusted as follows: (a) add cash paid by such segment during the year for principal payments on intercompany borrowings and (b) subtract proceeds received by such segment during the year from intercompany borrowings.

Core-Earnings (Pre-tax) Per Diluted Share

For purposes of the 2013 MIP, Core Earnings (Pre-tax) Per Diluted Share means Core Earnings (Pre-tax) determined on either a consolidated or segment basis, as applicable, divided by the fully diluted weighted- average common shares outstanding for the Company for 2013. Core Earnings (Pre-tax) were based on pre-tax income after non-controlling interest excluding unrealized changes in fair value of mortgage servicing rights that are based upon projections of expected future cash flows and prepayments as well as realized and unrealized changes in the fair value of derivatives that are intended to offset changes in the fair value of mortgage servicing rights.

Pre-tax Core ROE

For purposes of the 2013 MIP, Pre-tax Core ROE means Core Earnings (Pre-tax), as described above determined on either a consolidated or segment basis, as applicable, divided by "Adjusted Average Book Equity" determined on either a consolidated or segment basis, as applicable. Consolidated Adjusted Average Book Equity is based on the simple average of Total PHH Corporation stockholders' equity as of each of the following measurement dates: March 31, 2013, June 30, 2013, September 30, 2013, and December 31, 2013, excluding the equity impact of unrealized changes in the fair value of mortgage servicing rights that are based upon projections of expected future cash flows and prepayments and realized and unrealized changes in the fair value of derivatives that are intended to offset changes in the fair value of mortgage servicing rights that are recorded during the performance period. The adjustment to average Total PHH Corporation stockholders' equity will be calculated as follows: Total PHH Corporation stockholders' equity plus or minus the after-tax impact (based upon a 41% effective tax rate) of unrealized changes in the fair value of mortgage servicing rights.

The Actual 2013 MIP Payouts Approved for Each NEO are set forth in the table below

The table below sets forth each Named Executive Officer's 2013 MIP Target amount and actual payout

Name	Position	2013 Annualized Base Salary as of 12/31/13	2013 MIP Target Award Amount	2013 MIP Opportunity Range[1]			Actual 2013 MIP Payout (% of 2013 MIP Target)
Glen A. Messina	President and Chief Executive Officer	$880,000	$1,320,000	$917,400	to	$1,980,000	$ 990,000 (75%)
Robert B. Crowl	Executive Vice President and Chief Financial Officer	$465,000	$ 465,000	$323,175	to	$ 697,500	$ 348,750 (75%)
David E. Tucker	Executive Vice President, Mortgage	$588,000	$ 735,000	$499,800	to	$1,102,500	$ 551,250 (75%)
Richard J. Bradfield	Senior Vice President and Treasurer	$345,000	$ 258,750	$179,831	to	$ 388,125	$ 194,063 (75%)
William F. Brown	Senior Vice President, General Counsel and Secretary	$360,360	$ 270,270	$187,838	to	$ 405,405	$ 202,703 (75%)
George J. Kilroy[2]	Former Executive Vice President, Fleet	$489,180	$ 489,180	$387,675	to	$ 733,770	$ 289,472 (59%)

(1) Range shown is reflective of Threshhold performance and Maximum performance levels against respective MIP financial performance table for each of the respective segments (PHH Consolidated, Mortgage or Fleet).

(2) Mr. Kilroy resigned as an executive officer of PHH on December 20, 2013 and terminated employment with PHH on 1/10/14.

Long-Term Incentive Awards provided during 2013

The Committee administers the Amended and Restated 2005 Equity and Incentive Plan, which provides for equity-based awards, including Performance Restricted Stock Units ("PRSUs"), Time Vested Restricted Stock Units ("RSUs") and Non-Qualified Stock options to purchase our common stock ("NQSOs"). The Committee considers equity-based awards to our Named Executive Officers an appropriate and effective method of retaining key management employees and aligning their interests with the interests of our stockholders. Eligibility for equity-based awards, the number of shares underlying each award and the terms and conditions of each award are determined by the Committee upon consultation with management and the Committee's compensation consultant.

The Committee approved two tranches of long-term incentive plan grants during 2013, the tranche in March 2013 (the "March 2013 LTIP Grant") and a special tranche in November 2013 (the "November 2013 LTIP Grant"). As described earlier, the November 2013 LTIP grant was designed to substitute for the annual tranche that would have otherwise been granted in March 2014 in view of a combination of 2013 performance and emerging retention needs based on the business environment. The Committee in approving the design of the November 2013 LTIP grants insisted that awards balance retention needs with shareholder performance requirements. In particular, the November 2013 PRSUs include provisions that condition vesting of the PRSUs based on the Company's Total Shareholder Return vs. the KBW Bank Index and the Company's compounded annual growth rate of Tangible Book Value per Diluted Share.

Absent a strategic transaction, it is not the present intention of the Committee to grant another tranche of long-term incentive awards during 2014.

Each of these grants was awarded to a limited group of employees, in order to continue to align them with long-term shareholder interests and who we believed at the time of grant were critical to retain. The grants were made to individuals who have the greatest influence over long-term shareholder value creation, including Company profitability and share price appreciation.

In particular, the program provides grant levels that are targeted at the 75th percentile of the market peer group for comparable roles. These awards will deliver the targeted value to the Named Executive Officers only if targeted Company stock price, Total Shareholder return on a relative basis and Company Tangible Book Value per Diluted Share appreciate within the defined vesting periods as described in the chart below. Failure to reach these levels of stock price or Tangible Book Value per Diluted Share appreciation would result in the complete loss of all value in some of the awards. Moreover, in determining award levels the Committee also factored in the executives' total compensation level to ensure that we remain within market-competitive total compensation levels. The elements of the Long-Term Incentive Awards are as follows:

Plan Element	Key Features of the Long-Term Incentve Awards and Link to Shareholder Value Creation	NEOs Receiving
March 2013 Non-Qualified Stock Options (NQSOs)	Stock options granted as part of the March 2013 LTIP Grant are time vested and have an exercise price of $21.96, which was our share price on the date of grant. They provide value to the executives when the share price rises, directly aligning executives with shareholder perspectives. The amount of value provided directly correlates to the amount of share price increase.	• Messina • Crowl • Tucker • Bradfield • Brown • Kilroy

Plan Element	Key Features of the Long-Term Incentve Awards and Link to Shareholder Value Creation	NEOs Receiving
March 2013 Performance Based Restricted Stock Units (PRSUs)	The PRSUs granted as part of the March 2013 LTIP Grant will vest only if we achieve specified share price targets in the 90 days at the end of the three-year measurement period. If our share price averages at least $30 during that 90 day period, 100% of the PRSUs will vest. If our share price averages less than $30 but at least $25 during that time, 33% of the PRSUs will vest. If our share price averages less than $25, none of the PRSUs will vest. This market condition balances the operational and profitability goals of the MIP, and ensures that NEOs understand the impact of their decisions on shareholder interests.	• Messina • Crowl • Tucker • Bradfield • Brown • Kilroy
Three year cliff-vesting	Unless an accelerated vesting trigger has occurred as described below, both the Stock Options and the PRSUs granted as part of the March 2013 LTIP Grant vest after three years (subject to the above described performance conditions in the case of the PRSUs), so that long-term performance is required before executives receive awards and retention of key employees is enhanced.	
Accelerated Vesting triggers for the March 2013 LTIPs	If a Change in Control occurs during the performance period, the PRSU grants will vest as specified in the chart below, absent the exercise of the Committee's discretion to further accelerate vesting.	

Date of Change in Control	Percent Vested
Before July 1, 2013	0%
On or after July 1, 2013, but before July 1, 2014	25%
On or after July 1, 2014, but before July 1, 2015	50%
July 1, 2015 or thereafter	100%

If a Change in Control occurs, Stock Options for the executive will vest in a prorated portion of the award based on the number of days from the grant date through the Change in Control date. If the acquiring company continues the Stock Option awards or replaces the Stock Option awards with awards of the acquiring company, then the awards are not accelerated.

Similarly, if the executive's employment is terminated without cause, the PRSU and Stock Option grants will become vested as specified in the chart below unless the HC&CC exercises discretion to further accelerate vesting.

Date of Termination of Employment Without Cause	Percent Vested
Before July 1, 2013	0%
On or after July 1, 2013, but before July 1, 2014	25%
On or after July 1, 2014, but before March 28, 2016	50%
March 28, 2016 or thereafter	100%

Plan Element	Key Features of the Long-Term Incentve Awards and Link to Shareholder Value Creation	NEOs Receiving
November 2013 Performance Based Restricted Stock Units (PRSUs)	Vesting in these PRSUs requires performance over a three year period against two key dimensions which are directly correlated with shareholder value creation. • 50% of the PRSUs grant will vest based on the Company's Total Shareholder Return (TSR) relative to the TSR of the KBW Bank Index*. TSR is defined as the price appreciation percentage plus the dividend yield percentage. Moreover, regardless of the Company's performance vs. the Index, if the Company TSR is negative for the period, the plan calls for 0% payment of this component. • 50% of the PRSUs granted will vest based on the compounded annual growth rate of our Tangible Book Value per diluted share The payout range for this award is from 0% to 150% of the target PRSUs granted and are described in the chart below.	• Messina • Crowl • Tucker • Bradfield

	50% of PRSUs Granted		+	50% of PRSUs Granted			=	100%
	PHH TSR on a percentile basis vs.TSR of KBW Bank Index component companies at the end of the measurement period over the measurement period.							
Performance Level	Provided PHH Total Shareholder Return is positive and:	% of PRSUs that would be paid (1)(2)		Achievement against Performance Goals	PHH's Compounded Annual Growth Rate (CAGR) in Tangible Book Value per diluted share(TBV/DS)(3) over the measurement period	% of PRSUs that would be paid (1)(2)		Total % of PRSUs Granted at Target Level that would be paid
Maximum	67th Percentile and above	75%	+	Maximum	7.0%	75%	=	150%
Target	55th Percentile	50%	+	Target	5.0%	50%	=	100%
Threshold	33rd Percentile	25%	+	Threshold	3.0%	25%	=	50%
Below threshold	Below 33rd Percentile	0%	+	Not Meeting Threshold	Less than 3.0%	0%	=	0%

(1) Straight line interpolation between Threshold and Maximum level is used for vesting purposes.

(2) The measurement period would close upon a change in control. Performance measures would be calculated from the start of the measurement period up to and including the date of the CIC. Whatever % of PRSU that would have been paid based on that measured performance would be converted to cash equivalent and would be paid as originally scheduled.

(3) Dividends are added back in to book value.

* The KBW Bank Index was chosen after a careful statistical analysis which included correlation of price volatility of the Company's stock price to several other indices including the S&P 500, S&P Midcap, S&P Financials, and KBW Mortgage. The review also examined the effects of extreme macro-economic events including the liquidity crisis of 2008 on the movement of

the Company's stock compared to the indices. The totality of the review led us to select the KBW Bank Index as the approriate benchmark. As of November 2013, the KBW Bank Index was comprised of the following companies:

#	Index Component	Ticker	% Weight
1	Citigroup	C	9.02%
2	Bank of America Corp.	BAC	8.17%
3	JPMorgan Chase & Co	JPM	8.16%
4	Wells Fargo & Company	WFC	7.72%
5	SunTrust Banks Inc	STI	4.74%
6	M&T Bank Corporation	MTB	4.39%
7	Regions Financial Corporation	RF	4.24%
8	Comerica Inc	CMA	4.21%
9	KeyCorp	KEY	4.19%
10	Capital One Financial Corp	COF	4.11%
11	Huntington Bancshares Inc	HBAN	4.05%
12	PNC Financial Services Group	PNC	3.97%
13	Fifth Third Bancorp	FITB	3.96%
14	Zions Bancorporation	ZION	3.93%
15	BB&T Corporation	BBT	3.77%
16	U.S. Bancorp	USB	3.68%
17	Bank of New York Mellon	BK	3.27%
18	State Street Corporation	STT	2.92%
19	New York Community Bank	NYCB	2.82%
20	Cullen/Frost Bankers Inc	CFR	2.10%
21	Commerce Bancshares Inc	CBSH	2.09%
22	Northern Trust Corp	NTRS	1.76%
23	People's United Financial Inc	PBCT	1.38%
24	First Niagara Financial Group	FNFG	1.33%

Plan Element	Key Features of the Long-Term Incentve Awards and Link to Shareholder Value Creation	NEOs Receiving
November 2013 Time Vested Retricted Stock Units (RSUs)	The value of these RSUs are directly correlated to the performance of the Company's stock price and vest and are paid in two stages. 40% of the RSUs will vest and be paid 18 months from the date of grant and the remaining 60% will vest and are paid 36 months from the date of grant. With the exception of Mr. Brown, the NEOs received 50% of their November 2013 LTIP grants in the form of Performance Based Restricted Stock Units and 50% in the form of Time Vested Restricted Stock Units. Mr. Brown, who was not an NEO during the prior year, received 100% of his November 2013 LTIP grants in the form of Time Vested RSUs.	• Messina • Crowl • Tucker • Bradfield • Brown
November 2013 Vesting Under a Change in Control	The November 2013 awards include a "double trigger" accelerated vesting feature. Double triggers are considered more favorable to shareholders because they have a greater retentive effect after a change in control than "single trigger" features. Under the double trigger provisions, the November 2013 LTIP grants provide for vesting based on performance through the date of the change in control. However, units are generally paid following the third anniversary of the grant date or, if earlier, any one of the following qualified events that occurs within 24 months of the change in control:	

Plan Element	Key Features of the Long-Term Incentve Awards and Link to Shareholder Value Creation	NEOs Receiving
	• Termination without cause • Retirement • Resignation for "Good Reason" meaning any one of the following (i) a material diminution in Grantee's base compensation (from the amount in effect on the date of the Change in Control); (ii) a material diminution in authority, duties, or responsibilities of Grantee; (iii) a material diminution in the budget over which Grantee retains authority; (iv) a material change in the geographic location at which Grantee is required to perform services; and (v) any other action or inaction that constitutes a material breach of the award agreement; provided, however, that for the Grantee to be able to resign for "Good Reason," the Grantee must give the Company notice of the above conditions within 90 days after the condition first exists, the Company must not have remedied the condition within 30 days after receiving written notice, and the Grantee must resign within 60 days after the Company's failure to remedy.	
Restrictive Covenants	All of the Long-Term Incentive awards granted were conditioned on the recipient agreeing to be covered by a restrictive covenant agreement that would prohibit the individual from engaging in certain competitive or other harmful activities during the term of their employment and ranging for a period of one to two years following employment termination, depending on the recipient.	
Claw-Back Provisions	Long-Term incentive grants are subject to "claw back" provisions which state that any unvested awards shall be forfeited and shares issued shall be returned if it is determined by the Committee that the recipient violates non-competition, non-solicitation, non-disclosure, or other restrictive covenant agreements, is terminated for cause, or engages in conduct which materially harms us, such as financial or reputational harm, provides materially inaccurate information related to our financial statements, creates excessive risk or allows it to be created, violates our Code of Conduct, or is under investigation for a regulatory matter due to gross negligence or willful misconduct in the performance of the recipient's duties.	

Plan Element	Key Features of the Long-Term Incentve Awards and Link to Shareholder Value Creation	NEOs Receiving
Stock Ownership & Retention Guidelines	Employees who receive equity based grants are required to hold a specified amount of our common stock and are not permitted to sell any shares of common stock except to pay taxes upon vesting or exercise. The employee stock ownership and retention guidelines, which were amended and restated on December 18, 2013, are as follows: • CEO—5X base salary • CFO and Business Unit Presidents—4X base salary • Section 16 Officers (excluding the Principal Accounting Officer)—3X base salary • Covered employees who are members of the Management Operating Committee —2X base salary • Covered employees who are identified by the Company as regular recipients of equity based grants under the 2005 Amended and Restated Equity and Incentive Plan; or successor Plan—1X base salary	

The following Named Executive Officers were recipients of March 2013 LTIP Grant awards. The March 2013 LTIP Grant levels were based on each individual's prior year performance and expected future contributions to the success of the Company. These awards were targeted to enable our executives, based on performance, to earn total direct compensation in the 50th to 75th percentile of the peer group.

Name	2013 Annualized Base Salary as of 12/31/13 ($)	Target Number of PRSUs Granted as part of March 2013 LTIP Grants (#)	Target Number of Stock Options Granted as part of March 2013 LTIP Grants (#)	Total Grant Date Fair Value of March 2013 LTIP Grants ($)	March 2013 LTIP Grant Date Fair Value as a Percent of Annualized Base Salary
Glen A. Messina	880,000	50,091	97,604	1,647,993	187%
Robert B. Crowl	465,000	13,763	26,818	452,806	97%
David E. Tucker	588,000	21,420	41,739	704,733	120%
Richard J. Bradfield	345,000	12,175	23,724	400,564	116%
William F. Brown	360,360	8,204	15,987	269,925	75%
George J. Kilroy	489,180	16,706	32,554	549,647	112%

The following Named Executive Officers were recipients of November 2013 LTIP Grant awards, which as described earlier were intended to substitute for the regular March 2014 LTIP awards. These awards were granted in view of a combination of 2013 performance and emerging retention needs based on the business environment and to provide additional retention features beyond those in the March 2013 LTIP grants. We targeted these awards to enable the executive's compensation to approximate the 75th percentile of the peer group and the need to increase retention.

Name	2013 Annualized Base Salary as of 12/31/13 ($)	Target Number of PRSUs Granted as part of November 2013 LTIP Grants (#)	Number of Restricted Stock Units Granted as part of November 2013 LTIP Grant (#)	Total Grant Date Fair Value of November 2013 LTIP Grants ($)	November 2013 LTIP Grant Date Fair Value as a Percent of Annualized Base Salary
Glen A. Messina	880,000	53,602	53,602	2,387,969	271%
Robert B. Crowl	465,000	20,369	20,369	888,496	191%
David E. Tucker	588,000	28,366	28,366	1,237,325	210%
Richard J. Bradfield	345,000	16,081	16,081	701,453	203%
William F. Brown	360,360	0	30,875	720,005	200%
George J. Kilroy	489,180	0	0	0	0%

Base Salaries

The HC&CC is responsible for approving and recommending to the full Board for final approval, the base salary of our Chief Executive Officer. The HC&CC is also responsible for approving the base salaries of our other Named Executive Officers, which includes review and approval of annual adjustments, if warranted, to their base salaries. Base salaries are intended to provide a level of cash compensation that is externally competitive in relation to the responsibilities of the executive's position. Base salary increases represented relative market-competitive positioning, experience, tenure, performance and contributions to our success during 2012.

Name	Title	2012 Annualized Base Salary as of 12/31/12	2013 Annualized Base Salary as of 12/31/13	Percent Increase
Glen A. Messina(1)	President and Chief Executive Officer	$800,000	$880,000	10.0%
Robert B. Crowl(2)	Executive Vice President and Chief Financial Officer	$400,000	$465,000	16.3%
David E. Tucker(3)	Executive Vice President, Mortgage	$560,000	$588,000	5.0%
Richard J. Bradfield(4)	Senior Vice President and Treasurer	$330,000	$345,000	4.5%
William F. Brown	SVP, General Counsel and Secretary	$360,360	$360,360	N/A
George J. Kilroy(5)	Former Executive Vice President, Fleet	$479,588	$489,180	2.0%

(1) Salary increase on 3/29/13 awarded by Board of Directors in recognition of Mr. Messina's very strong performance in first full year as CEO and market data which showed Mr. Messina's salary more than 10% below the market median salary.

(2) Salary increase on 3/29/13 awarded by HC&CC in recognition of Mr. Crowl's strong performance since joining PHH as CFO on 4/26/12 and market data which showed Mr. Crowl's salary 19% below the market median salary.

(3) Salary increase on 3/29/13 awarded by HC&CC in recognition of Mr. Tucker's strong performance since joining PHH on 5/21/12 and consistent with merit increase guidelines for strong performance.

(4) Salary increase on 3/29/13 awarded by HC&CC in recognition of Mr. Bradfield's performance in 2012 and consistent with merit increase guidelines for strong performance.

(5) Mr. Kilroy terminated from employment on 1/10/14.

2014 Executive Compensation Decision-making

In 2014, we continue to focus our executive compensation program on our business strategy, sustainable business performance, and shareholder value creation. Pay-for-Performance is critical to our executive compensation program. Success will continue to be determined by operating and individual performance, including the right leadership behaviors.

2014 Management Incentive Plan

Our 2014 Management Incentive Plan will be based on assessing business unit results against both 2014 financial measures and strategic initiatives. This approach is consistent with pay-for-performance best practices and appropriately incents management to deliver on the 2014 business plan as well as the strategic goals for future growth. The respective balance between financial and strategic measures by business unit will be as follows:

- Fleet 70% and 30%—with earning opportunity ranging from 0% to 150% of target incentive based on performance
- Mortgage 50% and 50%—with earning opportunity ranging from 0% to 118.75% of target incentive based on performance
- Corporate 60% and 40%—with earning opportunity ranging from 0% to 134.17% of target incentive based on performance

Moreover, the HC&CC has adjusted the 2014 target incentive opportunity for the Mortgage organization down to 75% (from 100% in 2013) in order to recognize that the Mortgage segment in its business plan will have lower financial performance than in 2013. Likewise, the HC&CC has also lowered the target incentive opportunity for the Corporate segment to 87.5% (from 100% in 2013) to recognize the impact of the Mortgage Segment on the overall company's financial performance in 2014.

Our NEOs' 2014 performance will be assessed against how they deliver against the measures described below and their individual performance goals.

Furthermore, any 2014 Management Incentive Plan payments are subject to the Board of Directors reviewing and approving a 2015 Business Plan for PHH which evidences that the company possesses adequate liquidity to meet its operational needs for the coming year.

The financial performance elements are consistent with the definitions in our 2013 MIP plan and are intended to provide incentive opportunities ranging from 0% to 150%. The performance elements within our 2014 MIP are shown below

Segment	Operational Financial Objectives	Strategic & Measureable Objectives
Fleet (Funding at 100% of target)	1. Adjusted Cash Flow (40%) 2. Core Earnings (Pre-Tax) (15%) 3. Pre-Tax Core ROE (15%) 70%	1. Growth initiatives (10%) 2. Customer Retention initiatives (10%) 3. Competitive Differentiation initiatives (10%) 30%
Mortgage (Funding at 75% of target)	1. Contribution Margin–rate adjusted (12.5%) 2. Support & Overhead Costs (12.5%) 3. Adjusted Cash Flow (12.5%) 50%	1. Organization Redesign initiatives (9.375%) 2. Growth initiatives (9.375%) 3. PLS Re-engineering initiatives (9.375%) 4. Technology transformation initiatives (9.375%) 50%
Corporate (Funding at 87.5% of target)	1. Fleet Financial Results (17.5%) 2. Mortgage Financial Results (17.5%) 3. Expense Plan (17.5%) 60%	1. Fleet Results (17.5%) 2. Mortgage Results (17.5%) 40%

2014 Long-Term Incentive Awards

As described earlier, the November 2013 LTIP grants were made in substitution of March 2014 LTIP grants and were granted to retain key talent. The November 2013 LTIP grants were granted not only as a reflection of each executive's performance through that point of the year, but also in view of emerging retention needs based on the business environment. We targeted these awards to enable the executive's compensation to approximate the 75th percentile of the peer group market based on the need to increase retention.

Compensation of Our Chief Executive Officer

Mr. Messina completed his first full year as CEO on January 3, 2013. This first year included a dramatic strengthening of the business across every major component (financial, strategic, operational and cultural) and the development of a strong senior leadership team. His performance resulted in an exceeds rating, which when coupled with an assessment of his compensation opportunities relative to that of our proxy peer group led the HC&CC to recommend to the Board of Directors an increase to Mr. Messina's 2013 total direct compensation opportunity by adjusting each element of his compensation (base salary; 2013 MIP target and 2013 LTIP target) by 10%. In particular, market data presented by PwC, the compensation consultant to the HC&CC at the time, showed Mr. Messina's total direct compensation as 20% percent below the market 50th percentile of pay vs. the Proxy peer group CEOs.

Upon the conclusion of the 2013 performance year, the HC&CC reviewed Mr. Messina's performance and again determined that his performance resulted in an exceeds rating. This rating took into account a complete assessment of the performance of the company as well as the quick and decisive actions he implemented to navigate through a dramatic change in the business environment while continuing to make traction in the 4 key strategies for the business.

The Committee accordingly, in making a MIP determination for performance year 2013, allocated to Mr. Messina the full funding allowed under the 2013 MIP based on the financial performance.

The November 2013 LTIP grants provided to Mr. Messina, as described earlier, were in substitution of the March 2014 LTIP grants and representative not only of Mr. Messina's strong performance, but also designed to include a premium to his March 2013 LTIP awards to bolster retention value.

The chart below summarizes the year over year impact on Mr. Messina's compensation including the impact of November 2013 LTIP grants.

Total Direct Compensation Comparsion between 2012 and 2013 for Mr. Messina

	2012	2013	% Change	Comments
Salary as of Dec 31st	**$ 800,000**	**$ 880,000**	**10%**	Salary increase effective 3/29/13.
MIP Target	$1,200,000	$1,320,000	10%	MIP Target adjusted on 3/29/13. Performance Year 2013 MIP is 75% of target-based on Financials for PHH.
MIP Paid	**$1,391,400**	**$ 990,000**	**−29%**	
MIP as % of Target:	*116.0%*	*75%*	*−35%*	
Discretionary Bonus	**$ 208,600**	**$ 0**	**−100%**	$208,600 is the amount approved by Board of Directors on 2/25/13 in addition to Mr. Messina's MIP funding amount of 116% for 2012 Performance.
MIP & Discretionary as % of Target	*133.3%*	*75.0%*	*−44%*	
Total Cash	**$2,400,000**	**$1,870,000**	**−22%**	

	2012	2013	% Change	Comments
Annual LTIP Tranche Grant Target Fair Market Value:	**$2,185,702**	**$1,647,993**	**−25%**	2012 LTIP award granted on 9/27/12; 2013 LTIP award granted on 3/29/13
# of PRSUs granted	*73,891*	*50,091*		
# of NQSOs granted	*145,772*	*97,604*		
Total Direct Compensation:	**$4,585,702**	**$3,517,993**	**−23%**	

"Off-cycle" LTIPs Granted:	2012	2013	% Change	Comments
Promotional LTIP Target Fair Market Value	**$3,831,992**	—		Granted on 2/19/12, associated with becoming CEO.
# of PRSU's granted	*203,937*	—		
# of NQSOs granted	*400,000*	—		
Nov 2013 LTIP Tranche Target Fair Market Value:	—	**$2,387,969**		LTIP award granted on 11/27/13, in substitution of grants from Q1 2014.
# of PRSU's granted	—	*53,602*		50% TSR vs. KBW Bank Index, 50% CAGR on Tangible Book Value per Diluted Share.
# of RSUs granted	—	*53,602*		40% vest 18 months from grant, 60% vest 36 months from grant months.
Total Off-Cycle Grants:	**$3,831,992**	**$2,387,969**	**−38%**	
All in Direct Compensation:	**$8,417,694**	**$5,905,962**	**−30%**	

Retirement Benefits

Messrs. Bradfield, Brown and Kilroy participate in the PHH Corporation Pension Plan, which is a defined benefit pension plan that was available to all of our employees prior to 2005 and is intended to be tax-qualified. The benefits payable under the PHH Corporation Pension Plan have been frozen for Messrs. Bradfield, Brown and Kilroy as well as the other plan participants. See "Pension Benefits" below for more information regarding benefits available to Messrs. Bradfield, Brown and Kilroy under this plan. In addition, all of our Named Executive Officers are eligible to participate in the PHH Corporation Employee Savings Plan (the "PHH Savings Plan") on the same basis as other employees during the term of their employment. The PHH Savings Plan is a tax-qualified retirement savings plan that provides for employee contributions made on a pre-tax basis and matching contributions based on a portion of the employee's compensation contributed to the PHH Savings Plan up to the statutory limit. The matching contribution percentage under the PHH Savings Plan is 4% of the employee's compensation contributed to the PHH Savings Plan up to the statutory limit. See "All Other Compensation" in Footnote 6 under "—Summary Compensation Table" for more information regarding matching contributions to the PHH Savings Plan made on behalf of each Named Executive Officer.

Perquisites and Other Compensation

We currently provide only two perquisites to our Named Executive Officers. This includes use of company vehicles and financial planning services. However, financial planning services are not provided to newly hired executives. We do not provide tax reimbursements on the foregoing perquisites. Given that we are in the fleet management business, the provision of vehicles to our Named Executive Officers is considered an appropriate perquisite. The Committee reviews the appropriateness of perquisites each year, and will do so again in 2014. Each of our Named Executive Officers also is entitled to participate in various employee benefit plans available generally to all employees on a non-discriminatory basis.

Change in Control and Other Severance Arrangements

In 2012, we modified our executive severance program to provide consistency with market practice and to protect shareholders through the use of restrictive covenants. The executive severance program now has the following elements:

- In the event of a termination without cause, a participant in the Tier I Severance Plan is entitled to receive severance benefits as described below, provided a general release agreement is executed.
- Certain members of the executive leadership team, including Named Executive Officers and certain Management Operating Committee members, as well as other key employees, are eligible to participate in the Tier I Severance Plan, depending upon whether they were required to execute restrictive covenants that included non-competition provisions as a condition of participating in the long term incentive program.
- Severance benefits under the Tier I Severance Plan include bi-weekly salary continuation for either one or two years which runs concurrent with the duration of the non-compete and non-solicitation provisions contained in the restrictive covenant agreements executed as a condition of participation in the long term incentive program; outplacement assistance services not to exceed $17,000 to be used within 24 months of the separation from employment; and a payment equal to the cost of COBRA coverage during the duration of the restrictive covenants.

We also maintain a general severance program for our employees, including senior level executives that are not participants in the Tier I Severance Plan, that provides for salary continuation for a period of time following an involuntary separation from employment for certain reasons. The amount of severance for which an employee may be eligible is based on tenure and the employee's position and is conditioned upon execution of a general release agreement. No employee under the general severance program may receive more than one year of severance, regardless of tenure or position.

Under the 2005 Equity and Incentive Plan, unvested equity-based awards generally will become fully and immediately vested and, in the case of stock options, exercisable, upon the occurrence of a change in control transaction (as defined in the 2005 Equity and Incentive Plan, unless otherwise provided in an award). See below for additional information regarding payments in the event of a change in control or other termination of employment for each Named Executive Officer.

Deductibility of Executive Compensation

In accordance with Section 162(m) of the Internal Revenue Code, the deductibility for federal corporate income tax purposes of compensation paid to certain of our executive officers in excess of $1 million in any year may be restricted. The Committee believes that it is in the best interests of our stockholders to provide tax-deductible compensation when consistent with meeting our key strategic and operational goals and objectives and paying for performance. Accordingly, where it is deemed necessary and in our best interests to attract and retain the best possible executive talent and to motivate such executives to achieve the goals inherent in our business strategy, the Committee may approve compensation to executive officers that may exceed the limits of deductibility imposed by Section 162(m). The 2012 and 2013 Management Incentive Plans were specifically designed, approved and implemented for favorable tax treatment under Section 162(m) at the time they were granted. The Committee retains the ability to exercise its judgment to make awards that it believes are in the best interests of shareholders, even if those awards do not result in favorable tax treatment, as it did for certain awards in the 2012 MIP where the Committee exercised that judgment to reward outstanding performance by certain Named Executive Officers as described in the Summary Compensation Table of last year's Proxy Statement.

Compensation Risk Assessment

Our management, with the assistance of the Human Capital and Compensation Committee's compensation consultant, conducted a risk assessment of our compensation programs to determine whether such programs are reasonably likely to have a material adverse effect on us. The risk assessment determined that our compensation programs do not encourage excessive or unnecessary risk-taking and are not reasonably likely to have a material adverse effect on us. While risk-taking is a necessary part of profitable growth, the Human Capital and Compensation Committee has focused on aligning our compensation policies with our long-term interests and avoiding short-term rewards for management decisions that could pose long-term risks to us, as follows:

- *Limits on MIP awards.* MIP awards are capped at 150% of an executive's target award to protect against disproportionately large short-term incentives, and the Human Capital and Compensation Committee has discretion in determining reductions in the size of MIP awards based on those factors it deems appropriate, including whether an executive has caused us to incur unnecessary or excessive risk. (Performance below the Threshold performance level does not result in payouts.) The MIP also has "gates" related to cash flow and other key business needs to ensure that payouts are not made unless we provide sustainable performance. Further, senior executive officers have specific risk components embedded in their individual performance criteria.
- *Use of Long-Term Incentive Compensation.* Equity-based long-term incentive compensation that vests over a period of years, including awards with performance objectives, is a component of senior executive compensation. This vesting period encourages our executives to focus on sustaining our long-term performance. All equity grants have multi-year cliff vesting (with the exception of matching RSU grants made to certain executive officers hired during 2013 to encourage purchase of shares on the open market), to ensure a focus on sustainable performance.
- *Multi-Level Review and Oversight.* We have multi-level review and oversight of our business operations and compensation processes in order to mitigate the possibility of employees receiving rewards for engaging in short-term, unsustainable performance decisions.

We have other compensation risk governance practices in place as well. Our Chief Risk Officer is responsible for understanding the risks posed by our operations and processes, including our compensation programs. The Chief Risk Officer's and Chief Ethics and Compliance Officer's input also are expressly solicited by the Human Capital and Compensation Committee in the design phase when changes to our compensation programs are being considered. They provide analyses of the fraud and other risks and mitigating factors to the Human Capital and Compensation Committee in connection with all compensation program changes. The Board's compensation risk governance includes the Human Capital and Compensation Committee consulting with the Board's Audit Committee and Finance and Risk Management Committee, as appropriate, around compensation and risk. The Finance and Risk Management Committee reviews the risk factors each year, and reviews program changes for these factors, consistent with its Charter.

In sum, our compensation programs are structured so that a considerable amount of the compensation of our executives is tied to our long-term health as a company, which encourages risk oversight. We believe our compensation programs avoid the type of disproportionately large short-term incentives that could encourage executives and other employees to take risks that may not be in our long-term interests, include risk management in the individual objectives of executives and other key employees to align them with incentive payouts, and provide incentives to manage for long-term performance. The Human Capital and Compensation Committee believes this combination of factors encourages our executives and other employees to manage our businesses in a prudent manner.

Compensation Committee Interlocks and Insider Participation

The Human Capital and Compensation Committee consists entirely of "outside directors" within the meaning of the regulations under Section 162(m) of the Internal Revenue Code of 1986, as amended, "non-employee directors" under SEC Rule 16b-3, and "independent" directors as affirmatively determined by the Board pursuant to the NYSE Listing Standards and our categorical Independence Standards. The current members of the Human Capital and Compensation Committee are the individuals named as signatories to the Compensation Committee Report set forth above under "Compensation Committee Report." Messrs. Egan and Wetzel were appointed to the Human Capital and Compensation Committee on June 12, 2013. None of the individuals that served on the Human Capital and Compensation Committee during 2013 and none of the current members of the Human Capital and Compensation Committee are former officers or employees of the Company.

SUMMARY COMPENSATION TABLE

The information below sets forth the compensation awarded to, earned by or paid to our "Named Executive Officers" as defined in Item 402 of Regulation S-K (collectively referred to as our "Named Executive Officers"). The form and amount of the compensation awarded to, earned by or paid to our Named Executive Officers for the year ended December 31, 2013, was determined by the Human Capital and Compensation Committee of our Board. The amounts included in the "Stock Awards," "Option Awards" and "Total" columns reflect the aggregate grant date fair value of equity-based compensation awards made during a given year in accordance with SEC rules, as opposed to the amount of equity-based compensation expense recognized by us during such year or the amount of value actually realized from equity-based compensation awards during such year by the particular Named Executive Officer. Accordingly, the amounts in the "Total" column do not necessarily reflect either the compensation expense recognized by us for a given year or the value actually realized from equity-based compensation awards by our Named Executive Officers for a given year, either of which may be substantially greater or less than the amounts included in the "Total" column below. See the "Option Exercises and Stock Vested During 2013" table below for information concerning the amount of value actually realized during 2013 by our Named Executive Officers from equity-based compensation awards.

Name and Principal Positions	Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)(4)	Change in pension Value and Non-qualified Deferred Compensation Earnings ($)(5)	All other Compensation ($)(6)	Total ($)
Glen A. Messina(7)	2013	857,231	—	2,935,965	1,099,997	990,000	—	17,075	5,900,268
President and Chief Executive	2012	795,769	208,600	1,617,700	4,399,994	1,391,400	—	17,287	8,430,750
Officer	2011	304,231	300,000	892,824	2,148,346	406,151	—	17,287	4,068,839
Robert B. Crowl(7)	2013	446,500	—	1,039,063	302,239	348,750	—	15,600	2,152,152
Executive Vice President and	2012	256,923	—	219,168	459,996	308,141	—	15,250	1,259,478
Chief Financial Officer	2011	—	—	—	—	—	—	—	—
David E. Tucker(7)	2013	580,031	—	1,471,660	470,399	551,250	—	32,135	3,105,474
Executive Vice President,	2012	323,077	531,853	822,375	1,697,990	141,497	—	50,000	3,566,792
Mortgage	2011	—	—	—	—	—	—	—	—
Richard J. Bradfield(7)	2013	340,731	—	834,648	267,369	194,063	2,376	33,038	1,667,473
Senior Vice President and	2012	304,557	55,067	116,909	255,748	260,888	2,956	32,885	1,029,010
Treasurer	2011	—	—	—	—	—	—	—	—
William F. Brown(7)	2013	360,360	—	809,757	180,173	202,703	13,802	32,703	1,571,894
Senior Vice President, General	2012	354,420	13,580	82,360	180,178	271,595	27,744	31,405	961,282
Counsel and Secretary	2011	337,006	—	110,344	121,545	189,753	39,827	46,714	845,189
George J. Kilroy(8)	2013	486,450	—	182,764	366,884	289,472	32,781	28,078	1,320,866
Former Executive Vice	2012	477,134	19,873	164,423	359,687	562,960	68,141	28,546	1,680,764
President, Fleet	2011	461,942	—	217,371(9)	239,440(9)	294,162	85,219	24,395	1,322,529

(1) The figures shown in this column represent discretionary bonus amounts awarded to certain Named Executive Officers

(2) The amounts shown in this column reflect the aggregate grant date fair value of equity-based compensation awards to our Named Executive Officers, in the form of common stock or RSUs. See Note 19 "Stock-Based Compensation" in the Notes to Consolidated Financial Statements included in the 2013 Annual Report for more information, including the assumptions used in calculating grant date fair value of equity-based compensation awards.

(3) The amounts shown in this column reflect the aggregate grant date fair value of equity-based compensation awards to our Named Executive Officers in the form of stock options. See Note 19 "Stock-Based Compensation" in the Notes to Consolidated Financial Statements included in the 2013 Annual Report for more information, including the assumptions used in calculating grant date fair value of equity-based compensation awards.

(4) The amounts in this column for 2013 represent awards under the PHH Corporation Management Incentive Plan. See "—Compensation Discussion and Analysis—2013 Executive Compensation Program Design—Variable Annual Cash Compensation Programs" for more information.

(5) The 2013 amounts in this column reflect the change in the actuarial present value of the accumulated benefit under the PHH Corporation Pension Plan. The PHH Corporation Pension Plan has been frozen and the final average compensation and years of service is based on the years of service and compensation earned prior to October 31, 2004. See "Pension Benefits" for additional information regarding the benefits accrued for Mr. Bradfield, Mr. Brown and Mr. Kilroy see Note 13, "Pension and Other Post Employment Benefits" in the Notes to Consolidated Financial Statements included in the 2013 Annual Report for more information regarding the calculation of our pension costs.

(6) Amounts included in this column for 2013 are set forth in the supplemental "All Other Compensation" table below.

(7) The HC&CC granted Mr. Messina, Mr. Crowl, Mr. Tucker, Mr. Bradfield and Mr. Brown Long-Term Incentive Awards in November 2013 as opposed to March 2014. As described earlier, these awards were granted in view of a combination of 2013 performance and emerging retention needs based on the business environment and to provide additional retention features beyond those in the March 2013 LTIP grants.

(8) Mr. Kilroy resigned as an Executive Officer of the Company on December 20, 2013 and terminated employment on January 10, 2014.

(9) Includes awards of stock options and 2011 PRSUs that were forfeited by Mr. Kilroy on December 29, 2011 because he did not execute a restrictive covenant prior to the December 29, 2011 which was a condition of the award.

All Other Compensation

The following table provides additional information about the amounts that appear in the "All Other Compensation" column in the Summary Compensation Table above.

Name	401(k) Matching Contributions[(a)]	Financial Planning Services[(b)]	Company Car and Fuel[(c)]	Tax Gross-Up[(d)]	Other	Total
Glen A. Messina	$ 0	$ 0	$17,075	$0	$ 0	$17,075
Robert B. Crowl	$ 0	$ 850	$14,750	$0	$ 0	$15,600
David E. Tucker	$ 9,951	$ 0	$ 0	$0	$22,184[(e)]	$32,135
Richard J. Bradfield	$10,065	$11,725	$11,249	$0	$ 0	$33,038
William F. Brown	$10,016	$ 8,790	$13,897	$0	$ 0	$32,703
George J. Kilroy	$10,200	$ 0	$17,878	$0	$ 0	$28,078

(a) Reflects matching contributions made under the PHH Corporation Employee Savings Plan. Following the completion of one year of service, matching contributions are available to all of our employees. The Company will match employee contributions dollar-for-dollar up to the first 4% of eligible compensation.

(b) Reflects the value of financial planning services utilized by certain of our Named Executive Officers.

(c) Reflects the aggregate lease value of company cars.

(d) On April 21, 2011 the Company eliminated tax gross-ups for financial planning and vehicle car costs.

(e) Reflects relocation related compensation of $22,183.98.

GRANTS OF PLAN BASED AWARDS DURING 2013

		Estimated Future Payouts Under Non-Equity Incentive Awards[1]			Estimated Future Payouts Under Equity Incentive Plan Awards[2]						
Name	Grant Date	Threshhold ($)	Target ($)	Maximum ($)	Threshhold (#)	Target (#)	Maximum (#)	All other Stock Awards: Number of Shares or Stock Units[3]	All other Option Awards: Number of securities underlying Options[4]	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)
Glen A. Messina	3/29/13	917,400	1,320,000	1,980,000	—	—	—	—	—	—	—
	3/29/13	—	—	—	16,530	50,091[4]	50,091	—	—	—	547,996
	3/29/13	—	—	—	—	—	—	—	97,604	21.96	1,099,997
	11/27/13	—	—	—	13,400	53,602	80,403	—	—	—	1,104,737
	11/27/13	—	—	—	—	—	—	53,602	—	—	1,283,232
Robert B. Crowl	3/29/13	323,175	465,000	697,500	—	—	—	—	—	—	—
	3/29/13	—	—	—	4,541	13,763	13,763	—	—	—	150,567
	3/29/13	—	—	—	—	—	—	—	26,818	21.96	302,239
	11/21/13	—	—	—	5,092	20,369	30,553	—	—	—	413,491
	11/21/13	—	—	—	—	—	—	20,369	—	—	475,005
David E. Tucker	3/29/13	499,800	735,000	1,102,500	—	—	—	—	—	—	—
	3/29/13	—	—	—	7,068	21,420	21,420	—	—	—	234,335
	3/29/13	—	—	—	—	—	—	—	41,739	21.96	470,399
	11/21/13	—	—	—	7,091	28,366	42,549	—	—	—	575,830
	11/21/13	—	—	—	—	—	—	28,366			661,495
Richard J. Bradfield	3/29/13	179,831	258,750	388,125	—	—	—	—	—	—	—
	3/29/13	—	—	—	4,017	12,175	12,175	—	—	—	133,195
	3/29/13	—	—	—	—	—	—	—	23,724	21.96	267,369
	11/21/13	—	—	—	4,020	16,081	24,121	—	—	—	326,444
	11/21/13	—	—	—	—	—	—	16,081			375,009
William F. Brown	3/29/13	187,838	270,270	405,405	—	—	—	—	—	—	—
	3/29/13	—	—	—	2,707	8,204	8,204	—	—	—	89,752
	3/29/13	—	—	—	—	—	—	—	15,987	21.96	180,173
	11/21/13	—	—	—	—	—	—	30,875	—	—	720,005
George J. Kilroy	3/29/13	387,675	489,180	733,770	—	—	—	—	—	—	—
	3/29/13	—	—	—	5,512	16,706	16,706	—	—	—	182,764
	3/29/13	—	—	—	—	—	—	—	32,554	21.96	366,884

(1) Represents awards under the PHH Corporation Management Incentive Plan ("MIP").

(2) Represents awards of performance-based restricted stock units in March 2013 ("March 2013 PRSUs") and November 2013 ("November 2013 PRSUs") granted under the 2005 Equity and Incentive Plan which are subject to continued employment and certain other conditions.

Recipients of the March 2013 PRSUs that were granted on March 29, 2013, which contain a three year target measurement period (TMP) from the date of original grant, will receive shares, if any, of PHH common stock based on the average closing Fair Market Value of PHH common stock during the final 90 day calendar day period of TMP. The final amount of earned shares, if any, will be settled between the end of the TMP period and March 28, 2016. More specifically, if the average closing Fair Market Value of PHH common stock fails to achieve a $25.00 closing average in the final 90 days of TMP, 0% of the PRSUs granted will be settled and the entire PRSU grant from three years earlier will be forfeited. If the average closing fair market value of PHH common stock is $25.00 or greater but less than $30.00 in the final 90 day period prior to the end of the TMP 33% of the PRSUs granted will be settled with the balance of the PRSUs granted three years earlier being forfeited. If the average closing fair market value of PHH common stock is $30.00 or greater in the final 90 day period prior to the end of the TMP, 100% of the PRSUs granted will be settled.

Recipients of the PRSUs granted on November 21, 2013 and November 27, 2013 are eligible for payment based on two equally weighted performance measures which are independent of each other for purposes of determining how many of the target number of PRSUs granted to the NEO are eligible for payment, but which when taken together determine the final number of target number of shares granted to the NEO would be eligible for payment.

The first measure is the Company's performance on Total Shareholder Return (TSR) relative to the KBW Bank Index over the measurement period (TMP) spanning November 11, 2013 through November 10, 2016. In particular, if at the end of TMP the Company performance ranks in the 67th percentile or higher, 75% of the total target number of PRSUs granted will be eligible for payment. If the Company performance is at 55th percentile, 50% of the target number of PRSUs granted will be eligible for payment. If the Company performance is at the 33rd percentile, 25% of the target number of the target number of PRSUs granted will be eligible for payment. If the Company performance is below the 33rd percentile, 0% of the target number of the target number of PRSUs granted will be eligible for payment. The component companies in the KBW Bank Index will be the component companies in the index for the entire TSR TMP. If the Company's's TSR Performance falls in between the aforementioned levels that warrant a payment, the payment % will be determined based on straight-line interpolation.

However, if the Company's TSR is negative during TMP, 0% of the target number of PRSUs granted will be eligible for vesting regardless of the Company's percentile ranking vs. the KBW Bank Index. Component companies in the KBW Bank Index on the first day of the TSR TMP that declare bankruptcy during the TSR TMP shall be included in the list of TSR performance of the component companies as a negative one hundred percent (−100%). TSR = Price Appreciation + Dividend Yield. Price appreciation is determined by taking the change in price over the TSR TMP and dividing it by the closing price on the first day of the TSR TMP. The change in price is determined by taking the closing price on the last day of the TSR TMP and subtracting from it the closing price on the first day of the TSR TMP. The dividend yield is determined by taking the sum of all dividends paid during the

TSR TMP (for the KBW Bank Index as a whole, this shall be the sum of the actual dividends paid by each component of the index multiplied by the weight of the index component), and dividing this by the closing price on the first day of the TSR TMP. For both the price appreciation and dividend yield, the closing price as of the first and last days of the measurement period will be calculated by using a 20-trading day trailing average price (i.e. averaging the closing price for the 20 trading days up to and including the beginning date or closing date, as applicable).

The second measure is the Company's performance on fully diluted Tangible Book Value Per Share (TBVPS) on a Compounded Annual Growth Rate (CAGR) basis over the measurement period (TMP) spanning October 1, 2013 through September 30, 2016. In particular, if at the end of TMP the Company's's CAGR on TBVPS is 7.0% or higher, 75% of the total target number of PRSUs granted will be eligible for payment. If the Company's CAGR on TBVPS is at 5.0%, 50% of the total target number of PRSUs granted will be eligible for payment. If the Company's CAGR on TBVPS is at 3.0%, 25% of the total target number of PRSUs granted will be eligible for payment. 0% of the total target number of PRSUs granted would be eligible for payment if the Company's CAGR on TBVPS is below 3.0%. If the Company's CAGR on TBVPS falls in between the aforementioned levels which warrant a payment, the payment % will be determined based on straight-line interpolation.

The CAGR calculation is: [Book Value @ last day of CAGR TMP + Dividends paid over TMP] ^ [1/3] − 1 which is then divided by [Book Value @ first day of CAGR TMP]

The fully diluted tangible book value per share is determined by first calculating the average tangible book value. The average tangible book value represents the average of the tangible book values for each of the three months up to and including the month end date as of the beginning and ending date of TMP. The tangible book value is calculated by reducing the Company's stockholders equity by the balance of goodwill and intangible assets. Fully diluted tangible book value per share is calculated by dividing the average tangible book value as of the applicable date by the weighted average number of fully diluted shares for the quarter ending as of the beginning and ending dates of TMP. "Dividends paid" means the total dollar value of dividends paid on all classes of the Company stock over the term of the TMP.

The Committee may exercise negative discretion to reduce the amount payable under each of the above awards prior to the earlier of payment of the award or a change in control. Such discretion may be exercised based on the Committee's subjective determination (or the Committee's determination based upon a recommendation of the Company's management) of the extent to which the recipient has achieved such individual goals for the TMP, if any, as the Committee may establish or based on any other factors the Committee deems necessary or appropriate in its sole and absolute discretion.

(3) Represents awards of Restricted Stock units granted in November 2013 under the 2005 Equity and Incentive Plan ("November 2013 RSUs") which are subject to continued employment and certain other conditions that will vest 40% 18 months from the date of grant with the remaining 60% vesting 36 months from the date of grant.

(4) Represents Non Qualified stock options granted under the 2005 Equity and Incentive plan which subject to continued employment and other plan provisions are scheduled to cliff vest three years from date of grant and which were granted with an exercise price of $21.96.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END 2013

The following table sets forth the outstanding equity awards for each of our Named Executive Officers as of December 31, 2013:

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)(1)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(1)
Glen A. Messina	123,334	61,666(2)	—	18.53	07/28/2021	—	—	—	—
	64,532(3)	—	—	20.00	11/14/2021	—	—	—	—
	—	400,000(4)	—	14.22	02/19/2022	—	—	—	—
	—	145,772(5)	—	20.30	09/27/2022	—	—	—	—
	—	97,604(6)	—	21.96	03/29/2023	—	—	—	—
	—	—	—	—	—	5,666(7)	137,967	—	—
	—	—	—	—	—	53,602(12)	1,305,209	—	—
	—	—	—	—	—	—	—	67,979(8)	1,655,289
	—	—	—	—	—	—	—	24,384(9)	593,750
	—	—	—	—	—	—	—	16,530(10)	402,506
	—	—	—	—	—	—	—	13,400(11)	326,290
Robert B. Crowl	—	24,213(14)	—	16.34	06/06/2022	—	—	—	—
	—	25,267(5)	—	20.30	09/27/2022	—	—	—	—
	—	26,818(6)	—	21.96	03/29/2023	—	—	—	—
	—	—	—	—	—	20,369(15)	495,985	—	—
	—	—	—	—	—	—	—	4,079(16)	99,324
	—	—	—	—	—	—	—	4,226(9)	102,903
	—	—	—	—	—	—	—	4,541(10)	110,573
	—	—	—	—	—	—	—	5,092(13)	123,990
David E. Tucker	—	151,331(17)	—	16.34	06/06/2022	—	—	—	—
	—	43,537(5)	—	20.30	09/27/2022	—	—	—	—
	—	41,739(6)	—	21.96	03/29/2023	—	—	—	—
	—	—	—	—	—	28,366(15)	690,712	—	—
	—	—	—	—	—	—	—	25,499(18)	620,901
	—	—	—	—	—	—	—	7,282(9)	177,317
	—	—	—	—	—	—	—	7,068(10)	172,106
	—	—	—	—	—	—	—	7,091(13)	172,666
Richard J. Bradfield	9,846(19)	—	—	20.78	03/03/2015	—	—	—	—
	6,817(20)	—	—	16.55	03/25/2019	—	—	—	—
	—	24,854(5)	—	20.30	09/27/2022	—	—	—	—
	—	23,724(6)	—	21.96	03/29/2023	—	—	—	—
	—	—	—	—	—	16,081(15)	391,572	—	—
	—	—	—	—	—	—	—	4,157(9)	101,223
	—	—	—	—	—	—	—	4,017(10)	97,814
	—	—	—	—	—	—	—	4,020(13)	97,887
William F. Brown	16,410(19)	—	—	20.78	03/03/2015	—	—	—	—
	19,320(20)	—	—	16.55	03/25/2019	—	—	—	—
	17,216(3)	—	—	20.00	11/14/2021	—	—	—	—
	—	17,510(5)	—	20.30	09/27/2022	—	—	—	—
	—	15,987(6)	—	21.96	03/29/2023	—	—	—	—
	—	—	—	—	—	30,875(15)	751,806	—	—
	—	—	—	—	—	—	—	2,958(9)	72,035
	—	—	—	—	—	—	—	2,707(10)	65,915

	Option Awards					Stock Awards			
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)(1)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(1)**
George J. Kilroy	23,247(19)	—	—	20.78	03/03/2015	—	—	—	—
	13,874(21)	—	—	24.99	06/28/2015	—	—	—	—
	—	34,955(5)	—	20.30	09/27/2022	—	—	—	—
	—	32,554(6)	—	21.96	03/29/2023	—	—	—	—
	—	—	—	—	—	—	—	5,846(9)	142,350
	—	—	—	—	—	—	—	5,512(10)	134,217

(1) Calculated using the closing price of PHH common stock on 12/31/13 ($24.35 per share)

(2) Represents an award of stock options granted on July 28, 2011 under the 2005 Equity and Incentive Plan which are subject to continued employment and other plan provisions. 61,667 stock options vested and became exercisable on July 28, 2012, 61,667 stock options vested and became exercisable on July 28, 2013, and 61,666 stock options vest and become exercisable on July 28, 2014; in each case, subject to Mr. Messina's continued employment.

(3) Represents stock options which were granted on November 14, 2011, under the 2005 Equity and Incentive Plan which are subject to continued employment and other plan provisions and which vested on December 31, 2013.

(4) Represents Non Qualified stock option award granted to Mr. Messina on 2/19/12, under the 2005 Equity and Incentive Plan which are subject to continued employment and other plan provisions and were part of his promotional compensation package associated with becoming CEO and which are scheduled to vest on 2/19/2015.

(5) Represents Non Qualified stock options granted on 9/27/2012, under the 2005 Equity and Incentive Plan which are subject to continued employment and other plan provisions and which are scheduled to vest on 9/27/2015.

(6) Represents Non Qualified stock options granted on 3/29/2013, under the 2005 Equity and Incentive Plan which are subject to continued employment and other plan provisions and which are scheduled to vest on 3/29/2016.

(7) Represents an award of RSUs granted on July 28, 2011 under the 2005 Equity and Incentive Plan which are subject to continued employment and other plan provisions. 5,667 RSUs vested July 28, 2012, 5,667 RSUs vested on July 28, 2013, and 5,666 RSUs vest July 28, 2014. Each RSU represents the right to receive one share of our common stock upon vesting.

(8) Represents performance RSUs granted to Mr. Messina on February 19, 2012 pursuant to his promotional compensation package associated with becoming CEO. The award, granted under the 2005 Equity and Incentive Plan which is subject to continued employment and other plan provisions will vest on February 19, 2015. The final number of units that Mr. Messina will receive upon vesting on that date depends on the Company's average stock price in the 90 day period leading up to and including February 19, 2015. If the average stock price is below $25, 0% of the shares will vest. If the average stock price is $25 or higher but below $30, 33 and 1/3rd % of the shares will vest. If the share price is $30 or higher, 100% of the shares will vest.

(9) Represents Performance Restricted Stock Units (PRSUs) granted on September 27, 2012, under the 2005 Equity and Incentive Plan which are subject to continued employment and other plan provisions and which will settle on September 26, 2015. The period between September 27, 2012 and September 26, 2015 is known as the measurement period (TMP). The shares will settle at 33% of the original grant if the average closing fair market value of PHH common stock in the final 90 calendar days of TMP is at least $25.00 but below $30.00. If the average closing fair market value of PHH stock is $30.00 or higher in the final 90 day calendar days of TMP, 100% of the PRSUs granted will settle. Zero percent of the shares will settle if the average closing fair market value of PHH common stock in the final 90 days of TMP is below $25.00.

(10) Represents Performance Restricted Stock Units (PRSUs) granted on March 29, 2013 under the 2005 Equity and Incentive Plan which are subject to continued employment and other plan provisions will settle on March 29, 2016. The period between March 29, 2013 and March 29, 2016 is known as the measurement period (TMP). The shares will settle at 33% of the original grant if the average closing fair market value of PHH common stock in the final 90 calendar days of TMP is at least $25.00 but below $30.00. If the average closing fair market value of PHH stock is $30.00 or higher in the final 90 day calendar days of TMP, 100% of the PRSUs granted will settle. Zero percent of the shares will settle if the average closing fair market value of PHH common stock in the final 90 days of TMP is below $25.00.

(11) Represents Performance Restricted Stock Units (PRSUs) granted on November 27, 2013, under the 2005 Equity and Incentive Plan which are subject to continued employment and other plan provisions whose performance characteristics are described in detail in the second footnote in the preceding table "Grants of Plan Based Awards During 2013".

(12) Represents awards of Restricted Stock units granted on November 27, 2013 ("November 2013 RSUs") under the 2005 Equity and Incentive Plan which are subject to continued employment and other plan provisions that vest 40% 18 months from the date of grant and 60% 36 months from the date of grant.

(13) Represents Performance Restricted Stock Units (PRSUs) granted on November 21, 2013, under the 2005 Equity and Incentive Plan which are subject to continued employment and other plan provisions whose performance characteristics are described in detail in the second footnote in the preceding table "Grants of Plan Based Awards During 2013".

(14) Represents Non Qualified stock option award granted to Mr. Crowl on June 6, 2012, granted under the 2005 Equity and Incentive Plan which are subject to continued employment and other plan provisions are scheduled to vest on June 6, 2015.

(15) Represents awards of Restricted Stock units granted on November 21, 2013 ("November 2013 RSUs") under the 2005 Equity and Incentive Plan which are subject to continued employment and certain other plan provisions that will vest 40% 18 months from the date of grant with the remaining 60% vesting 36 months from the date of grant.

(16) Represents an award of RSUs granted on June 6, 2012, pursuant to terms in Mr. Crowl's employment offer letter and under the 2005 Equity and Incentive Plan which are subject to continued employment and other plan provisions. The final number of RSUs that Mr. Crowl will vest in on that date will depend on the Company's average stock price in the 90 day period leading up to and including June 6, 2015. If the average stock price is below $25, none of the shares will vest. If the average stock price is $25 or higher but below $30 only 1/3rd of the shares will vest. If the share price is $30 or higher 100% of the shares will vest. Any shares not vesting will be forfeited.

(17) Represents Non Qualified stock option award granted to Mr. Tucker on June 6, 2012 under the 2005 Equity and Incentive Plan which are subject to continued employment and certain other plan provisions and pursuant to his employment offer letter. The stock options vest on June 6 2015.

(18) Represents an award of RSUs granted on June 6, 2012, pursuant to terms in Mr. Tucker's employment offer letter and under the 2005 Equity and Incentive Plan which are subject to continued employment and other plan provisions. The final number of RSUs that Mr. Tucker will vest in on that date will depend on The Company's average stock price in the 90 day period leading up to and including June 6, 2015. If the average stock price is below $25, none of the shares will vest. If the average stock price is $25 or higher but below $30 only 1/3rd of the shares will vest. If the share price is $30 or higher 100% of the shares will vest. Any shares not vesting will be forfeited.

(19) Represents Non Qualified stock option awards granted on March 3, 2005. Stock options became fully vested on March 3, 2009. These stock options are fully exercisable as of December 31, 2013.

(20) Represents Non Qualified stock option awards granted on March 25, 2009 which provided for vesting of 1/3rd of the original amount on each anniversary of the grant date. Stock options became fully vested on March 25, 2012. These stock option awards are fully exercisable as of December 31, 2013.

(21) Represents Non Qualified stock option awards granted on June 28, 2005 which provided for vesting of 1/4th of the original amount on the 1st, 4th, 5th and 6th anniversary of the grant date. Stock options became fully vested on June 28, 2011. These stock option awards are fully exercisable as of December 31, 2013.

OPTION EXERCISES AND STOCK VESTED DURING 2013

The following table sets forth information for our Named Executive Officers regarding the number and value of shares of our common stock that vested and stock options that were exercised during 2013:

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Glen A. Messina	—	—	5,667(1)	128,471
Robert B. Crowl	—	—	1,900(2)	38,171
David E. Tucker.	—	—	10,000(3)	214,000
Richard J. Bradfield.	—	—	6,775(4)	157,790
William F. Brown	—	—	4,355(4)	101,428
George J. Kilroy	34,662(5)	206,845	—	—

(1) These shares were part of the RSU award granted to Mr. Messina on July 28, 2011 under the 2005 Equity and Incentive Plan which are subject to continued employment and other plan provisions. 5,667 RSUs vested July 28, 2012, 5,667 RSUs vested on July 28, 2013, and 5,666 RSUs vest July 28, 2014. Each RSU represents the right to receive one share of our common stock upon vesting.

(2) These shares were the RSUs granted on June 6, 2012 pursuant to Mr. Crowl's employment offer letter which provided for a matching grant of RSUs for each share of our common stock purchased by Mr. Crowl during the first open trading window following his start date, up to a maximum of 10,000 RSUs. These RSUs vested on June 6, 2013.

(3) These shares were the RSUs granted on September 7, 2012 pursuant to Mr. Tucker's employment offer letter which provided for a matching grant of RSUs for each share of our common stock purchased by Mr. Tucker during the first open trading window following his start date, up to a maximum of 10,000 RSUs. These RSUs vested on September 7, 2013.

(4) These shares were the remaining portion of performance RSUs that were granted to Mr. Bradfield and Mr. Brown on January 10, 2008. The grants provided for accelerated vesting over each of the first three years based on business performance. To the extent the performance goals were not achieved in each of the three years, the remaining RSUs would vest 50% on January 10, 2012 and 50% on January 10, 2013.

(5) These shares represent the exercise of the Non-Qualified Stock Options granted to Mr. Kilroy on March 25, 2009 at an exercise price of $16.55. Mr. Kilroy exercised 3,062 options on August 8, 2013 and 31,600 Options on August 9, 2013.

PENSION BENEFITS

The following table sets forth information relating to the PHH Corporation Pension Plan, which is a defined benefit plan adopted as of our spin-off in 2005. The PHH Corporation Pension Plan has been frozen for all participants, and no further benefits are accruing under such plans. The only three Named Executive Officers eligible for pension benefits under the PHH Corporation Pension Plan are Messrs. Bradfield, Brown and Kilroy. The PHH Corporation Pension Plan assumed all liabilities and obligations owed to participants that were actively employed by us at the time of the spin-off under the predecessor plan of Cendant Corporation (now known as Avis Budget Group, Inc.). Certain of our current and former employees, including Messrs. Messina, Crowl and Tucker, were not participants in the predecessor plan of Cendant Corporation (now known as Avis Budget Group, Inc.) and are not participants in the PHH Corporation Pension Plan.

Name	Plan Name	Number of Years of Credited Service (#)(1)	Present Value of Accumulated Benefit ($)(2)	Payments During Last Fiscal Year ($)
Richard J. Bradfield	PHH Corporation Pension Plan	8.0	14,285	—
William F. Brown	PHH Corporation Pension Plan	14.9	212,466	—
George J. Kilroy	PHH Corporation Pension Plan	28.1	1,073,141	—

(1) The number of years of credited service shown in this column is calculated based on the actual years of service through October 31, 2004.

(2) The valuation included in this column have been calculated as of December 31, 2013 assuming the Named Executive Officer will retire at the normal retirement age of 65 and using the interest rate and other assumptions as described in Note 13, "Pension and Other Post Employment Benefits" in the Notes to Consolidated Financial Statements included in the 2013 Annual Report.

NON-QUALIFIED DEFERRED COMPENSATION

We no longer maintain a non-qualified deferred compensation plan. The PHH Corporation Executive Deferred Compensation Plan (the "Deferred Compensation Plan") was established in 1994 for specified executive officers at that time and was frozen to further participation in 1997. On December 16, 2010, the Board, upon the recommendation of the Human Capital and Compensation Committee, terminated the Deferred Compensation Plan. None of the Named Executive Officers were participants in the Deferred Compensation Plan and none of the Named Executive Officers received earnings or distributions under the Deferred Compensation Plan.

POTENTIAL PAYMENTS UPON TERMINATION OF EMPLOYMENT OR CHANGE IN CONTROL

The following table sets forth the estimated payments and benefits payable to the Named Executive Officers that were employed by us on December 31, 2013, pursuant to the terms of any contract, agreement, plan or arrangement that existed as of December 31, 2013, and that provided for payments and benefits following, or in connection with, a termination of the Named Executive Officer's employment, including by voluntary termination with or without good reason, involuntary termination not for cause, involuntary termination for cause, retirement, death, disability, or a change in control with or without a termination of the Named Executive Officer's employment. For purposes of calculating the amounts in the table below, we have assumed that the termination or change in control event took place on December 31, 2013, as required by SEC rules. For purposes of calculating the value on December 31, 2013, of any equity-based awards in accordance with the SEC rules, we used the closing price of our common stock on December 31, 2013, or $24.35 per share. See the discussion that follows the table for additional information regarding these estimated payments and benefits.

POTENTIAL PAYMENTS UPON TERMINATION OF EMPLOYMENT OR CHANGE IN CONTROL

Name and Description of Potential Payments	Voluntary Termination without Good Reason	Involuntary Termination Not for Cause	Involuntary Termination for Cause	Change in Control without Termination	Change in Control with Termination Not for Cause[1]	Death	Disability	Retirement
Glen A. Messina								
Severance (base salary)	—	$1,760,000	—	—	$ 1,760,000	—	—	—
Severance (MIP)	—	—	—	$ 1,320,000	$ 1,320,000	—	—	—
Acceleration of Stock Awards	—	$1,631,511	—	$ 5,103,833	$ 6,409,042	$ 6,409,042	$ 6,409,042	—
Acceleration of Option Awards	—	$ 205,913	—	$ 4,718,336	$ 4,718,336	$ 5,234,546	$ 5,234,546	—
Retirement Plans	—	—	—	—	—	—	—	—
Outplacement	—	$ 17,000	—	—	$ 17,000	—	—	—
Health Insurance Premiums	—	$ 39,602	—	—	$ 39,602	—	—	—
Total	$0	$3,654,026	$0	$11,142,169	$14,263,980	$11,643,588	$11,643,588	$ 0
Robert B. Crowl								
Severance (base salary)	—	$ 465,000	—	—	$ 465,000	—	—	—
Severance (MIP)	—	—	—	$ 465,000	$ 465,000	—	—	—
Acceleration of Stock Awards	—	$ 619,981	—	$ 298,020	$ 794,005	$ 794,005	$ 794,005	—
Acceleration of Option Awards	—	$ 41,607	—	$ 253,232	$ 253,232	$ 360,373	$ 360,373	—
Retirement Plans	—	—	—	—	—	—	—	—
Outplacement	—	$ 17,000	—	—	$ 17,000	—	—	—
Health Insurance Premiums	—	$ 30,405	—	—	$ 30,405	—	—	—
Total	$0	$1,173,993	$0	$ 1,016,252	$ 2,024,642	$ 1,154,378	$ 1,154,378	$ 0
David E. Tucker								
Severance (base salary)	—	$1,176,000	—	—	$ 1,176,000	—	—	—
Severance (MIP)	—	—	—	$ 735,000	$ 735,000	—	—	—
Acceleration of Stock Awards	—	$ 863,390	—	$ 1,862,751	$ 2,553,463	$ 2,553,463	$ 2,553,463	—
Acceleration of Option Awards	—	$ 69,020	—	$ 1,311,607	$ 1,311,607	$ 1,488,242	$ 1,488,242	—
Retirement Plans	—	—	—	—	—	—	—	—
Outplacement	—	$ 17,000	—	—	$ 17,000	—	—	—
Health Insurance Premiums	—	$ 58,633	—	—	$ 58,633	—	—	—
Total	$0	$2,184,043	$0	$ 3,909,358	$ 5,851,703	$ 4,041,705	$ 4,041,705	$ 0
Richard J. Bradfield								
Severance (base salary)	—	$ 345,000	—	—	$ 345,000	—	—	—
Severance (MIP)	—	—	—	$ 258,750	$ 258,750	—	—	—
Acceleration of Stock Awards	—	$ 489,465	—	—	$ 391,572	$ 391,572	$ 391,572	—
Acceleration of Option Awards	—	$ 39,340	—	$ 56,708	$ 56,708	$ 157,359	$ 157,359	—
Retirement Plans	—	—	—	—	—	—	—	$ 14,285
Outplacement	—	$ 17,000	—	—	$ 17,000	—	—	—
Health Insurance Premiums	—	$ 29,389	—	—	$ 29,389	—	—	—
Total	$0	$ 920,194	$0	$ 315,458	$ 1,098,419	$ 548,931	$ 548,931	$ 14,285
George J. Kilroy								
Severance (base salary)	—	$ 978,360	—	—	$ 978,360	—	—	—
Severance (MIP)	—	—	—	$ 489,180	$ 489,180	—	—	—
Acceleration of Stock Awards	—	—	—	—	—	—	—	—
Acceleration of Option Awards	—	$ 54,843	—	$ 79,263	$ 79,263	$ 219,372	$ 219,372	$ 79,263
Retirement Plans	—	—	—	—	—	—	—	$1,073,141
Outplacement	—	$ 17,000	—	—	$ 17,000	—	—	—
Health Insurance Premiums	—	$ 24,865	—	—	$ 24,865	—	—	—
Total	$0	$1,075,068	$0	$ 568,443	$ 1,588,668	$ 219,372	$ 219,372	$1,152,404
William F. Brown								
Severance (base salary)	—	$ 360,360	—	—	$ 360,360	—	—	—
Severance (MIP)	—	—	—	$ 270,270	$ 270,270	—	—	—
Acceleration of Stock Awards	—	$ 751,806	—	—	$ 751,806	$ 751,806	$ 751,806	—
Acceleration of Option Awards	—	$ 27,281	—	$ 39,511	$ 39,511	$ 109,124	$ 109,124	—
Retirement Plans	—	—	—	—	—	—	—	$ 212,466
Outplacement	—	$ 17,000	—	—	$ 17,000	—	—	—
Health Insurance Premiums	—	$ 30,087	—	—	$ 30,087	—	—	—
Total	$0	$1,186,534	$0	$ 309,781	$ 1,469,034	$ 860,930	$ 860,930	$ 212,466

(1) In the event of an employee's voluntary termination for good reason following a change in control, such employee would not be entitled to the amounts set forth on the lines labeled "Severance (base salary)," "Outplacement" or "Health Insurance Premiums," but would be entitled to the other amounts shown in this column.

The amounts shown in the table above include estimates of what would be paid to the applicable Named Executive Officers upon the occurrence of the specified event. The actual amounts to be paid to the applicable Named Executive Officers can only be determined at the time of such event. We have included payments related to the PHH Corporation Pension Plan in the table since this is a frozen plan and is not available to all of our current employees. We have not included payments related to the PHH Corporation Pension Plan in the specified events other than the "Retirement" column, as these payments are not triggered by termination, death or disability of the applicable Named Executive Officer or a change in control. These amounts would be payable to the applicable Named Executive Officer at some time after the specified event once the minimum retirement age and other PHH Corporation Pension Plan requirements were met. In addition, the table does not include payments of life or disability insurance payable upon the death or disability of the Named Executive Officers, as these benefits are available to all employees on the same basis.

Potential Payments and Benefits

Severance. We provide post-termination payments of salary, or severance, to our Named Executive Officers under the Tier I Severance Plan in the event of a reduction in our workforce, the elimination or discontinuation of their position, or if employment is terminated by Company without cause. Severance benefits under the Tier I Severance Plan include salary continuation for either one or two years which runs concurrent with the duration of the non-compete and /or non-solicitation provisions contained in restrictive covenant agreements executed as a condition of participation in the long term incentive program; outplacement assistance services not to exceed $17,000 to be used within 24 months of the separation from employment; and payment of an amount equal to the cost of COBRA coverage during the duration of the restricted covenants.

Accelerated Vesting of Stock Awards. All of the stock awards made to our Named Executive Officers have been granted under the 2005 Equity and Incentive Plan and are subject to the vesting and other terms set forth in award agreements and the 2005 Equity and Incentive Plan. Pursuant to the terms of the 2005 Equity and Incentive Plan and unless provided otherwise in the applicable award agreements, in the event of a Change in Control (defined below), any stock option award carrying a right to exercise that was not previously vested and exercisable becomes fully vested and exercisable, and any restrictions, deferral limitations, payment conditions and forfeiture conditions for RSU and other equity-based awards lapse and such equity-based awards are deemed fully vested. In addition, any performance conditions imposed with respect to such equity-based awards are deemed to be fully achieved. The terms of the PRSU awards that were made as part of the March 2013 LTIP grants contain specific accelerated vesting triggers that supersede the terms of the 2005 Equity and Incentive Plan which are described earlier in this document in detail in the charts under the "Key Features of the Long-Term Incentive Awards and Link to Shareholder Value Creation" section. Our November 2013 LTIP grants contain double trigger features which do not result in vesting upon a change in control.

Pursuant to the terms of the 2005 Equity and Incentive Plan, a Change in Control is deemed to have occurred if:

- any person, as such term is used in Sections 13(d) and 14(d) of the Exchange Act (other than (i) us, (ii) any trustee or other fiduciary holding securities under one of our employee benefit plans and (iii) any corporation owned, directly or indirectly, by our stockholders in substantially the same proportions as their ownership of our common stock), is or becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of our common stock representing 30% or more of the combined voting power of our then outstanding voting securities (excluding any person who becomes such a beneficial owner in connection with a transaction immediately following which the individuals who comprise our Board immediately prior thereto constitute at least a majority of the Board of the entity surviving such transaction or, if we or the entity surviving the transaction is then a subsidiary, the ultimate parent thereof);

- the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors) whose appointment or election by the Board or nomination for election by our stockholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors or whose appointment, election or nomination for election was previously so approved or recommended;
- there is consummated a merger or consolidation of us or any of our direct or indirect subsidiaries with any other corporation, other than a merger or consolidation immediately following which the individuals who comprise our Board immediately prior thereto constitute at least a majority of the Board of the entity surviving such merger or consolidation or, if we or the entity surviving such merger is then a subsidiary, the ultimate parent thereof; or
- our stockholders approve a plan of complete liquidation or there is consummated an agreement for the sale or disposition by us of all or substantially all of our assets (or any transaction having a similar effect), other than a sale or disposition by us of all or substantially all of our assets to an entity, immediately following which the individuals who comprise our Board immediately prior thereto constitute at least a majority of the Board of the entity to which such assets are sold or disposed of or, if such entity is a subsidiary, the ultimate parent thereof.
- However, of an award is subject to Section 409A of the U.S. Tax Code and payment is made as a result of a change in control, then under that award, a "change in control" must qualify as both the definition above and a "change in control" event under Section 409A of the U.S. Tax Code.

The amounts in the table are calculated using the closing price of our common stock on December 31, 2013, and the number of stock options and RSUs used to calculate the amounts in the table are those unexercisable stock options and unvested RSUs that would become exercisable and vested as a result of the Change in Control event pursuant to SEC rules.

Accelerated Payout of 2013 MIPs. As discussed above with regard to equity-based awards, in the event of a Change in Control, the performance conditions imposed with respect to awards under the PHH Corporation Management Incentive Plan are deemed to be fully achieved and the target payout amount under each Named Executive Officer's respective MIP award will be deemed to be earned and payable to each such Named Executive Officer. See "—Compensation Discussion and Analysis—Executive Compensation Program—Variable Annual Cash Compensation Programs" and the "—Grants of Plan-Based Awards During 2013" table above for information regarding the MIP.

Retirement Plans. Messrs. Bradfield, Brown and Kilroy are participants in the PHH Corporation Pension Plan. This plan was available to all employees prior to 2005 on a non-discriminatory basis. Participants in the PHH Corporation Pension Plan are entitled to payments in the form of an annuity upon attaining retirement age. The amounts reflected in the table above are based on the estimated present value on December 31, 2013 of the payouts for Messrs. Bradfield, Brown and Kilroy. See the "—Pension Benefits" table above for more information.

EQUITY COMPENSATION PLAN INFORMATION

The table below presents information as of December 31, 2013:

	(a)	(b)	(c)
Plan Category	**Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights**	**Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights**	**Number of Securities Remaining Available for Future Issuance Under Compensation Plans (Excluding Securities Reflected in Column (a))**
Equity compensation plans approved by security holders[1]	3,409,320	$18.70	2,803,362
Equity compensation plans not approved by security holders .	—	—	—
Total	3,409,320[2]	$18.70[3]	2,803,362

(1) Equity compensation plans approved by security holders include the PHH Corporation Amended and Restated 2005 Equity and Incentive Plan, as amended, that was last approved by our stockholders on June 10, 2009. See also, Note 19, "Stock-Based Compensation" in the Notes to the Consolidated Financial Statements included in the 2013 Annual Report for more information.

(2) Includes 1,474,919 restricted stock units and 1,934,401 stock options.

(3) Because there is no exercise price associated with restricted stock units, restricted stock units described in Footnote 2 above are not included in the weighted-average exercise price calculation.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the beneficial ownership of our outstanding common stock by those persons who are known to us to be beneficial owners of 5% or more of our common stock, by each of our current directors and director nominees, by each of the Named Executive Officers that were employed by us as of April 23, 2014, and by our current directors, director nominees and Executive Officers employed by us as of April 23, 2014, as a group. As of March 26, 2014, there were 57,377,894 shares of our common stock issued and outstanding. See also "Director Compensation" above for additional information concerning the holdings of vested RSUs by each of our non-employee directors.

Name and Address	Number of Shares Beneficially Owned[1]	Percent of Class
Principal Stockholders:		
Hotchkis and Wiley Capital Management, LLC[2] 725 South Figueroa Street, 39th Floor Los Angeles, CA 90017	6,083,925	10.60%
Dimensional Fund Advisors LP[3] Palisades West, Building One 6300 Bee Cave Road Austin, TX 78746	4,842,347	8.44%
Senator Investment Group LP[4] 510 Madison Avenue, 28th Floor New York, NY 10022	4,390,407	7.65%
EJF Capital LLC[5] 2107 Wilson Boulevard, Suite 410 Arlington, VA 22201	4,321,181	7.53%
Orange Capital, LLC[6] 1370 Avenue of the Americas, 23rd Floor New York, NY 10019	3,454,088	6.02%
BlackRock, Inc.[7] 40 East 52nd St. New York, NY 10022	3,379,855	5.89%
Pacific Investment Management Company LLC[8] 840 Newport Center Drive, Suite 100 Newport Beach, CA 92660	3,334,605	5.81%
The Vanguard Group[9] 100 Vanguard Blvd Malvern, PA 19355	3,123,946	5.45%
Directors and Current Named Executive Officers:		
Glen A. Messina[10]	211,236	*
Robert B. Crowl[11]	3,164	*
David E. Tucker[12]	16,649	*
Richard J. Bradfield[13]	33,715	*
William F. Brown[14]	95,012	*
Jon A. Boscia[15][24]	10,000	*
Jane D. Carlin[16][24]	—	—
James O. Egan[17][24]	7,000	*
Thomas P. Gibbons[18][24]	—	—
Allan Z. Loren[19][24]	5,000	*
Gregory J. Parseghian[20][24]	25,000	*
Charles P. Pizzi[21][24]	—	—
Deborah M. Reif[22][24]	3,000	*
Carroll R. Wetzel, Jr.[23][24]	4,000	*
All Directors and Current Executive Officers as a Group (17 persons):	424,165	*

* Represents less than one percent.

(1) Based upon information furnished to us by the respective stockholders or contained in filings made with the SEC. For purposes of this table, if a person has or shares voting or investment power with respect to any of our common stock, then such common stock is considered beneficially owned by that person under SEC rules. Shares of our common stock beneficially owned by our executive officers and non-employee directors include direct and indirect ownership of shares issued and outstanding, and shares as to which any such person has a right to acquire within 60 days of March 26, 2014. Unless otherwise indicated in the table, the address of all listed stockholders is c/o PHH Corporation, 3000 Leadenhall Road, Mt. Laurel, New Jersey, 08054.

(2) Based solely on a Schedule 13G/A filed with the SEC on February 14, 2014, Hotchkis and Wiley Capital Management, LLC ("Hotchkis") reported aggregate beneficial ownership of 6,083,925 shares of our common stock, representing approximately 10.60% of our common stock outstanding as of March 26, 2014, calculated in accordance with Item 403 of Regulation S-K and Rule 13d-3(d)(1) under the Exchange Act. Hotchkis reported that it possessed sole voting power over 5,501,125 shares and sole dispositive power over 6,083,925 shares. Hotchkis also reported that it did not possess shared voting or shared dispositive power over any shares beneficially owned.

(3) Based solely on a Schedule 13G/A filed with the SEC on February 10, 2014, Dimensional Fund Advisors LP and certain of its affiliates ("DFA") reported aggregate beneficial ownership of 4,842,347 shares of our common stock, representing approximately 8.44% of our common stock outstanding as of March 26, 2014, calculated in accordance with Item 403 of Regulation S-K and Rule 13d-3(d)(1) under the Exchange Act. DFA reported that it possessed sole voting power over 4,772,270 shares and sole dispositive power over 4,842,347 shares. DFA also reported that it did not possess shared voting or shared dispositive power over any shares beneficially owned.

(4) Based solely on a Schedule 13G/A filed with the SEC on February 25, 2014, Senator Investment Group LP ("Senator") reported aggregate beneficial ownership of 4,390,407 shares of our common stock, representing approximately 7.65% of our common stock outstanding as of March 26, 2014, calculated in accordance with Item 403 of Regulation S-K and Rule 13d-3(d)(1) under the Exchange Act. Senator reported that it possessed shared voting power over 4,390,407 shares and shared dispositive power over 4,390,407 shares. Senator also reported that it did not possess sole voting or sole dispositive power over any shares beneficially owned.

(5) Based solely on a Schedule 13G/A filed with the SEC on February 13, 2014, EJF Capital LLC ("EJF Capital") reported aggregate beneficial ownership of 4,321,181 shares of our common stock, representing approximately 7.53% of our common stock outstanding as of March 26, 2014, calculated in accordance with Item 403 of Regulation S-K and Rule 13d-3(d)(1) under the Exchange Act. EJF Capital reported that it possessed shared voting power over 4,321,181 shares and shared dispositive power over 4,321,181 shares. EJF Capital also reported that it did not possess sole voting or sole dispositive power over any shares beneficially owned.

(6) Based solely on a Schedule 13D/A filed with the SEC on January 9, 2014, Orange Capital, LLC ("Orange Capital") reported aggregate beneficial ownership of 3,454,088 shares of our common stock, representing approximately 6.02% of our common stock outstanding as of March 26, 2014, calculated in accordance with Item 403 of Regulation S-K and Rule 13d-3(d)(1) under the Exchange Act. Orange Capital reported that it possessed shared voting power over 3,454,088 shares and shared dispositive power over 3,454,088 shares. Orange Capital also reported that it did not possess sole voting or sole dispositive power over any shares beneficially owned.

(7) Based solely on a Schedule 13G/A filed with the SEC on January 30, 2014, BlackRock, Inc. and certain of its affiliates ("BlackRock") reported aggregate beneficial ownership of 3,379,855 shares of our common stock, representing approximately 5.89% of our common stock outstanding as of March 26, 2014, calculated in accordance with Item 403 of Regulation S-K and Rule 13d-3(d)(1) under the Exchange Act. BlackRock reported that it possessed sole voting power over 3,167,062 shares and sole dispositive power over 3,379,855 shares. BlackRock also reported that it did not possess shared voting or shared dispositive power over any shares beneficially owned.

(8) Based solely on a Schedule 13G filed with the SEC on February 12, 2014, Pacific Investment Management Company LLC ("PIMCO") reported aggregate beneficial ownership of 3,334,605 shares of our common stock, representing approximately 5.81% of our common stock outstanding as of March 26, 2014, calculated in accordance with Item 403 of Regulation S-K and Rule 13d-3(d)(1) under the Exchange Act. PIMCO reported that it possessed sole voting power over 3,334,605 shares and sole dispositive power over 3,334,605 shares. PIMCO also reported that it did not possess shared voting or shared dispositive power over any shares beneficially owned.

(9) Based solely on a Schedule 13G/A filed with the SEC on February 11, 2014, The Vanguard Group reported aggregate beneficial ownership of 3,123,946 shares of our common stock, representing approximately 5.45% of our common stock outstanding as of March 26, 2014, calculated in accordance with Item 403 of Regulation S-K and Rule 13d-3(d)(1) under the Exchange Act. The Vanguard Group reported that it possessed sole voting power over 82,229 shares and sole dispositive power over 3,046,617 shares. The Vanguard Group also reported that it possessed shared dispositive power over 77,329 shares and did not possess shared voting power over any shares beneficially owned.

(10) Represents 23,370 shares of our common stock held directly by Mr. Messina and 187,866 shares of our common stock underlying stock options that are currently exercisable or that become exercisable within sixty days of April 23, 2014.

(11) Represents 3,164 shares of our common stock held directly by Mr. Crowl and 0 shares of our common stock underlying stock options that are currently exercisable or that become exercisable within sixty days of April 23, 2014.

(12) Represents 16,649 shares of our common stock held directly by Mr. Tucker and 0 shares of our common stock underlying stock options that are currently exercisable or that become exercisable within sixty days of April 23, 2014.

(13) Represents 17,052 shares of our common stock held directly by Mr. Bradfield and 16,663 shares of our common stock underlying stock options that are currently exercisable or that become exercisable within sixty days of April 23, 2014.

(14) Represents 42,066 shares of our common stock held directly by Mr. Brown and 52,946 shares of our common stock underlying stock options that are currently exercisable or that become exercisable within sixty days of April 23, 2014.

(15) Represents 10,000 shares of our common stock held directly by Mr. Boscia. Excludes 9,940 shares of our common stock underlying fully vested RSUs held as of April 23, 2014. See Footnote 24 below for further information.

(16) Represents 0 shares of our common stock held by Ms. Carlin. Excludes 10,188 shares of our common stock underlying fully vested RSUs held as of April 23, 2014. See Footnote 24 below for further information.

(17) Represents 7,000 shares of our common stock held directly by Mr. Egan. Excludes 46,336 shares of our common stock underlying fully vested RSUs held as of April 23, 2014. See Footnote 24 below for further information.

(18) Represents 0 shares of our common stock held directly by Mr. Gibbons. Excludes 21,491 shares of our common stock underlying fully vested RSUs held as of April 23, 2014. See Footnote 24 below for further information.

(19) Represents 5,000 shares of our common stock held directly by Mr. Loren. Excludes 35,530 shares of our common stock underlying fully vested RSUs held as of April 23, 2014. See Footnote 24 below for further information.

(20) Represents 25,000 shares of our common stock held indirectly by Mr. Parseghian. Excludes 37,728 shares of our common stock underlying fully vested RSUs held as of April 23, 2014. See Footnote 24 below for further information.

(21) Represents 0 shares of our common stock held directly by Mr. Pizzi. Excludes 15,290 shares of our common stock underlying fully vested RSUs held as of April 23, 2014. See Footnote 24 below for further information.

(22) Represents 3,000 shares of our common stock held directly by Ms. Reif. Excludes 33,123 shares of our common stock underlying fully vested RSUs held as of April 23, 2014. See Footnote 24 below for further information.

(23) Represents 4,000 shares of our common stock held directly by Mr. Wetzel. Excludes 33,463 shares of our common stock underlying fully vested RSUs held as of April 23, 2014. See Footnote 24 below for further information.

(24) Each non-employee director has been granted Director RSUs that are immediately vested upon grant and that are settled in shares of our common stock one year after the director is no longer a member of the Board. Each Director RSU represents the right to receive one share of our common stock upon settlement of such Director RSU. Director RSUs may not be sold or otherwise transferred for value, and directors have no right to acquire the shares underlying Director RSUs, prior to the date that is one year after termination of service on the Board. As a result, the shares underlying Director RSUs have been omitted from the above table. As of April 23, 2014, Messrs. Boscia, Egan, Gibbons, Loren, Parseghian, Pizzi and Wetzel held 9,940; 46,336; 21,491; 35,530; 37,728; 15,290 and 33,463 Director RSUs, respectively, and Mses. Carlin and Reif held 10,188 and 33,123 Director RSUs, respectively.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our executive officers and directors, and any persons that beneficially own more than ten percent of a registered class of our equity securities, to file reports of ownership and changes in ownership on Forms 3, 4 and 5 with the SEC and the NYSE. To our knowledge, based solely upon our review of Forms 3 and 4 that have been filed with the SEC and written representations from our executive officers and directors that no Form 5s were required, we believe that all of our executive officers, directors and greater than ten percent beneficial owners complied with all Section 16(a) filing requirements applicable to them with respect to transactions during 2013.

STOCKHOLDER PROPOSALS FOR 2015 ANNUAL MEETING OF STOCKHOLDERS

We provide stockholders with the opportunity, under certain circumstances and consistent with our By-Laws and the rules of the SEC, to participate in the governance of the Company by submitting proposals and director nominations for consideration at our annual meeting of stockholders. Proposals from stockholders are given careful consideration by us in accordance with Rule 14a-8 promulgated under the Exchange Act ("Rule 14a-8"). For a proposal to be included in our proxy statement and proxy card for our 2015 Annual Meeting of Stockholders, such proposal must comply with Rule 14a-8 and must be received by us in writing no later than December 24, 2014. Additionally, if our 2014 Annual Meeting of Stockholders is held on May 22, 2014, as expected, any stockholder proposal or director nomination for our 2015 Annual Meeting of Stockholders that is not intended for inclusion in our proxy statement and proxy card in respect of such meeting will be considered "untimely" if it is received by us prior to the close of business on Thursday, January 22, 2015, or after the close of business on Friday, February 20, 2015. An untimely proposal may not be brought before or considered at our 2015 Annual Meeting of Stockholders. Any stockholder proposal or director nomination submitted must also be made in compliance with our By-Laws. For more information regarding our procedures for director nominations as set forth in our By-Laws, please refer to "Corporate Governance—Nomination Process and Qualifications for Director Nominees."

All stockholder proposals and director nominations must be addressed to the attention of our Secretary at PHH Corporation, 3000 Leadenhall Road, Mount Laurel, New Jersey 08054. The chairman of our annual meeting of stockholders may refuse to acknowledge the introduction of any stockholder proposal or director nomination not made in compliance with the foregoing procedures.

HOUSEHOLDING INFORMATION

Stockholders that share the same address may not receive separate copies of proxy materials, unless we have received contrary instructions from such stockholders. This practice is known as "householding" and is intended to reduce the printing and postage costs associated with mailing duplicative sets of proxy materials to stockholders sharing the same address. If you are receiving multiple sets of our proxy materials and wish to receive only one set in the future, or if you are currently only receiving one set of our proxy materials and wish to receive separate sets of proxy materials for you and the other stockholders sharing your address, please notify us or your bank, broker or other nominee by indicating your preference on the enclosed proxy card or vote instruction form. We will deliver an additional copy of our proxy materials to you, without charge, upon written request sent to Investor Relations at PHH Corporation, 3000 Leadenhall Road, Mount Laurel, New Jersey 08054. Our proxy materials are also available on our website at http://www.phh.com.

OTHER BUSINESS

As of April 23, 2014, our Board is not aware of any other business to come before the meeting. However, if any additional matters are presented at the meeting, it is the intention of the persons named in the accompanying proxy to vote in accordance with their judgment on those matters.

By Order of the Board of Directors

William F. Brown
Senior Vice President, General Counsel and Secretary

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APPENDIX A

PHH CORPORATION 2014 EQUITY AND INCENTIVE PLAN

PHH CORPORATION
2014 EQUITY AND INCENTIVE PLAN

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PHH CORPORATION
2014 EQUITY AND INCENTIVE PLAN

SECTION I. DEFINITIONS

1.1 *Definitions.* Whenever used herein, the masculine pronoun will be deemed to include the feminine, and the singular to include the plural, unless the context clearly indicates otherwise, and the following capitalized words and phrases are used herein with the meaning thereafter ascribed:

(a) "*Affiliate*" means:

(1) Any Subsidiary or Parent;

(2) An entity that directly or through one or more intermediaries controls, is controlled by, or is under common control with the Company, as determined by the Committee; or

(3) Any entity in which the Company has such a significant interest that the Company determines it should be deemed an "Affiliate," as determined in the sole discretion of the Committee.

(b) "*Award Agreement*" means any written or electronic agreement, contract, or other instrument or document as may from time to time be approved by the Committee as evidencing an Award granted under the Plan.

(c) "*Award Program*" means a written or electronic program established by the Committee, pursuant to which Awards are granted under the Plan under uniform terms, conditions, and restrictions set forth in such program.

(d) "*Awards*" means, collectively, Cash Performance Awards, Incentive Stock Options, Nonqualified Stock Options, Stock Appreciation Rights, and Other Stock-Based Awards.

(e) "*Board of Directors*" means the board of directors of the Company.

(f) "*Cash Performance Award*" means an Award described in Section 3.5 that is settled in cash and does not have a value that is derivative of the value of, determined by reference to a number of shares of, or determined by reference to dividends payable on, Stock.

(g) "*Change in Control*" except as may otherwise be provided in an applicable Award Agreement or Award Program, means the occurrence of any of the following:

(1) the acquisition by any person (or by more than one person acting as a group) of stock of the Company that, together with the stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of Company stock (excluding any acquisition by any person (or more than one person acting as a group) that already owns more than 50% of the total fair market value or total voting power of the Company's stock) that constitutes a "change in the ownership" of the Company under Code Section 409A and the regulations thereunder;

(2) one person (or more than one person acting as a group) acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition) ownership of the Company's stock possessing 30% or more of the total voting power of the Company's stock in a manner that constitutes a "change in effective control" of the Company under Code Section 409A and the regulations thereunder;

(3) a majority of the members of the Company's Board of Directors are replaced during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the Board of Directors before the date of appointment or election in a manner that constitutes a "change in effective control" of the Company under Code Section 409A and the regulations thereunder; or

(4) one person (or more than one person acting as a group) acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition) all or substantially all the assets of the Company and its Affiliates in a manner that constitutes a "change in the ownership of a substantial portion of the assets" of the Company under Code Section 409A and the regulations thereunder (but applying an "all or substantially all the assets" standard in lieu of the 40% standard provided therein).

Notwithstanding any provision of an Award to the contrary, with respect to any Award for which a definition of "Change in Control" is required to comply with Code Section 409A to avoid the imposition of taxes under Code Section 409A, "Change in Control" under such Award must also constitute a "change in control event" under Code Section 409A and the regulations thereunder in addition to satisfying any definition provided in such Award.

(h) "*Code*" means the Internal Revenue Code of 1986, as amended.

(i) "*Committee*" means the Human Capital and Compensation Committee of the Board of Directors (or its successor) unless and until another committee is appointed by the Board of Directors to administer the Plan. The Board of Directors shall consider the advisability of whether the members of the Committee shall consist solely of two or more members of the Board of Directors who are both "outside directors" as defined in Treas. Reg. § 1.162-27(e) as promulgated by the Internal Revenue Service and "non-employee directors" as defined in Rule 16b-3(b)(3) as promulgated under the Exchange Act, and if applicable, who satisfy the requirements of the national securities exchange or nationally recognized quotation or market system on which the Stock is then traded.

(j) "*Company*" means PHH Corporation, a Maryland corporation.

(k) "*Disability*" unless otherwise defined by the Committee in the applicable Award Agreement or Award Program, has the same meaning as provided in the long-term disability plan or policy maintained or, if applicable, most recently maintained, by the Company or, if applicable, any Affiliate of the Company for the Participant. If no long-term disability plan or policy was ever maintained on behalf of the Participant or, if the determination of Disability relates to an Incentive Stock Option, Disability means that condition described in Code Section 22(e)(3), as amended from time to time. In the event of a dispute, the determination of Disability will be made by the Committee and will be supported by advice of a physician competent in the area to which such Disability relates.

(l) "*Exchange Act*" means the Securities Exchange Act of 1934, as amended from time to time.

(m) "*Exercise Price*" means the exercise price per share of Stock purchasable under an Option.

(n) "*Fair Market Value*" refers to the determination of the value of a share of Stock as of a date, determined as follows:

(1) if the shares of Stock are actively traded on any national securities exchange or any nationally recognized quotation or market system (including, without limitation Nasdaq), Fair Market Value shall mean the closing price of the Stock on such date or, if such date is not a trading day, on the trading day immediately preceding such date, as reported by any such exchange or system selected by the Committee on which the shares of Stock are then traded;

(2) if the shares of Stock are not actively traded on any such exchange or system, Fair Market Value shall mean the closing price of the Stock on such date or, if such date is not a trading day, on the trading day immediately preceding such date, as reported by such exchange or system; or

(3) if the shares of Stock are not actively traded or reported on any exchange or system on such date or on the business day immediately preceding such date, Fair Market Value shall mean the fair market value of a share of Stock as determined by the Committee taking into account

such facts and circumstances deemed to be material by the Committee to the value of the Stock in the hands of the Participant.

Notwithstanding the foregoing, for purposes of Paragraph (1), (2), or (3) above, the Committee (or its authorized delegatee pursuant to Section 2.3(b)) may use the closing price as of the indicated date, the average price or value as of the indicated date or for a period certain ending on the indicated date, the price determined at the time the transaction is processed, the tender offer price for shares of Stock, or any other method which the Committee (or its authorized delegatee pursuant to Section 2.3(b)) determines is reasonably indicative of the fair market value of the Stock; provided, however, that for purposes of granting Nonqualified Stock Options or Stock Appreciation Rights, Fair Market Value of Stock shall be determined in accordance with the requirements of Code Section 409A, and for purposes of granting Incentive Stock Options, Fair Market Value of Stock shall be determined in accordance with the requirements of Code Section 422.

(o) "*Incentive Stock Option*" means an incentive stock option within the meaning of Section 422 of the Internal Revenue Code.

(p) "*Nonqualified Stock Option*" means a stock option that is not an Incentive Stock Option.

(q) "*Option*" means a Nonqualified Stock Option or an Incentive Stock Option.

(r) "*Other Stock-Based Award*" means an Award described in Section 3.4 that has a value that is derivative of the value of, determined by reference to a number of shares of, or determined by reference to dividends payable on, Stock and may be settled in cash, in Stock or in a combination thereof. Other Stock-Based Awards may include, but not be limited to, grants of Stock, grants of rights to receive Stock in the future, or dividend equivalent rights.

(s) "*Over 10% Owner*" means an individual who at the time an Incentive Stock Option to such individual is granted owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or its Parent or Subsidiaries, determined by applying the attribution rules of Code Section 424(d).

(t) "*Parent*" means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company if, with respect to Incentive Stock Options, at the time of the granting of the Option, each of the corporations other than the Company owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A Parent shall include any entity other than a corporation to the extent permissible under Section 424(e) or regulations and rulings thereunder.

(u) "*Participant*" means an individual who receives an Award hereunder.

(v) "*Performance Goals*" means any one or more of the following performance goals, intended by the Committee to constitute objective goals for purposes of Code Section 162(m), either individually, alternatively or in any combination, applied to either the Company as a whole or to a business unit, division, or Affiliate (or business unit or division of an Affiliate), either individually, alternatively or in combination, and measured either monthly, quarterly, annually, or over another specified period or cumulatively or averaged over a period of months, quarters, years, or other specified period, on an absolute basis or relative to a pre-established target, to one or more previous periods' results or to a designated comparison group, in each case as specified by the Committee in the Award:

(i) earnings before or after any, or any combination, of the following: taxes, interest, depreciation, amortization, or extraordinary or special items;

(ii) book value;

(iii) operating cash flow;

(iv) free cash flow:

(v) cash flow return on investments (discounted or otherwise);

(vi) cash available;

(vii) gross or net income (before or after taxes);

(viii) revenue or revenue growth;

(ix) total shareholder return;

(x) return on investment;

(xi) return on capital;

(xii) return on shareholder equity;

(xiii) return on assets (gross or net);

(xiv) return on common book equity;

(xv) return on revenues;

(xvi) market share;

(xvii) market penetration;

(xviii) geographic business expansion;

(xix) customer satisfaction;

(xx) employee satisfaction;

(xxi) human resources management;

(xxii) supervision of litigation;

(xxiii) information technology;

(xxiv) economic value added;

(xxv) operating margin;

(xxvi) profit margin;

(xxvii) stock price;

(xxviii) operating income;

(xxix) expenses or operating expenses;

(xxx) productivity of employees as measured by revenues, costs, or earnings per employee;

(xxxi) working capital;

(xxxii) improvements in capital structure;

(xxxiii) cost reduction goals;

(xxxiv) goals relating to divestitures, joint ventures, and similar transactions; or

(xxxv) any combination of the foregoing.

Any of the foregoing may be determined on a per share basis (basic or diluted) as appropriate. The Committee may appropriately adjust any Performance Goal to remove the effect of any one or more of the following: equity compensation expense under ASC 718; the value of intangible assets; amortization of acquired technology and/or intangibles; depreciation; impairment of goodwill and/or intangible assets; asset write-downs; mark to market adjustments; changes (realized or unrealized) in fair value of mortgage servicing rights that are based upon projections of expected future cash flows and prepayments, whether before or after tax; changes (realized or unrealized) in the fair value of derivatives that are intended to offset changes in the fair value of mortgage servicing rights, whether before or after tax; litigation or claim judgments or settlements; changes in or provisions under tax law, accounting principles or other such laws or provisions affecting reported results; accruals for reorganization and restructuring programs; discontinued operations; or any items or events that are extraordinary, unusual in nature, non-recurring or infrequent in occurrence.

(w) "*Performance Period*" means, with respect to an Award, a period of time within which the Performance Goals relating to such Award are to be measured. The Performance Period will be established by the Committee at the time the Award is granted.

(x) "*Plan*" means the PHH Corporation 2014 Equity and Incentive Plan, as amended from time to time.

(y) "*Separation from Service*" shall mean a termination of a Participant's employment or other service relationship with the Company, subject to the following requirements:

(1) in the case of a Participant who is an employee of the Company, a termination of the Participant's employment where either (A) the Participant has ceased to perform any services for the Company and all affiliated companies that, together with the Company, constitute the "service recipient" within the meaning of Code Section 409A (collectively, the "Service Recipient") or (B) the level of bona fide services the Participant performs for the Service Recipient after a given date (whether as an employee or as an independent contractor) permanently decreases (excluding a decrease as a result of military leave, sick leave, or other bona fide leave of absence if the period of such leave does not exceed six months, or if longer, so long as the Participant retains a right to reemployment with the Service Recipient under an applicable statute or by contract) to no more than twenty percent (20%) of the average level of bona fide services performed for the Service Recipient (whether as an employee or an independent contractor) over the immediately preceding 36-month period (or the full period of service if the Participant has been providing services to the Service Recipient for less than 36 months) that, in either case, constitutes a "separation from service" within the meaning of Code Section 409A and the regulations thereunder; or

(2) in the case of a Participant who is an independent contractor engaged by the Service Recipient, a termination of the Participant's service relationship with the Service Recipient upon the expiration of the contract (or in the case of more than one contract, all contracts) under which services are performed for the Service Recipient if the expiration constitutes a good-faith and complete termination of the contractual relationship that constitutes a "separation from service" within the meaning of Code Section 409A and the regulations thereunder; or

(3) in any case, as may otherwise be permitted under Code Section 409A.

(z) "*Stock*" means the Company's common stock.

(aa) "*Stock Appreciation Right*" means a stock appreciation right described in Section 3.3.

(bb) "*Subsidiary*" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the relevant time, each of the corporations other than the last corporation in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in the chain. A "Subsidiary" shall include any entity other than a corporation to the extent permissible under Section 424(f) or regulations or rulings thereunder.

(cc) "*Termination of Employment*" means the termination of the employment relationship between a Participant and the Company and its Affiliates, regardless of whether severance or similar payments are made to the Participant for any reason, including, but not by way of limitation, a termination by resignation, discharge, death, Disability or retirement. The Committee will, in its absolute discretion, determine the effect of all matters and questions relating to a Termination of Employment as it affects an Award, including, but not by way of limitation, the question of whether a leave of absence constitutes a Termination of Employment.

SECTION 2 THE EQUITY AND INCENTIVE PLAN

2.1 *Purpose of the Plan.* The Plan is intended to (a) provide incentives to certain officers, employees, directors, consultants, and other service providers of the Company and its Affiliates to stimulate their efforts toward the continued success of the Company and to operate and manage the business in a manner that will provide for the long-term growth and profitability of the Company; (b) encourage stock ownership by certain officers, employees, directors, consultants, and other service providers by providing them with a means to acquire a proprietary interest in the Company, acquire shares of Stock, or to receive compensation which is based upon appreciation in the value of Stock; and (c) provide a means of obtaining, rewarding and retaining officers, employees, directors, consultants, and other service providers.

2.2 *Stock Subject to the Plan.*

(a) Subject to adjustment as provided in Section 5.2 hereof, the total number of shares of Stock reserved and available for delivery under the Plan shall be equal to (i) 3,500,000 plus, (ii) any shares of Stock remaining subject to the PHH Corporation Amended and Restated 2005 Equity and Incentive Plan (the ''Prior Plan'') which are not subject to awards granted under the Prior Plan as of the effective date of the Plan; provided, however, that no more than 3,500,000 shares of Stock may be granted as Incentive Stock Options.

(b) If (1) an Award or an award granted under the Prior Plan which is outstanding as of the effective date of the Plan (an "Outstanding Prior Plan Award"), is forfeited, expires or otherwise terminates without issuance of such shares of Stock, or (2) any Award or Outstanding Prior Plan Award is settled for cash or otherwise does not result in the issuance of all or a portion of the shares of Stock subject to such Award or Outstanding Prior Plan Award, the shares of Stock to which those Awards or Outstanding Prior Plan Awards were subject, shall, to the extent of such forfeiture, expiration, termination, non-issuance or cash settlement, again be available for delivery with respect to Awards under the Plan.

(c) In the event that (1) any Award granted under this Plan or Outstanding Prior Plan Award, is exercised through the tendering of shares of Stock (either actually or by attestation) or by the withholding of shares of Stock by the Company, or (2) withholding tax liabilities arising from any Award or Outstanding Prior Plan Award are satisfied by the tendering of shares of Stock (either actually or by attestation) or by the withholding of shares of Stock by the Company, then only the number of shares of Stock issued net of the shares of Stock so tendered or withheld shall be counted for purposes of determining the maximum number of shares of Stock available for grant under the Plan.

(d) Awards issued in substitution of awards granted by a company acquired by the Company or any Subsidiary shall not reduce the shares of Stock authorized for delivery under the Plan or authorized for delivery to a Participant in any period. Additionally, in the event that a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines has shares available under a pre-existing plan approved by its stockholders and not adopted in contemplation of such acquisition or combination, the shares available for delivery pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the shares of Stock authorized for delivery under the Plan; provided, that Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not Employees or members of the Board of Directors prior to such acquisition or combination.

(e) Shares of Stock available for Awards under the Plan may consist, in whole or in part, of authorized and unissued shares, treasury shares or shares reacquired by the Company in any manner.

2.3 *Administration of the Plan.*

(a) The Plan is administered by the Committee. The Committee has full authority in its discretion to determine the officers, employees, directors, consultants, and other service providers of the Company or its Affiliates to whom Awards will be granted and the terms and provisions of Awards, subject to the Plan. Subject to the provisions of the Plan, the Committee has full and conclusive authority to interpret the Plan; to prescribe, amend and rescind rules and regulations relating to the Plan; to determine the terms and provisions of the respective Award Agreements and Award Programs and to make all other determinations necessary or advisable for the proper administration of the Plan. The Committee's determinations under the Plan need not be uniform and may be made by it selectively among persons who receive, or are eligible to receive, Awards under the Plan (whether or not such persons are similarly situated). The Committee's decisions are final and binding on all Participants. Each member of the Committee shall serve at the discretion of the Board of Directors and the Board of Directors may from time to time remove members from or add members to the Committee. Vacancies on the Committee shall be filled by the Board of Directors.

(b) Notwithstanding any other provision of this Plan, (1) the Board of Directors may by resolution authorize one or more members of the Board of Directors to do one or both of the following: (A) designate individuals (other than officers or directors of the Company or any Affiliate who are subject to Section 16 of the Exchange Act) to receive Awards under the Plan, and (B) determine the type of Awards and the terms and conditions and number of shares of Stock subject to such Awards; provided however, that such delegation shall be subject to such parameters and restrictions consistent with the Plan as the Board of Directors shall specify, including, without limitation the total number of shares of Stock that may be granted subject to such Awards, or the Board of Directors may delegate to the Committee the authority and responsibility to establish all of some of such parameters and restrictions; and (2) the Board of Directors or the Committee may by resolution authorize one or more officers of the Company and/or one or more members of the Board of Directors to do one or both of the following: (A) designate individuals (other than officers or directors of the Company or any Affiliate who are subject to Section 16 of the Exchange Act) to receive Cash Performance Awards under the Plan, and (B) determine the amount subject to such Cash Performance Awards; provided however, that such delegation shall be subject to such parameters and restrictions consistent with the Plan as the Board of Directors or the Committee, as applicable, shall specify.

(c) No member of the Board of Directors or Committee, nor any person to whom authority is delegated under subsection (b), shall be liable for any action taken or determination made in good faith with respect to the Plan or any Award granted hereunder.

2.4 *Eligibility and Limits.*

(a) Awards may be granted only to officers, employees, directors, consultants, and other service providers of the Company or any Affiliate of the Company; provided, however, that an Incentive Stock Option may only be granted to an employee of the Company or any Parent or Subsidiary.

(b) In the case of Incentive Stock Options, the aggregate Fair Market Value (determined as of the date an Incentive Stock Option is granted) of Stock with respect to which stock options intended to meet the requirements of Code Section 422 become exercisable for the first time by an individual during any calendar year under all plans of the Company and its Parents and Subsidiaries may not exceed $100,000; provided further, that if the limitation is exceeded, the Incentive Stock Option(s) which cause the limitation to be exceeded will be treated as Nonqualified Stock Option(s).

(c) To the extent required under Section 162(m) of the Code and the regulations thereunder, as applicable, for compensation to be treated as qualified performance-based compensation, subject to adjustment in accordance with Section 5.2, the maximum number of shares of Stock with respect to which (1) Options, (2) Stock Appreciation Rights, or (3) other Awards (other than Other Stock-Based Awards that are payable in cash or Cash Performance Awards), to the extent they are granted with the intent that they qualify as qualified performance-based compensation under Section 162(m) of the Code, may be granted during any thirty-six (36) month period to any employee may not exceed two and one-half million shares (2,500,000), and the maximum aggregate dollar amount that may be paid in any calendar year to any employee with respect to Other Stock-Based Awards that are payable in cash and Cash Performance Awards may not exceed five million dollars ($5,000,000). The foregoing cash limit may be multiplied by two (2) for any employee in his or her first calendar year of employment with the Company or an Affiliate. If, after grant, an Option is cancelled, the cancelled Option shall continue to be counted against the maximum number of shares for which options may be granted to an employee as described in this Section 2.4. Subject to the foregoing share and cash limits, any performance-based award may be settled in shares of Stock, cash, or a combination thereo.

(d) Notwithstanding any other provision of the Plan to the contrary, the aggregate grant date fair value (computed as of the date of grant in accordance with applicable financial accounting rules) of all Awards granted to any non-employee director during any single calendar year (excluding Awards made at the election of the director in lieu of all or a portion of annual and committee cash retainers and Awards made as and for incremental compensation for special services) shall not exceed five hundred thousand dollars ($500,000.00).

SECTION 3 TERMS OF AWARDS

3.1 *Terms and Conditions of All Awards.*

(a) The number of shares of Stock as to which an Award may be granted or the amount of an Award will be determined by the Committee in its sole discretion (or its authorized delegatee pursuant to Section 2.3(b)), subject to the provisions of Section 2.2 as to the total number of shares available for grants under the Plan and subject to the limits in Section 2.4.

(b) Each Award will either be evidenced by an Award Agreement in such form and containing such terms, conditions and restrictions as the Committee may determine to be appropriate, including without limitation, Performance Goals or other performance criteria, if any, that must be achieved as a condition to vesting or settlement of the Award, or be made subject to the terms of an Award Program, containing such terms, conditions and restrictions as the Committee may determine to be appropriate, including without limitation, Performance Goals or other performance criteria, if any, that must be achieved as a condition to vesting or settlement of the Award. Performance Goals, if any, shall be established before twenty-five percent (25%) of the Performance Period has elapsed, but in no event later than within ninety (90) days after the first day of a Performance Period. At the time any Performance Goals are established, the outcome as to whether the Performance Goals will be met must be substantially uncertain. If any Performance Goals are established as a condition to vesting or settlement of an Award and such Performance Goal is not based solely on the increase in the Fair Market Value of the Stock, the Committee shall certify in writing that the applicable Performance Goals were in fact satisfied before such Award is vested or settled, as applicable. Each Award Agreement or Award Program is subject to the terms of the Plan and any provisions contained in the Award Agreement or Award Program that are inconsistent with the Plan are null and void. To the extent an Award is subject to Performance Goals and the Committee desires that the Award constitute performance-based compensation under Code Section 162(m), the Committee will comply with all applicable requirements under Code Section 162(m) and the rules and regulations promulgated thereunder in granting, modifying, and settling such Award. The Committee may, but is not required to, structure any Award so as to qualify as performance-based compensation under Code Section 162(m).

(c) The date as of which an Award is granted will be the date all of the terms and conditions of the Award, including the number of shares, if any, covered by the Award, have been determined and all actions necessary to complete the grant of the Award have been taken or such later date as may be specified in the approval of such Award.

(d) Any Award may be granted in connection with all or any portion of a previously or contemporaneously granted Award. Exercise or vesting of an Award granted in connection with another Award may result in a pro rata surrender or cancellation of any related Award, as specified in the applicable Award Agreement or Award Program.

(e) Awards are not transferable or assignable except by will or by the laws of descent and distribution governing the State in which the Participant was domiciled at the time of the Participant's death, and are exercisable, during the Participant's lifetime, only by the Participant; or in the event of the Disability of the Participant, by the legal representative of the Participant; or in the event of death of the Participant, by the legal representative of the Participant's estate or if no legal representative has been appointed within ninety (90) days of the Participant's death, by the person(s) taking under the laws of descent and distribution governing the State in which the Participant was domiciled at the time of the Participant's death; except to the extent that the Committee may provide otherwise as to any Awards other than Incentive Stock Options (provided that such transfers shall only be permitted for no consideration to the Participant.

(f) After the date of grant of an Award, the Committee may, in its sole discretion, modify the terms and conditions of an Award, except to the extent that such modification would materially and adversely affect the rights of a Participant under the Award (except as otherwise permitted under the Plan or Award) or would be inconsistent with other provisions of the Plan.

(g) Any Award granted under the Plan shall be subject to any clawback or recoupment policy adopted by the Board of Directors or any committee thereof.

(h) Except as may otherwise be provided herein or in an applicable Award Agreement or Award Program, in the event of a Change in Control, no shares of Stock or cash payments will vest or become payable solely as a result of the occurrence of the Change in Control.

3.2 *Terms and Conditions of Options.* Each Option granted under the Plan must be evidenced by an Award Agreement. At the time any Option is granted, the Committee (or its authorized delegatee pursuant to Section 2.3(b)) will determine whether the Option is to be an Incentive Stock Option described in Code Section 422 or a Nonqualified Stock Option, and the Option must be clearly identified as to its status as an Incentive Stock Option or a Nonqualified Stock Option. Incentive Stock Options may only be granted to employees of the Company or any Subsidiary or Parent. At the time any Incentive Stock Option granted under the Plan is exercised, the Company will be entitled to legend the certificates representing the shares of Stock purchased pursuant to the Option to clearly identify them as representing the shares purchased upon the exercise of an Incentive Stock Option. An Incentive Stock Option may only be granted within ten (10) years from the earlier of the date the Plan is adopted or approved by the Company's stockholders. Neither an Option nor shares of Stock underlying an Option shall be eligible for dividends or dividend equivalents.

(a) *Option Price.* Subject to adjustment in accordance with Section 5.2 and the other provisions of this Section 3.2, the Exercise Price must be as set forth in the applicable Award Agreement, but in no event may it be less than the Fair Market Value on the date the Option is granted. With respect to each grant of an Incentive Stock Option to a Participant who is an Over 10% Owner, the Exercise Price may not be less than one hundred and ten percent (110%) of the Fair Market Value on the date the Option is granted.

(b) *Option Term.* Any Incentive Stock Option granted to a Participant who is not an Over 10% Owner is not exercisable after the expiration of ten (10) years after the date the Option is granted. Any Incentive Stock Option granted to an Over 10% Owner is not exercisable after the expiration of five (5) years after the date the Option is granted. The term of any Nonqualified Stock Option shall be as specified in the applicable Award Agreement, but shall not exceed ten (10) years after the date the Option is granted; provided, however, that if the term specified in an Award Agreement for a Nonqualified Stock Option would otherwise expire during a period when trading in Stock is prohibited by law or the Company's insider trading policy, then the term of the Nonqualified Stock Option will be deemed to expire on the thirtieth (30^{th}) day after expiration of the applicable prohibition, notwithstanding any contrary term in the Award Agreement.

(c) *Payment.* Payment for all shares of Stock purchased pursuant to exercise of an Option will be made in any form or manner authorized by the Committee in the Award Agreement or by amendment thereto, including, but not limited to, cash, cash equivalents, or, if the Award Agreement provides, but in any case subject to such procedures or restrictions as the Committee may impose:

(i) by delivery to the Company of a number of shares of Stock owned by the holder having an aggregate Fair Market Value of not less than the product of the Exercise Price multiplied by the number of shares the Participant intends to purchase upon exercise of the Option on the date of delivery;

(ii) in a cashless exercise through a broker, except if and to the extent prohibited by law as to officers and directors, including without limitation, the Sarbanes-Oxley Act of 2002, as amended; or

(iii) by having a number of shares of Stock withheld, the Fair Market Value of which as of the date of exercise is sufficient to satisfy the Exercise Price.

Payment must be made at the time that the Option or any part thereof is exercised, and no shares may be issued or delivered upon exercise of an Option until full payment has been made by the Participant. The holder of an Option, as such, has none of the rights of a stockholder.

(d) *Conditions to the Exercise of an Option.* Each Option granted under the Plan is exercisable by whom, at such time or times, or upon the occurrence of such event or events, and in such amounts, as specified in the Award Agreement; provided, however, that subsequent to the grant of an Option, the Committee, at any time before complete termination of such Option, may modify the terms of an Option to the extent not prohibited by the terms of the Plan, including, without limitation, accelerating the time or times at which such Option may be exercised in whole or in part, including, without limitation, upon a Change in Control and may permit the Participant or any other designated person to exercise the Option, or any portion thereof, for all or part of the remaining Option term, notwithstanding any provision of the Award Agreement to the contrary.

(e) *Termination of Incentive Stock Option.* With respect to an Incentive Stock Option, in the event of Termination of Employment of a Participant, the Option or portion thereof held by the Participant which is unexercised will expire, terminate, and become unexercisable no later than the expiration of three (3) months after the date of Termination of Employment; provided, however, that in the case of a holder whose Termination of Employment is due to death or Disability, one (1) year will be substituted for such three (3) month period; provided, further that such time limits may be exceeded by the Committee under the terms of the grant, in which case, the Incentive Stock Option will be a Nonqualified Option if it is exercised after the time limits that would otherwise apply. For purposes of this Subsection (e), a Termination of Employment of the Participant will not be deemed to have occurred if the Participant is employed by another corporation (or a parent or subsidiary corporation of such other corporation) which has assumed the Incentive Stock Option of the Participant in a transaction to which Code Section 424(a) is applicable.

(f) *Special Provisions for Certain Substitute Options.* Notwithstanding anything to the contrary in this Section 3.2, any Option issued in substitution for an option previously issued by another entity, which substitution occurs in connection with a transaction to which Code Section 424(a) or 409A is applicable, may provide for an Exercise Price computed in accordance with such Code Section and the regulations thereunder and may contain such other terms and conditions as the Committee may prescribe to cause such substitute Option to contain as nearly as possible the same terms and conditions (including the applicable vesting and termination provisions) as those contained in the previously issued option being replaced thereby.

(g) *No Reload Grants.* Options shall not be granted under the Plan in consideration for and shall not be conditioned upon the delivery of shares of Stock to the Company in payment of the Exercise Price and/or tax withholding obligation under any other option held by a Participant.

(h) *No Repricing.* Except as provided in Section 5.2, without the approval of the Company's stockholders, the exercise price of an Option may not be reduced after the grant of the Option and an Option may not be cancelled or surrendered in consideration of, or in exchange for, the grant of a new Option having an Exercise Price below that of the Option that was surrendered, Stock, cash, or any other Award.

3.3 *Terms and Conditions of Stock Appreciation Rights.* Each Stock Appreciation Right granted under the Plan must be evidenced by an Award Agreement. A Stock Appreciation Right entitles the Participant to receive the excess of (1) the Fair Market Value of a specified or determinable number of shares of the Stock at the time of payment or exercise over (2) a specified or determinable price, which may not be less than the Fair Market Value on the date of grant. A Stock Appreciation Right granted in connection with an Award may only be exercised to the extent that the related Award has not been exercised, paid or otherwise settled. Neither a Stock Appreciation Right nor the shares of Stock underlying a Stock Appreciation Right shall be eligible for dividends or dividend equivalents.

(a) *Settlement.* Upon settlement of a Stock Appreciation Right, the Company must pay to the Participant, the appreciation in cash or shares of Stock (valued at the aggregate Fair Market Value on the date of payment or exercise) as provided in the Award Agreement or, in the absence of such provision, as the Committee may determine.

(b) *Term.* The term of any Stock Appreciation Right shall be as specified in the applicable Award Agreement, but shall not exceed ten (10) years after the date the Stock Appreciation Right is granted; provided, however, that if the term specified in an Award Agreement for a Stock Appreciation Right would otherwise expire during a period when trading in Stock is prohibited by law or the Company's insider trading policy, then the term of the Stock Appreciation Right will be deemed to expire on the thirtieth (30th) day after expiration of the applicable prohibition, notwithstanding any contrary term in the Award Agreement.

(c) *Conditions to Exercise.* Each Stock Appreciation Right granted under the Plan is exercisable or payable at such time or times, or upon the occurrence of such event or events, and in such amounts, as specified in the Award Agreement; provided, however, that subsequent to the grant of a Stock Appreciation Right, the Committee, at any time before complete termination of such Stock Appreciation Right, may accelerate the time or times at which such Stock Appreciation Right may be exercised or paid in whole or in part.

(d) *No Repricing.* Except as provided in Section 5.2, without the approval of the Company's stockholders, the price of a Stock Appreciation Right may not be reduced after the grant of the Stock Appreciation Right, and a Stock Appreciation Right may not be cancelled or surrendered in consideration of, or in exchange for, the grant of a new Stock Appreciation Right having a price below that of the Stock Appreciation Right that was surrendered, Stock, cash, or any other Award.

3.4 *Terms and Conditions of Other Stock-Based Awards.* An Other Stock-Based Award shall entitle the Participant to receive one or more of (i) a specified or determinable number of shares of Stock, (ii) the value of a specified or determinable number of shares of Stock, (iii) a percentage or multiple of the value of a specified number of shares of Stock or (iv) dividend equivalents on a specified, or a determinable number, or a percentage or multiple of specified number, of shares of Stock. At the time of the grant, the Committee (or its authorized delegatee pursuant to Section 2.3(b)) must determine the specified number of shares of Stock or the percentage or multiple of the specified number of shares of Stock, as may be applicable; and the Performance Goals or other performance criteria, if any, applicable to the Other Stock-Based Award. The Committee may provide for an alternate percentage or multiple under certain specified conditions.

(a) *Payment.* Payment in respect of Other Stock-Based Awards may be made by the Company in cash or shares of Stock as provided in the applicable Award Agreement or Award Program, or, in the absence of such provision, as the Committee may determine.

(b) *Conditions to Payment or Lapse of Restrictions.* Each Other Stock-Based Award granted under the Plan shall be payable, restrictions on such Other Stock-Based Award shall lapse, at such time or times, or upon the occurrence of such event or events, and in such amounts, as specified in the applicable Award Agreement or Award Program; provided, however, that subsequent to the grant of a Other Stock-Based Award, the Committee, at any time before complete termination of such Other Stock-Based Award, may accelerate the time or times at which such Other Stock-Based Award may be paid, or such restrictions shall lapse, in whole or in part. In the case of dividends or dividend equivalents granted with respect to shares of Stock subject to an Other Stock-Based Award that vests based on the achievement of Performance Goals or other performance criteria, such dividends or dividend equivalents, as applicable, will not be paid until, and will be paid only to the extent, the Award is earned.

3.5 *Terms and Conditions of Cash Performance Awards.* A Cash Performance Award shall entitle the Participant to receive, at a specified future date, payment of an amount equal to all or a portion of either (i) the value of a specified or determinable number of units (stated in terms of a designated or determinable dollar amount per unit), or (ii) a percentage or multiple of a specified amount. At the time of the grant, the Committee (or its authorized delegatee pursuant to Section 2.3(b)) must determine the base value of each unit; the number of units subject to a Cash Performance Award, the specified amount and the percentage or multiple of the specified amount, as may be applicable; and the Performance Goals or other performance criteria, if any, applicable to the determination of the ultimate payment value of the Cash Performance Award. The Committee may provide for an alternate base value for each unit or an alternate percentage or multiple under certain specified conditions.

(a) *Payment.* Payment in respect of Cash Performance Awards shall be made by the Company in cash.

(b) *Conditions to Payment.* Each Cash Performance Award granted under the Plan shall be payable at such time or times, or upon the occurrence of such event or events, and in such amounts, as specified in the applicable Award Agreement or Award Program; provided, however, that subsequent to the grant of a Cash Performance Award, the Committee, at any time before complete termination of such Cash Performance Award, may accelerate the time or times at which such Cash Performance Award may be paid in whole or in part.

3.6 *Treatment of Awards on Termination of Service.* Except as otherwise provided by Plan Section 3.2(e), any Award under this Plan to a Participant who has experienced a Termination of Employment, Separation from Service, or termination of some other service relationship with the Company and its Affiliates may be cancelled, accelerated, paid or continued, as provided in the applicable Award Agreement or Award Program, or, as the Committee may otherwise determine to the extent not prohibited by the Plan. The portion of any Award exercisable in the event of continuation or the amount of any payment due under a continued Award may be adjusted by the Committee to reflect the Participant's period of service from the date of grant through the date of the Participant's Termination of Employment, Separation from Service or termination of some other service relationship or such other factors as the Committee determines are relevant to its decision to continue the Award.

Proxy Statement

SECTION 4 RESTRICTIONS ON STOCK

4.1 *Escrow of Shares.* Any certificates representing the shares of Stock issued under the Plan will be issued in the Participant's name, but, if the applicable Award Agreement or Award Program so provides, the shares of Stock will be held by a custodian designated by the Committee (the "Custodian"). Each applicable Award Agreement or Award Program providing for transfer of shares of Stock to the Custodian may require a Participant to complete an irrevocable stock power appointing the Custodian or the Custodian's designee as the attorney-in-fact for the Participant for the term specified in the applicable Award Agreement or Award Program, with full power and authority in the Participant's name, place and stead to transfer, assign and convey to the Company any shares of Stock held by the Custodian for such Participant, if the Participant forfeits the shares under the terms of the applicable Award Agreement or Award Program. During the period that the Custodian holds the shares subject to this Section, the Participant is entitled to all rights, except as provided in the applicable Award Agreement or Award Program, applicable to shares of Stock not so held. Any dividends declared on shares of Stock held by the Custodian must, as provided in the applicable Award Agreement or Award Program, be paid directly to the Participant or, in the alternative, be retained by the Custodian or by the Company until the expiration of the term specified in the applicable Award Agreement or Award Program and shall then be delivered, together with any proceeds, with the shares of Stock to the Participant or to the Company, as applicable.

4.2 *Restrictions on Transfer.* The Participant does not have the right to make or permit to exist any disposition of the shares of Stock issued pursuant to the Plan except as provided in the Plan or the applicable Award Agreement or Award Program. Any disposition of the shares of Stock issued under the Plan by the Participant not made in accordance with the Plan or the applicable Award Agreement or Award Program will be void. The Company will not recognize, or have the duty to recognize, any disposition not made in accordance with the Plan and the applicable Award Agreement or Award Program, and the shares so transferred will continue to be bound by the Plan and the applicable Award Agreement or Award Program.

SECTION 5 GENERAL PROVISIONS

5.1 *Withholding.* The Company shall deduct from all cash distributions under the Plan any taxes required to be withheld by federal, state or local government. Whenever the Company proposes or is required to issue or transfer shares of Stock under the Plan or upon the vesting of any Award, the Company has the right to require the recipient to remit to the Company an amount sufficient to satisfy any federal, state and local tax withholding requirements prior to the issuance or transfer of any shares or the vesting of such Award. A Participant may satisfy the withholding obligation in cash, cash equivalents, or if and to the extent the applicable Award Agreement, Award Program, or Committee procedure so provides, a Participant may elect to have the number of shares of Stock he is to receive reduced by, or tender back to the Company, the smallest number of whole shares of Stock which, when multiplied by the Fair Market Value of the shares of Stock, is sufficient to satisfy the minimum federal, state and local, if any, withholding obligation arising from exercise or payment of an Award.

5.2 *Changes in Capitalization; Merger; Liquidation.*

(a) The number of shares of Stock reserved for the grant of Options, Stock Appreciation Rights and Other Stock-Based Awards; the number of shares of Stock reserved for issuance upon the exercise, settlement, vesting, grant or payment, as applicable, of each outstanding Option, Stock Appreciation Right, and Other Stock-Based Award (if any); the Exercise Price of each outstanding Option, the threshold price of each outstanding Stock Appreciation Right, the specified number of shares of Stock to which each outstanding Option, Stock Appreciation Right, and Other Stock-Based Award pertains, the total number of shares of Stock authorized to be granted pursuant to Section 2.3(b), and the maximum number of shares as to which Options, Stock Appreciation Rights, and other Awards may be granted to an employee during any calendar year or other period, shall be proportionately adjusted for any nonreciprocal transaction between the Company and the holders of capital stock of the Company that causes the per share value of the shares of Stock underlying an Award to change, such as a stock dividend, stock split, spinoff, rights offering, or recapitalization through a large, nonrecurring cash dividend (each, an "Equity Restructuring").

(b) In the event of a merger, consolidation, reorganization, extraordinary dividend, sale of substantially all of the Company's assets, other change in capital structure of the Company, tender offer for shares of Stock, or a Change in Control of the Company (as defined by the Committee in the applicable Award Agreement or Award Program), that in each case does not constitute an Equity Restructuring, the Committee may make such adjustments with respect to Awards and take such other action as it deems necessary or appropriate, including, without limitation, the substitution of new Awards, the assumption of awards not originally granted under the Plan, or the adjustment of outstanding Awards, or the termination of outstanding Awards in exchange for the cash value determined in good faith by the Committee of the vested and/or unvested portion of the Award, all as may be provided in the applicable Award Agreement or Award Program or, if not expressly addressed therein, as the Committee subsequently may determine in its sole discretion. Any adjustment pursuant to this Section 5.2 may provide, in the Committee's discretion, for the elimination without payment therefor of any fractional shares that might otherwise become subject to any Award, but except as set forth in this Section may not otherwise diminish the then value of the Award.

(c) Notwithstanding any other provision of this Plan to the contrary, in taking any action pursuant to Subsection (a) or (b) with respect to a Nonqualified Stock Option or a Stock Appreciation Right, the Committee shall consider any provisions of Code Section 409A and the regulations thereunder that are required to be followed as a condition of the Nonqualified Stock Option and the Stock Appreciation Right not being treated as the grant of a new Option or Stock Appreciation Right or a change in the form of payment. Any adjustment described in the preceding sentence may include a substitution in whole or in part of other equity securities of the issuer and the class involved in such Equity Restructuring in lieu of the shares of Stock that are subject to the Award.

(d) The existence of the Plan and the Awards granted pursuant to the Plan shall not affect in any way the right or power of the Company to make or authorize any adjustment, reclassification, reorganization or other change in its capital or business structure, any merger or consolidation of the Company, any issue of debt or equity securities having preferences or priorities as to the Stock or the rights thereof, the dissolution or liquidation of the Company, any sale or transfer of all or any part of its business or assets, or any other corporate act or proceeding.

5.3 *Awards to Non-U.S. Employees.* The Committee shall have the power and authority to determine which Affiliates shall be covered by this Plan and which employees outside the United States of America shall be eligible to participate in the Plan. The Committee may adopt, amend or rescind rules, procedures or sub-plans relating to the operation and administration of the Plan to accommodate the specific requirements of local laws, procedures, and practices. Without limiting the generality of the foregoing, the Committee is specifically authorized to adopt rules, procedures and sub-plans with provisions that limit or modify rights on death, disability or retirement or on Separation from Service or Termination of Employment; available methods of exercise or settlement of an Award; payment of income, social insurance contributions and payroll taxes; the withholding procedures and handling of any stock certificates or other indicia of ownership which vary with local requirements. The Committee may also adopt rules, procedures or sub-plans applicable to particular Affiliates or locations.

5.4 *Cash Awards.* The Committee may, at any time and in its discretion, grant to any holder of an Award the right to receive, at such times and in such amounts as determined by the Committee in its discretion, a cash amount which is intended to reimburse such person for all or a portion of the federal, state and local income taxes imposed upon such person as a consequence of the receipt of the Award or the exercise of rights thereunder.

5.5 *Compliance with Code.*

(a) *Code Section 422.* All Incentive Stock Options to be granted hereunder are intended to comply with Code Section 422, and all provisions of the Plan and all Incentive Stock Options granted hereunder must be construed in such manner as to effectuate that intent.

(b) *Code Section 409A.* Except to the extent provided otherwise by the Committee, Awards under the Plan are intended to satisfy the requirements of Section 409A of the Code (and the Treasury Department guidance and regulations issued thereunder) so as to avoid the imposition of any additional taxes or penalties under Code Section 409A. If the Committee determines that an Award, Award Agreement, Award Program, payment, distribution, deferral election, transaction or any other action or arrangement contemplated by the provisions of the Plan would, if undertaken, cause a Participant to become subject to any additional taxes or other penalties under Code Section 409A, then unless the Committee provides otherwise, such Award, Award Agreement, Award Program, payment, distribution, deferral election, transaction or other action or arrangement shall not be given effect to the extent it causes such result and the related provisions of the Plan, Award Agreement, and / or Award Program will be deemed modified, or, if necessary, suspended in order to comply with the requirements of Code Section 409A to the extent determined appropriate by the Committee, in each case without the consent of or notice to the Participant. Notwithstanding anything in the Plan, an Award Agreement, an Award Program, or any other agreement (written or oral) to the contrary, if Participant is a "specified employee" (within the meaning of Code Section 409A) on the date of Separation from Service, any payments made with respect to such Separation from Service under any Award will be delayed to the extent necessary to comply with Section 409A(a)(2)(B)(i) of the Code, and such payments or benefits will be paid or distributed to the Participant during the five-day period commencing on the earlier of: (i) the expiration of the six-month period measured from the date of the Participant's Separation from Service, or (ii) the date of the Participant's death. Upon the expiration of the applicable six-month period under Section 409A(a)(2)(B)(i) of the Code, all payments so deferred will be paid to the Participant (or the Participant's estate, in the event of the Participant's death) in a lump sum payment. Any remaining payments and benefits due under an Award will be paid as otherwise provided in an Award.

5.6 *Right to Terminate Employment or Service.* Nothing in the Plan or in any Award Agreement confers upon any Participant the right to continue as an officer, employee, director, consultant, or other service provider of the Company or any of its Affiliates or affect the right of the Company or any of its Affiliates to terminate the Participant's employment or services at any time.

5.7 *Non-Alienation of Benefits.* Other than as provided herein, no benefit under the Plan may be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge; and any attempt to do so shall be void. No such benefit may, prior to receipt by the Participant, be in any manner liable for or subject to the debts, contracts, liabilities, engagements or torts of the Participant.

5.8 *Restrictions on Delivery and Sale of Shares; Legends.* Each Award is subject to the condition that if at any time the Committee, in its discretion, shall determine that the listing, registration or qualification of the shares covered by such Award upon any securities exchange or under any state or federal law is necessary or desirable as a condition of or in connection with the granting of such Award or the purchase or delivery of shares thereunder, the delivery of any or all shares pursuant to such Award may be withheld unless and until such listing, registration or qualification shall have been effected. If a registration statement is not in effect under the Securities Act of 1933 or any applicable state securities laws with respect to the shares of Stock purchasable or otherwise deliverable under Awards then outstanding, the Committee may require, as a condition of exercise of any Option or as a condition to any other delivery of Stock pursuant to an Award, that the Participant or other recipient of an Award represent, in writing, that the shares received pursuant to the Award are being acquired for investment and not with a view to distribution and agree that the shares will not be disposed of except pursuant to an effective registration statement, unless the Company shall have received an opinion of counsel that such disposition is exempt from such requirement under the Securities Act of 1933 and any applicable state securities laws. The Company may include on certificates representing shares delivered pursuant to an Award such legends referring to the foregoing representations or restrictions or any other applicable restrictions on resale as the Company, in its discretion, shall deem appropriate.

5.9 *Listing and Legal Compliance.* The Committee may suspend the exercise or payment of any Award so long as it determines that securities exchange listing or registration or qualification under any securities laws or compliance with any other law is required in connection therewith and has not been completed on terms acceptable to the Committee.

5.10 *Termination and Amendment of the Plan.* The Board of Directors at any time may amend or terminate the Plan without stockholder approval; provided, however, that the Board of Directors shall obtain stockholder approval for any amendment to the Plan that, except as provided under Section 5.2 of the Plan, increases the number of shares of Stock available under the Plan, materially expands the classes of individuals eligible to receive Awards, materially expands the type of awards available for issuance under the Plan, or would otherwise require stockholder approval under the rules of the applicable exchange. Unless the Award Agreement or Award Program explicitly provides otherwise, no such termination or amendment may materially and adversely affect the rights of the Participant under such Award without the consent of the holder of an Award.

5.11 *Stockholder Approval.* The Plan shall be submitted to the stockholders of the Company for their approval within twelve (12) months before or after the adoption of the Plan by the Board of Directors of the Company. If such approval is not obtained, any Award granted hereunder will be void.

5.12 *Choice of Law.* The Plan and all determinations and actions taken pursuant hereto shall be governed by the laws of the State of Maryland without effect to conflicts of laws except that the duties and responsibilities of the Board and the members thereof shall be determined in accordance with the laws of the State of Maryland, to the extent not preempted by federal law, without reference to the principles of conflict of laws.

5.13 *Effective Date of Plan; Term of Plan; Prior Plan Suspended.* The Plan shall become effective as of the date the Plan is approved by the stockholders pursuant to Section 5.11, regardless of the date the Plan is signed. No Award may be granted more than ten (10) years after the date the Plan was approved by the Company's stockholders. As of the effective date of the Plan, no further grants shall be made under the Prior Plan.

IN WITNESS WHEREOF, the Company has executed this Plan as of ________________, 2014 to become effective as of the date it is approved by stockholders pursuant to Section 5.11 hereof.

PHH CORPORATION

By: ____________________________

Print Name: ____________________________

Title: ____________________________

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

☑ **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**

For the transition period from _______to_______

Commission File No. 1-7797

PHH CORPORATION

(Exact name of registrant as specified in its charter)

MARYLAND	**52-0551284**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*
3000 LEADENHALL ROAD MT. LAUREL, NEW JERSEY	**08054**
(Address of principal executive offices)	*(Zip Code)*

856-917-1744

(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, par value $0.01 per share	The New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

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

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

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 ☑ 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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 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 ☐ 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 ☑

The aggregate market value of our Common stock held by non-affiliates of the registrant as of June 28, 2013 was $1.0 billion.

As of February 17, 2014, 57,302,075 shares of PHH Common stock were outstanding.

Documents Incorporated by Reference: Portions of the registrant's definitive Proxy Statement for the 2014 Annual Meeting of Stockholders, which will be filed by the registrant on or prior to 120 days following the end of the registrant's fiscal year ended December 31, 2013 are incorporated by reference in Part III of this Report.

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Except as expressly indicated or unless the context otherwise requires, the "Company," "PHH," "we," "our" or "us" means PHH Corporation, a Maryland corporation, and its subsidiaries.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report on Form 10-K are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may also be made in other documents filed or furnished with the SEC or may be made orally to analysts, investors, representatives of the media and others.

Generally, forward-looking statements are not based on historical facts but instead represent only our current beliefs regarding future events. All forward-looking statements are, by their nature, subject to risks, uncertainties and other factors. Investors are cautioned not to place undue reliance on these forward-looking statements. Such statements may be identified by words such as "expects," "anticipates," "intends," "projects," "estimates," "plans," "may increase," "may fluctuate" and similar expressions or future or conditional verbs such as "will," "should," "would," "may" and "could". Forward-looking statements contained in this Form 10-K include, but are not limited to, statements concerning the following:

- the exploration of a separation or sale of our fleet business, our mortgage business or both such businesses;
- the impact of the adoption of recently issued accounting pronouncements on our financial statements;
- our expectations of the impacts of regulatory changes on our businesses;
- our expected cost reductions and responses to the changing mortgage production environment;
- our expectations regarding improvements in our systems and processes, including our information technology infrastructure and systems;
- future origination volumes and loan margins in the mortgage industry;
- our expectations of origination volumes from our retail platform, including from our private label relationships and our relationship with Realogy Corporation;
- our belief that our mortgage servicing rights funding relationship will contribute positively to our cash flows;
- potential acquisitions, dispositions, partnerships, joint ventures and changes in product offerings to achieve disciplined growth in our franchise platforms and to optimize our mortgage and fleet management services businesses;
- our belief that sources of liquidity will be adequate to fund operations;
- our belief that Fannie Mae and Freddie Mac are substantially complete with pre-2009 vintage mortgage loan repurchase and indemnification requests, as well as our expectations for future requests and associated reserves and provisions; and
- our assessment of legal proceedings and associated reserves and provisions.

Actual results, performance or achievements may differ materially from those expressed or implied in forward-looking statements due to a variety of factors, including but not limited to the factors listed and discussed in "Part I—Item 1A. Risk Factors" in this Form 10-K and those factors described below:

- the effects of market volatility or macroeconomic changes on the availability and cost of our financing arrangements and the value of our assets;
- the effects of any further declines in the volume of U.S. home sales and home prices, due to adverse economic changes or otherwise, on our Mortgage Production and Mortgage Servicing segments;
- the effects of changes in current interest rates on our business and our financing costs;
- our decisions regarding the use of derivatives related to mortgage servicing rights, if any, and the resulting potential volatility of the results of operations of our Mortgage Servicing segment;
- the impact of the failure to maintain our credit ratings, including the impact on our cost of capital and ability to incur new indebtedness or refinance our existing indebtedness, as well as our current or potential customers' assessment of our counterparty credit risk;

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- the effects of continued elevated volumes or increases in our actual and projected repurchases of, indemnification given in respect of, or related losses associated with, sold mortgage loans for which we have provided representations and warranties or other contractual recourse to purchasers and insurers of such loans, including increases in our loss severity and reserves associated with such loans;
- the effects of any significant adverse changes in the underwriting criteria or existence or programs of government-sponsored entities, including Fannie Mae and Freddie Mac, including any changes caused by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other actions of the federal government;
- the effects of any inquiries and investigations by attorneys general of certain states and the U.S. Department of Justice, the Bureau of Consumer Financial Protection, U.S. Department of Housing and Urban Development or other state or federal regulatory agencies related to foreclosure procedures or other mortgage origination or servicing activities, any litigation related to our mortgage origination or servicing activities, or any related fines, penalties and increased costs;
- the ability to maintain our status as a government sponsored entity-approved seller and servicer, including the ability to continue to comply with the respective selling and servicing guides, including any changes caused by the Dodd-Frank Act;
- the effects of changes in, or our failure to comply with, laws and regulations, including mortgage- and real estate-related laws and regulations (including changes caused by the Dodd-Frank Act), changes in the status of government sponsored-entities and changes in state, federal and foreign tax laws and accounting standards;
- the effects of the insolvency of any of the counterparties to our significant customer contracts or financing arrangements or the inability or unwillingness of such counterparties to perform their respective obligations under, or to renew on terms favorable to us, such contracts, or our ability to continue to comply with the terms of our significant customer contracts, including service level agreements;
- the effects of competition in our existing and potential future lines of business, including the impact of consolidation within the industries in which we operate and competitors with greater financial resources and broader product lines;
- the ability to obtain alternative funding sources for our mortgage servicing rights or to obtain financing (including refinancing and extending existing indebtedness) on acceptable terms, if at all, to finance our operations or growth strategies, to operate within the limitations imposed by our financing arrangements and to maintain the amount of cash required to service our indebtedness;
- the ability to maintain our relationships with our existing clients, including our efforts to amend the terms of certain of our private label client agreements, and to establish relationships with new clients;
- the effects of any failure in or breach of our technology infrastructure, or those of our outsource providers, or any failure to implement changes to our information systems in a manner sufficient to comply with applicable laws, regulations and our contractual obligations;
- the ability to attract and retain key employees;
- a deterioration in the performance of assets held as collateral for secured borrowings;
- any failure to comply with covenants under our financing arrangements; and
- the impact of changes in the U.S. financial condition and fiscal and monetary policies, or any actions taken or to be taken by the U.S. Department of the Treasury and the Board of Governors of the Federal Reserve System on the credit markets and the U.S. economy.

Forward-looking statements speak only as of the date on which they are made. Factors and assumptions discussed above, and other factors not identified above, may have an impact on the continued accuracy of any forward-looking statements that we make. Except for our ongoing obligations to disclose material information under the federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements. For any forward-looking statements contained in any document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

PART I

Item 1. Business

Overview

We were incorporated in 1953 as a Maryland corporation. For periods between April 30, 1997 and February 1, 2005, we were a wholly owned subsidiary of Cendant Corporation (now known as Avis Budget Group, Inc.) and its predecessors that provided mortgage banking services, facilitated employee relocations and provided vehicle fleet management and fuel card services. On February 1, 2005, we began operating as an independent, publicly traded company pursuant to our spin-off from Cendant.

Our corporate website is www.phh.com, and our reports filed or furnished pursuant to Section 13(a) of the Exchange Act are available free on our website under the tabs "Investors—SEC Reports" as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission. The SEC also maintains a website (www.sec.gov) where our filings can be accessed for free. Our Corporate Governance Guidelines, Code of Business Ethics & Conduct, Code of Ethics for Chief Executive Officer and Senior Financial Officers, and the charters of the committees of our Board of Directors are also available on our corporate website and printed copies are available upon request. We intend to disclose any amendments or waivers to our Code of Business Ethics and Conduct and our Code of Ethics for Chief Executive Officer and Senior Financial Officers on our website at www.phh.com within four business days of the date of such amendment or waiver in lieu of filing a Form 8-K pursuant to Item 5.05 thereof. The information contained on our corporate website is not part of this Form 10-K.

Operating Segments

We are a leading outsource provider of mortgage and fleet management services. We provide mortgage banking services to a variety of clients, including financial institutions and real estate brokers, throughout the U.S. Our mortgage banking activities include originating, purchasing, selling and servicing mortgage loans through our wholly owned subsidiary, PHH Mortgage Corporation and its subsidiaries (collectively, "PHH Mortgage"). We provide commercial fleet management services to corporate clients and government agencies throughout the U.S. and Canada through our wholly owned subsidiary, PHH Vehicle Management Services Group LLC ("PHH VMS"). PHH VMS is a fully integrated provider of fleet management services with a broad range of product offerings, including managing and leasing vehicle fleets and providing other fee-based services for our clients' vehicle fleets.

According to *Inside Mortgage Finance*, for the year ended December 31, 2013, PHH Mortgage was the 7th largest overall mortgage loan originator with a 2.7% market share and the 8th largest mortgage loan servicer with a 2.3% market share and for the nine months ended September 30, 2013 was the 6th largest retail mortgage originator with a 2.4% market share. We believe PHH VMS is a leading provider of outsourced commercial fleet management services in the U.S. and Canada.

Our business activities are organized and presented in three operating segments: Mortgage Production, Mortgage Servicing, and Fleet Management Services. A description of each operating segment is presented below with further details and discussions of each segment's results of operations presented in "Part II—Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations". Also refer to Note 23, "Segment Information", in the accompanying Notes to Consolidated Financial Statements for financial information about our segments.

Mortgage Production

Our Mortgage Production segment provides mortgage services, including private-label mortgage services, to financial institutions and real estate brokers through PHH Mortgage. The Mortgage Production segment generates revenue through fee-based mortgage loan origination services and the origination and sale of mortgage loans into the secondary market. PHH Mortgage generally sells all saleable mortgage loans that it originates to secondary market investors, which include a variety of institutional investors, and retains the servicing rights on mortgage loans sold.

During 2013, 80% of our mortgage loans were sold to, or were sold pursuant to, programs sponsored by Fannie Mae, Freddie Mac or Ginnie Mae and the remaining 20% were sold to private investors.

We source mortgage loans through our retail and wholesale/correspondent platforms. Within our retail platform, we operate through two principal business channels: (i) private label and (ii) real estate. We differentiate ourselves from our competitors through our private-label relationships and through our access to originations sourced from the real estate markets through our relationship with Realogy. A summary of these platforms and channels follows, with the percentage of our loan closings that each represents for the year ended December 31, 2013:

- **Retail - Private Label (67%):** In the private-label services channel, we offer complete mortgage outsourcing solutions to wealth management firms, regional banks and community banks, including Merrill Lynch Home Loans, a division of Bank of America, National Association and Morgan Stanley Private Bank, N.A. which represented 29% and 12%, respectively, of our mortgage loan originations for the year ended December 31, 2013.

- **Retail – Real Estate (23%):** Our real estate channel is primarily supported by our relationship with Realogy, which represented 21% of our mortgage originations in 2013, and is more fully described below.

- **Wholesale/Correspondent (10%):** Within our wholesale/correspondent channel, we purchase closed mortgage loans from community banks, credit unions, mortgage brokers and mortgage bankers, and also acquire mortgage loans from mortgage brokers that receive applications from and qualify the borrowers. Our 2013 closings from the wholesale/correspondent channel declined to 10% of total closings, from 18% in 2012 and 31% in 2011, reflecting our intent to focus on our retail platform and our efforts to manage cash consumption and loan quality. We expect to continue to manage our wholesale/correspondent platform as a less significant portion of our closing mix during 2014.

Our Mortgage Production segment has experienced, and may continue to experience, high degrees of earnings volatility due to significant exposure to interest rates and the real estate markets, which impacts our loan origination volumes.

Realogy Relationship

The Mortgage Production segment includes PHH Home Loans, LLC (together with its subsidiaries, "PHH Home Loans"), which is a joint venture that we maintain with Realogy Corporation. We own 50.1% of PHH Home Loans through our subsidiaries and Realogy owns the remaining 49.9% through their affiliates. We have the exclusive right to use the Century 21, Coldwell Banker and ERA brand names in marketing our mortgage loan products through PHH Home Loans and other arrangements that we have with Realogy.

The results of our real estate channel are significantly driven by our relationship with Realogy. We work with brokers associated with NRT Incorporated, Realogy's owned real estate brokerage business, brokers associated with Realogy's franchised brokerages ("Realogy Franchisees") and third-party brokers that are not affiliated with Realogy. NRT Incorporated is the largest owner and operator of residential real estate brokerages in the U.S. and Realogy is a franchisor of some of the most recognizable residential real estate brands. In this channel, we also work with Cartus Corporation, Realogy's relocation business, to provide mortgage loans to employees of Cartus' clients. Cartus is an industry leader of outsourced corporate relocation services in the U.S.

The following presents a summary of the relationships with Realogy-owned brokers and its franchisees and third-party brokers within the real estate channel:

Realogy-owned Brokers. Realogy has agreed that the real estate brokerage business owned and operated by NRT Incorporated and the title and settlement services business owned and operated by Title Resource Group LLC will exclusively recommend PHH Home Loans as provider of mortgage loans to: (i) the independent sales associates affiliated with Realogy, excluding the independent sales associates of any Realogy Franchisee; and (ii) all customers of Realogy Services Group LLC and Realogy Services Venture Partner Inc., excluding Realogy Franchisees. In general, our capture rate of mortgage loans where we are the exclusive recommended provider is much higher than in other situations.

Realogy Franchisees and Third Party Brokers. Certain Realogy Franchisees have agreed to exclusively recommend PHH Mortgage as provider of mortgage loans to their respective independent sales associates. Additionally, for other Realogy Franchisees and third-party brokers, we seek to enter into separate marketing service agreements or other arrangements whereby we are the exclusive recommended provider of mortgage loans to each franchise or broker. We have entered into exclusive marketing service agreements with 3% of Realogy Franchisees as of December 31, 2013.

Unless terminated earlier, our relationship with Realogy continues until January 31, 2055. Beginning on February 1, 2015, Realogy has the right, at any time, to give us two years notice of their intent to terminate their interest in PHH Home Loans and the strategic relationship.

Mortgage Servicing

Our Mortgage Servicing segment services mortgage loans originated by PHH Mortgage, purchases mortgage servicing rights and acts as a subservicer for certain clients that own the underlying servicing rights. We principally generate revenue in our Mortgage Servicing segment through fees earned from our servicing rights or from our subservicing agreements. In circumstances where we own the right to service a mortgage loan, either through purchase or origination, we recognize a mortgage servicing right asset; however, our subservicing agreements are less capital intensive and there are no mortgage servicing rights associated with our subservicing arrangements.

We have experienced a 194% growth in the number of loans subserviced for others between December 31, 2012 and 2013, increasing the size of the unpaid principal balance in our subserviced portfolio to $96.3 billion. This growth reflects our efforts to migrate our business to a less capital intensive, fee-for-service business model. In further support of that effort, we have been exploring and implementing funding alternatives for our mortgage servicing rights, including entering into an agreement in October 2013 with Matrix Financial Services Corporation, a subsidiary of Two Harbors Investment Corp., for their purchase of a portion of our newly-created servicing rights that are eligible for sale, subject to mutually acceptable pricing, while we continue to subservice the underlying loans. We believe this funding relationship will contribute positively to our cash flows and allow us to maintain scale for our servicing operations. We may experience a decline in the replenishment rate of our mortgage servicing rights as a result of this emphasis on subservicing relationships.

Our Mortgage Servicing segment has experienced high degrees of earnings volatility due to significant exposure to interest rates and the real estate markets, which impacts the valuation of our mortgage servicing rights and repurchase and foreclosure-related charges.

Fleet Management Services

Our Fleet Management Services segment provides commercial fleet management services to corporate clients and government agencies throughout the United States and Canada. We primarily focus on clients with fleets of greater than 75 vehicles. We provide our clients fleet leasing services and additional services and products including fleet management, maintenance services, accident management services and fuel card programs. Open-end leases represent 98% of our lease portfolio, under which our clients bear substantially all of the residual value risk of vehicles under lease.

We differentiate ourselves from our competitors in the fleet industry through the breadth of our product offering, customer service, and technology. Our data warehousing, information management and online systems support our clients with their evaluation of overall fleet performance and costs, to allow them to better monitor and manage their corporate fleets.

Regulation

We are subject to numerous federal, state and local laws and regulations and may be subject to various judicial and administrative decisions imposing various requirements and restrictions on our business. By agreement with our private label clients in our mortgage business, we are also required to comply with additional requirements that our clients may be subject to through their regulators. These laws, regulations and judicial and administrative decisions include those pertaining to the following areas:

- real estate settlement procedures;
- consumer credit provisions; fair lending, fair credit reporting and truth in lending;
- the establishment of maximum interest rates, finance charges and other charges;
- secured transactions;
- collections, foreclosure, repossession and claims-handling procedures;
- privacy regulations providing for the use and safeguarding of non-public personal financial information of borrowers and guidance on non-traditional mortgage loans issued by the federal financial regulatory agencies;
- taxing and licensing of vehicles and environmental protection; and
- insurance regulations and licensing requirements pertaining to standards of solvency that must be met and maintained; reserves and provisions for unearned premiums, losses and other obligations and deposits of securities for the benefit of policyholders.

There has been a heightened focus of regulators on the practices of the mortgage industry. Consistent with some of our peers, we have experienced inquiries and requests for information from regulators and attorneys general of certain states as well as various governmental agencies. We are working diligently in assessing and understanding the implications of the developments in the regulatory environment, and we are devoting substantial resources towards implementing all of the new rules and towards complying with requests, inquiries, examinations and proceedings while meeting the needs and expectations of our clients.

Mortgage Origination

In January 2014, a rule promulgated by the Bureau of Consumer Financial Protection (the "CFPB") and applicable to mortgage lenders implementing sections of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") became effective. This rule, referred to as the "ability to repay" rule, will require lenders to consider consumers' ability to repay home loans before extending them credit, will limit prepayment penalties, and establishes certain protections for liability, including a safe harbor for certain mortgages that are "qualified mortgages" within the meaning of the rule. Under the rule, a qualified mortgage includes loans with borrower debt-to-income ratios less than or equal to 43% or, alternatively, loans eligible for purchase by Fannie Mae or Freddie Mac while they operate under Federal conservatorship or receivership, as well as loans eligible for insurance or guarantee by FHA and VA. Additionally, a qualified mortgage may not: (i) contain excess upfront points and fees; (ii) have a term greater than 30 years; or (iii) include interest-only or negative amortization payments.

In an effort to minimize our legal liability under the ability to repay rule and to ensure that the mortgages we originate or purchase will be readily saleable to secondary market investors, we intend to originate or purchase mortgages satisfying the requirements of the qualified mortgage safe harbor whenever possible. Compliance with this rule required amendments to certain of our private label client agreements, which were executed in the fourth quarter of 2013.

Mortgage Servicing

In January 2014, the CFPB's rules to address mortgage servicing reforms and create uniform standards for the mortgage servicing industry became effective. These rules increase requirements for communications with borrowers, address requirements around the maintenance of customer account records, govern procedural requirements for responding to written borrower requests and complaints of errors, and provide guidance around servicing of delinquent loans, foreclosure proceedings and loss mitigation efforts, among other measures. We have implemented changes in our servicing operations to address the requirements of these rules.

Dodd Frank Act

The Dodd-Frank Act was signed into law on July 21, 2010 for the express purpose of further regulating the financial services industry, including securitizations, mortgage originations and mortgage sales. The Dodd-Frank Act also established the CFPB to enforce laws involving consumer financial products and services, including mortgage finance. The bureau is empowered with examination and enforcement authority over certain entities involved in mortgage origination and servicing, including PHH Mortgage and PHH Home Loans. Further, the CFPB is proposing and enacting new standards and practices for mortgage originators and servicers that were outlined in the Dodd-Frank Act, including those discussed above.

Six federal agencies, including the SEC, have proposed a rule providing sponsors of securitizations with various options for meeting the risk-retention requirements of the Dodd-Frank Act. Among other things, these options include retaining risk of the securitization transactions equal to at least 5% of each class of asset-backed security, 5% of the par value of all asset-backed security interests issued, 5% of a representative pool of assets, or a combination of these options. Under this proposal, asset-backed securities that are collateralized exclusively by qualified residential mortgages would not be subject to these requirements.

The proposed rule would also recognize that the 100% guarantee of principal and interest provided by Fannie Mae and Freddie Mac meets their risk-retention requirements as sponsors of mortgage-backed securities for as long as they are in conservatorship or receivership with capital support from the U.S. government.

Substantially all of our loans originated for sale are sold to, or pursuant to programs sponsored by, Fannie Mae, Freddie Mac, or Ginnie Mae and therefore would be exempt from the risk-retention requirements under the current proposal. For our lease securitizations, we believe we currently retain a subordinate position relative to the issued asset-backed securities in excess of the proposed 5% requirement, and we are continuing to monitor the potential impact under the proposed rules.

While we are continuing to evaluate all aspects of the Dodd-Frank Act, such legislation and regulations promulgated pursuant to such legislation could materially and adversely affect the manner in which we conduct our businesses, result in heightened federal regulation and oversight of our business activities, and result in increased costs and potential litigation associated with our business activities.

GSE Reforms

In 2012, the Federal Housing Finance Agency (FHFA) issued a strategic plan for the conservatorship of Fannie Mae and Freddie Mac which includes building a new infrastructure for the secondary mortgage market, gradually contracting their dominance in the market place by simplifying and shrinking their operations and maintaining foreclosure prevention activities and credit availability for new and refinanced mortgages. On November 25, 2013, the FHFA released a progress report on the implementation efforts and outlined (i) the development of a new Contractual and Disclosure Framework that will align the contracts and data disclosures that support the mortgage-backed securities and set uniform contracts and standards for MBS that carry no or only a partial federal guarantee; (ii) the development of a common securitization platform that will perform major elements of the securitization process and eventually act as the agent of an issuer; and (iii) the initiation of a Uniform Mortgage Data Program to implement uniform data standards for single-family mortgages.

We continue to monitor the actions of the FHFA and the potential impacts on the mortgage industry, and such actions and impacts could materially and adversely affect the manner in which we conduct our businesses, and result in negative impacts to our Mortgage businesses.

Current Regulatory Matters

We have received inquiries and requests for information from regulators and attorneys general of certain states as well as from the Committee on Oversight and Government Reform of the U.S. House of Representatives and the U.S. Senate Judiciary Committee requesting information as to our mortgage origination and servicing practices, including our foreclosure processes and procedures.

On December 4, 2013, our subsidiary PHH Mortgage Corporation entered into a Consent Order with the New Jersey Attorney General and the New Jersey Division of Consumer Affairs, Office of Consumer Protection. The New Jersey Attorney General conducted a review of our servicing practices, specifically our compliance with the New Jersey Consumer Fraud Act in connection with customer service and other matters related to loss mitigation activities for certain borrowers. The Consent Order requires us to: (i) make a $6 million cash payment to certain borrowers nationwide and to the State of New Jersey; (ii) implement certain servicing practices; and (iii) provide New Jersey quarterly reports for two years related to, among other things, loan modifications, foreclosure activities and the resolution of borrower calls to our loss mitigation department. We have completed the settlement payment and are complying with the other requirements of this Order.

During 2013, we received document subpoenas from the Office of Inspector General of the U.S. Department of Housing and Urban Development ("HUD") and the U.S. Attorney's Office for the Southern District of New York. The HUD subpoenas request production of certain documents related to, among other things, our origination and underwriting process for loans insured by the Federal Housing Administration ("FHA"). The U.S. Attorney's Office subpoena requests production of certain documents related to, among other things, foreclosure expenses that we incurred in connection with the foreclosure of loans insured or guaranteed by FHA, Fannie Mae or Freddie Mac. We have also undergone a regulatory examination by a multistate coalition of certain mortgage banking regulators and such regulators have alleged various violations of federal and state laws related to our mortgage servicing practices prior to July 2011. We believe that we have meritorious defenses to these various allegations. However, there can be no assurance that claims or litigation will not arise from these inquiries or similar inquiries by other governmental authorities or that fines or penalties will not be assessed against us in connection with these matters.

In addition to the increased regulatory focus on origination and servicing practices described above, Fannie Mae and Freddie Mac have also had a continued focus on foreclosure practices. They have assessed compensatory fees against us for failing to meet certain foreclosure timelines specified in their respective servicing guides. Although such compensatory fees have not been material to date, there can be no assurance that the assessment of any such compensatory fees will not be material to our results of operations or cash flows in the future.

In January 2012, we were notified that the CFPB had opened an investigation to determine whether our mortgage insurance premium ceding practices to captive reinsurers comply with the Real Estate Settlement Procedures Act and other laws enforced by the CFPB . Through our reinsurance subsidiaries, we assumed risk in exchange for premiums ceded from primary mortgage insurance companies. We did not provide reinsurance on loans originated after 2009. In January 2014, the CFPB initiated an administrative proceeding alleging that our former reinsurance activities violated certain provisions of the Real Estate Settlement Procedures Act. We believe that we have complied with the Real Estate Settlement Procedures Act and other laws applicable to our former mortgage reinsurance activities, and we intend to vigorously defend against the CFPB's allegations. Given the nature of this investigation and the related allegations, we cannot estimate the amount of loss or a range of possible losses, if any, and there can be no assurance that the ultimate resolution of this matter will not result in losses, which could be material to our results of operations, cash flows or financial position.

We expect that the higher level of legislative and regulatory focus on mortgage origination and servicing practices will result in higher legal, compliance and servicing related costs as well as potential regulatory fines and penalties. It is also reasonably possible that we could experience an increase in mortgage origination or servicing related litigation in the future. For more information, see "—Item 1A. Risk Factors—Risks Related to our Company —*Our Mortgage businesses are complex and heavily regulated, and the full impact of regulatory developments to our businesses remains uncertain. In addition, we are subject to litigation, regulatory investigations, inquiries and proceedings and we may incur fines, penalties, and increased costs that could negatively impact our future results of operations, liquidity and cash flows or damage our reputation.* " in this Form 10-K.

Competition

The industries in which we operate are highly competitive. The principal factors for competition in our business are service, quality, products and price. We focus on customer service while working to enhance the efficiency of our operating platform. Excellent customer service is also a critical component of our competitive strategy to win new clients and maintain existing clients. We, along with our clients, consistently track and monitor customer service levels and look for ways to improve customer service. There are a limited number of industry participants in the mortgage outsourcing business. Some of our largest competitors in the mortgage business include Bank of America, Wells Fargo Home Mortgage, Chase Home Finance, Quicken Loans and CitiMortgage. The fleet industry is concentrated in a limited number of national firms. Our competitors in the fleet management business include GE Commercial Finance Fleet Services, Wheels, Inc., Automotive Resources International, Lease Plan International, and other local and regional competitors, including numerous competitors who focus on one or two products.

Competitive conditions in the mortgage business can be impacted by shifts in consumer preference between variable-rate and fixed-rate mortgage loans, depending on the interest rate environment. Many smaller and mid-sized financial institutions may find it difficult to compete in the mortgage industry due to the consolidation in the industry and the need to invest in technology in order to reduce operating costs while maintaining compliance in an increasingly complex regulatory environment. Additionally, more restrictive underwriting standards and the elimination of certain products has resulted in a more homogenous product offering, which has increased competition for conforming mortgages across the industry.

We are party to a strategic relationship agreement dated as of January 31, 2005 between PHH Mortgage, PHH Home Loans, PHH Broker Partner, Realogy Services Venture Partner Inc. and Cendant Corporation (now known as Avis Budget Group, Inc.), which, among other things, restricts us and our affiliates, subject to limited exceptions, from engaging in certain residential real estate services, including any business conducted by Realogy. The strategic relationship agreement also provides that we will not directly or indirectly sell any mortgage loans or mortgage loan servicing to certain competitors in the residential real estate brokerage franchise businesses in the U.S. (or any company affiliated with them).

Many of our competitors are larger than we are and have access to greater financial resources than we do, which can place us at a competitive disadvantage. In addition, many of our largest competitors are banks or are affiliated with banking institutions, the advantages of which include, but are not limited to, the ability to hold new mortgage loan originations in an investment portfolio and having access to financing with more favorable terms than we do, including lower rate bank deposits as a source of liquidity. See "—Item 1A. Risk Factors—Risks Related to Our Company—*The industries in which we operate are highly competitive and many of our competitors have access to greater financial resources, lower funding costs and greater access to liquidity, which may place us at a competitive disadvantage.*" in this Form 10-K for more information.

Trademarks and Intellectual Property

The trade names and related logos of our private-label clients are material to our Mortgage Production and Mortgage Servicing segments, as these clients license the use of their names to us in connection with our mortgage outsourcing business. These trademark licenses generally run for the duration of our origination services agreements with such financial institution clients and facilitate the origination services that we provide to them. Realogy's brand names and related items, such as logos and domain names, of its owned and franchised residential real estate brokerages are material to our Mortgage Production and Mortgage Servicing segments.

Realogy licenses its real estate brands and related items, such as logos and domain names, to us for use in the mortgage loan origination services that we provide to Realogy's owned real estate brokerage, relocation and settlement services businesses. In connection with our spin-off from Cendant Corporation (now known as Avis Budget Group, Inc.), we entered into trademark license agreements with TM Acquisition Corp., Coldwell Banker Real Estate Corporation and ERA Franchise Systems, Inc. Pursuant to these agreements, PHH Mortgage was granted a license in connection with mortgage loan origination services on behalf of Realogy's franchised real estate brokerage business and PHH Home Loans was granted a license in connection with its mortgage loan origination services on behalf of Realogy's owned real estate brokerage business owned and operated by NRT, the relocation business owned and operated by Cartus Corporation and the settlement services business owned and operated by Title Resource Group LLC.

The service mark "PHH" and related trademarks and logos are meaningful to our Fleet Management Services segment. All of the material marks used by us in our Fleet Management Services segment are registered (or have applications pending for registration) with the U.S. Patent and Trademark Office. All of the material marks used by us in our Fleet Management Services segment are also registered in Canada and the "PHH" mark and logo are registered (or have applications pending) in those major countries where we have strategic partnerships with local providers of fleet management services. Except for the "Arval" mark, which we license from a third party so that we can do business as PHH Arval in the U.S. and Canada, we own the material marks used by us in our Fleet Management Services segment.

Seasonality

Our Mortgage Production segment is subject to seasonal trends that reflect the pattern in the national housing market. Home sales typically rise during the spring and summer seasons and decline during the fall and winter seasons. Seasonality has less of an effect on mortgage refinancing activity, which is primarily driven by prevailing mortgage rates relative to borrowers' current interest rate, home prices and levels of home equity.

Our Mortgage Servicing and Fleet Management segments are generally not subject to seasonal trends.

Inflation

An increase in inflation could have a significant impact on our Mortgage Production and Mortgage Servicing segments. Interest rates normally increase during periods of rising inflation. Historically, as interest rates increase, mortgage loan production decreases, particularly production from loan refinancing. An environment of gradual interest rate increases may, however, signify an improving economy or increasing real estate values, which in turn may stimulate increased home buying activity. Generally, in periods of reduced mortgage loan production, the associated profit margins also decline due to increased competition among mortgage loan originators, which further pressures mortgage production profitability. Conversely, in a rising interest rate environment, our mortgage loan servicing revenues generally increase because mortgage prepayment rates tend to decrease, extending the average life of our servicing portfolio and increasing the value of our MSRs. See further discussion within "—Item 1A. Risk Factors— Risks Related to our Company—*Certain hedging strategies that we may use to manage risks associated with our assets, including mortgage loans held for sale, interest rate lock commitments, mortgage servicing rights and foreign currency denominated assets, may not be effective in mitigating those risks and could result in substantial losses that could exceed the losses that would have been incurred had we not used such hedging strategies.*", "Part II—Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management," and "Part II—Item 7A. Quantitative and Qualitative Disclosures About Market Risk" in this Form 10-K.

Inflation does not have a significant impact on our Fleet Management Services segment.

Employees

As of December 31, 2013, we employed a total of approximately 6,000 persons. Management considers our employee relations to be satisfactory. None of our employees were covered under collective bargaining agreements during the year ended December 31, 2013.

Item 1A. Risk Factors

Risks Related to Our Company

We are exploring ways to maximize shareholder value through the sale or separation of our fleet business, our mortgage business, or both such businesses. There are inherent risks and uncertainties associated with pursuing such exploratory activities and/or consummating one or more such transactions. These risks and uncertainties could have a material adverse impact on our businesses generally, including our client, employee, lender, vendor and counterparty relationships, as well as our results of operations, cash flows, liquidity or financial position.

There can be no assurances that we will execute one or more transactions to sell or separate our fleet business, our mortgage business, or both such businesses. The market price of our outstanding securities, including securities issued by our subsidiaries, may reflect a market assumption that one or more such transactions will occur, and the failure to consummate one or more such transactions could result in a decline in the market price of such securities. Furthermore, the exploration or consummation of any such transaction may require the diversion of a significant amount of management time and attention away from the daily operation of our businesses and the execution of our business plan, and may also have an adverse impact on our businesses generally, including adverse impacts on our client, employee, lender, vendor and counterparty relationships.

The exploration or consummation of any transaction involving the sale or separation of one or both of our fleet or mortgage businesses could also consume significant financial resources and result in significant expenses being incurred that may not have been incurred had such exploratory activities or transactions not been undertaken. There can also be no assurance that securities ratings of our outstanding debt securities, including securities issued by our subsidiaries, will not be downgraded as a result of pursuing these exploratory activities or consummating one or more transactions associated with the sale or separation of one or both of our fleet or mortgage businesses. Furthermore, we may be exposed to an increased risk of litigation arising as a result of any transaction involving the sale or separation of one or both of our fleet or mortgage businesses.

Our Mortgage businesses are complex and heavily regulated, and the full impact of regulatory developments to our businesses remains uncertain. In addition, we are subject to litigation, regulatory investigations, inquiries and proceedings and we may incur fines, penalties, and increased costs that could negatively impact our future results of operations, liquidity and cash flows or damage our reputation.

Our Mortgage Production and Mortgage Servicing segments are subject to numerous federal, state and local laws and regulations and may be subject to various judicial and administrative decisions imposing various requirements and restrictions on our business. These laws, regulations and judicial and administrative decisions to which our Mortgage Production and Mortgage Servicing segments are subject include those pertaining to: real estate settlement procedures; fair lending; fair credit reporting; truth in lending; compliance with net worth and financial statement delivery requirements; compliance with federal and state disclosure and licensing requirements; the establishment of maximum interest rates, finance charges and other charges; secured transactions; collection, foreclosure, repossession and claims-handling procedures; other trade practices and privacy regulations providing for the use and safeguarding of non-public personal financial information of borrowers and guidance on non-traditional mortgage loans issued by the federal financial regulatory agencies. By agreement with our private-label clients, we are required to comply with additional requirements that our clients may be subject to through their regulators. Our failure to comply with applicable laws, rules or regulations would expose us to fines, penalties or potential litigation liabilities, including costs, settlements and judgments, or may result in the termination of our private-label agreements, any of which could have a material adverse effect on our business, financial position, results of operations or cash flows.

We are currently subject to inquiries, requests for information, investigations, and proceedings as a result of our mortgage origination and servicing practices, including inquiries and requests for information from and investigations by regulators and attorneys general of certain states, the U.S. Department of Housing and Urban Development, the U.S. Attorney's Office for the Southern District of New York, the Committee on Oversight and Government Reform of the U.S. House of Representatives, and the U.S. Senate Judiciary Committee. The Bureau of Consumer Financial Protection (the "CFPB") has initiated an administrative proceeding alleging that our former reinsurance activities violated certain provisions of the Real Estate Settlement Procedures Act and other laws. We have received document subpoenas from the Office of Inspector General of the U.S. Department of Housing and Urban Development ("HUD") and the U.S. Attorney's Office for the Southern District of New York. The HUD subpoenas request production of certain documents related to, among other things, our origination and underwriting process for loans insured by the Federal Housing Administration ("FHA"). The U.S. Attorney's Office subpoena requests production of certain documents related to, among other things, foreclosure expenses that we incurred in connection with the foreclosure of loans insured or guaranteed by FHA, Fannie Mae or Freddie Mac. These matters are at varying procedural stages and the resolution of any of these matters may result in adverse judgments, fines, penalties, injunctions and other relief against us, payments made in settlement arrangements, as well as monetary payments or other agreements and obligations, any of which could have a material adverse effect on our business, financial position, results of operations, liquidity or cash flows.

There has been a heightened focus of regulators on the practices of the mortgage industry, including investigations of lending practices, foreclosure practices, and loss mitigation practices, among other matters. Our mortgage origination and servicing competitors have been subject to actions from, and settlements with, the U.S. Department of Justice under the False Claims Act and other statutes, alleging, among other things, reckless mortgage lending practices and improper or inadequate certification to the government in connection with the Federal Housing Administration's Direct Endorsement Lending Program. We have incurred increased expenses associated with these matters, and there can be no assurance that we will not incur fines, penalties, further settlement payments or increased legal costs in connection with existing inquiries, requests for information and investigations, or that future regulatory investigations may not arise. The heightened focus of regulators on the practices of the mortgage industry have resulted and could continue to result in new legislation and regulations that could materially and adversely affect the manner in which we conduct our mortgage business and have resulted in increased origination and servicing costs and potential litigation associated with our mortgage businesses.

We are monitoring a number of recent and pending changes to laws and regulations and other financial reform legislation that are expected to impact our Mortgage segments. These developments include but are not limited to: (i) regulations from the Dodd-Frank Act, including the risk-retention requirements and definition of "qualified mortgages"; (ii) proposed changes to the infrastructures of Fannie Mae and Freddie Mac; and (iii) current rules proposed and adopted by the CFPB, including uniform standards for the mortgage servicing industry. Certain provisions of the Dodd-Frank Act and of pending legislation in the U.S. Congress may impact the operation and practices of Fannie Mae and Freddie Mac, and could reduce or eliminate the GSE's ability to issue mortgage-backed securities, which would materially and adversely affect our businesses and could require us to fundamentally change our business model since we sell substantially all of our loans pursuant to GSE-sponsored programs. These developments could also result in heightened federal regulation and oversight of our business activities and increase costs and potential litigation associated with our business activities. The full impact these developments may have on our mortgage origination, servicing and securitization or structured finance transactions remains unclear.

We are substantially dependent upon our unsecured and secured funding arrangements, a significant portion of which are short-term agreements. If any of our funding arrangements are terminated, not renewed or otherwise become unavailable to us, we may be unable to find replacement financing on economically viable terms, if at all, which would adversely affect our ability to fund our operations.

We are substantially dependent upon various sources of funding, including unsecured credit facilities and other unsecured debt, as well as secured funding arrangements, including asset-backed securities, mortgage warehouse facilities and other secured credit facilities to fund mortgage loans and vehicle acquisitions, a significant portion of which is short-term in nature. Our access to both the secured and unsecured credit markets is subject to prevailing market conditions. Renewal of our existing series of, or the issuance of new series of, vehicle lease asset-backed notes on terms acceptable to us or our ability to enter into alternative vehicle management asset-backed debt arrangements could be adversely affected in the event of: (i) the deterioration in the quality of the assets underlying the asset-backed debt arrangement; (ii) termination of our role as servicer of the underlying lease assets in the event that we default in the performance of our servicing obligations or we declare bankruptcy or become insolvent; or (iii) our failure to maintain a sufficient level of eligible assets or credit enhancements, including collateral intended to provide for any differential between variable-rate lease revenues and the underlying variable-rate debt costs. In addition, our access to and our ability to renew our existing mortgage asset-backed debt could suffer in the event of: (i) the deterioration in the performance of the mortgage loans underlying the asset-backed debt arrangement; (ii) our failure to maintain sufficient levels of eligible assets or credit enhancements; (iii) our inability to access the secondary market for mortgage loans; or (iv) termination of our role as servicer of the underlying mortgage assets in the event that (a) we default in the performance of our servicing obligations or (b) we declare bankruptcy or become insolvent.

Certain of our debt arrangements require us to comply with specific financial covenants and other affirmative and restrictive covenants, including requirements to post additional collateral or to fund assets that become ineligible under our secured funding arrangements. An uncured default of one or more of these covenants could result in a cross-default between and amongst our various debt arrangements. Consequently, an uncured default under any of our debt arrangements that is not waived by our lenders and that results in an acceleration of amounts payable to our lenders or the termination of credit facilities would materially and adversely impact our liquidity, could force us to sell assets at below market prices to repay our indebtedness, and could force us to seek relief under the U.S. Bankruptcy Code.

If any of our credit facilities are terminated or are not renewed, we may be unable to find replacement financing on commercially favorable terms, if at all, which could adversely impact our operations and prevent us from: (i) executing our business plan and related risk management strategies; (ii) originating new mortgage loans or vehicle leases; or (iii) fulfilling commitments made in the ordinary course of business. These factors could reduce revenues attributable to our business activities or require us to sell assets at below market prices, either of which would have a material adverse effect on our overall business and consolidated financial position, results of operations and cash flows. Most of our mortgage asset backed debt facilities mature within one year and generally, these facilities require us to maintain a specified amount of available liquidity from other facilities. As such, our liquidity profile and compliance with debt covenants depends on our ability to renew multiple facilities within a short time frame and our failure to do so could materially adversely impact our overall business and financial position, results of operations and cash flows.

We are highly dependent upon programs administered by Fannie Mae, Freddie Mac and Ginnie Mae. Failure to maintain our relationships with each of Fannie Mae, Freddie Mac and Ginnie Mae would materially and adversely affect our business, financial position, results of operations or cash flows.

Our ability to generate revenues in our Mortgage Production and Servicing Segments is highly dependent on programs administered by Fannie Mae, Freddie Mac, Ginnie Mae and others that facilitate the issuance of mortgage-backed securities in the secondary market. These entities play a powerful role in the residential mortgage industry, and we have significant business relationships with them. Our status as a Fannie Mae, Freddie Mac and Ginnie Mae approved seller/servicer is subject to compliance with each entity’s respective selling and servicing guidelines and failure to meet such guidelines could result in the unilateral termination of our status as an approved seller/servicer.

During 2013, 80% of our mortgage loan sales were sold to, or were sold pursuant to programs sponsored by, Fannie Mae, Freddie Mac or Ginnie Mae. We also derive other material financial benefits from our relationships with Fannie Mae, Freddie Mac and Ginnie Mae, including the assumption of credit risk by these entities on loans included in mortgage-backed securities in exchange for our payment of guarantee fees, the ability to avoid certain loan inventory finance costs through streamlined loan funding and sale procedures and the use of mortgage warehouse facilities with Fannie Mae pursuant to which, as of December 31, 2013, we had total capacity of $3.0 billion, made up of $500 million of committed and $2.5 billion uncommitted capacity. In addition, we service loans on behalf of Fannie Mae and Freddie Mac, as well as loans that have been securitized pursuant to securitization programs sponsored by Fannie Mae, Freddie Mac and Ginnie Mae in connection with the issuance of agency guaranteed mortgage-backed securities and a majority of our mortgage servicing rights relate to these servicing activities. These entities establish the base service fee to compensate us for servicing loans as well as the assessment of fines and penalties that may be imposed upon us for failing to meet servicing standards.

Changes in existing U.S. government-sponsored mortgage programs or servicing eligibility standards could materially and adversely affect our business, financial position, results of operations, liquidity or cash flows and could require us to fundamentally change our business model in order to effectively compete in the market.

Congress has held hearings about and received reports outlining the long-term strategic plan for, and various options for long-term reform of Fannie Mae and Freddie Mac. These options involve reducing government support for housing finance and gradually reducing the role of Fannie Mae and Freddie Mac in the mortgage market and ultimately winding down both institutions. In 2012, the U.S. Treasury Department announced further steps to expedite the wind down of Fannie Mae and Freddie Mac, including an accelerated liquidation of Fannie Mae's and Freddie Mac's retained mortgage investment portfolios, and further legislation has been drafted in 2013 towards enacting the wind down of these entities. Other reforms of Fannie Mae and Freddie Mac may include, among other actions: (i) further reductions in conforming loan limits; (ii) increases in guarantee fees; (iii) standardization of servicing protocols; (iv) changes to servicer compensation; and (v) increased MBS disclosures.

The accelerated liquidation of Fannie Mae's and Freddie Mac's retained mortgage investment portfolios and other proposed reforms may impact the pricing of mortgage related assets in the secondary market, result in higher mortgage rates to borrowers, and have a resulting negative impact on mortgage origination volumes and margins across the mortgage industry, any one of which could have a negative impact on our Mortgage production business. Additionally, it is unclear what impact these changes will have on the secondary mortgage markets, mortgage-backed securities pricing, and competition in the industry.

Although we do not presently believe that the accelerated liquidation of Fannie Mae's and Freddie Mac's retained mortgage investment portfolios would have any direct impact on their respective mortgage guaranty programs, Fannie Mae and Freddie Mac have put into effect a series of increases to guarantee fees charged to mortgage originators like us, and such increases may continue in 2014. Increases in guaranty fees could result in higher mortgage rates charged to borrowers, which could result in reduced demand for mortgages, or reduced pricing margins or both. Accordingly, further increases in guaranty fees could also adversely impact mortgage origination volumes or pricing margins across the mortgage industry, including our mortgage origination volumes and pricing margins, and such impacts could be material.

We historically have relied on selling conforming mortgage loans to the GSEs or securitizing our mortgage loans pursuant to GSE sponsored programs in order to generate liquidity. The potential changes to the government-sponsored mortgage programs could require us to fundamentally change our business model in order to effectively compete in the market. Our inability to make the necessary changes to respond to these changing market conditions or loss of our approved seller/servicer status with any of these entities, would have a material adverse effect on our overall business and our consolidated financial position, results of operations, liquidity and cash flows. Any discontinuation of, significant reduction of or material change in, the operation or underwriting standards of these entities would likely prevent us from originating and selling most, if not all, of our saleable mortgage loan originations.

The private label originations of our Mortgage Production segment are substantially dependent upon a small number of client relationships, including those with Merrill Lynch Home Loans, a division of Bank of America, National Association and Morgan Stanley Private Bank, N.A.. The termination or non-renewal of our contractual agreements with certain of these clients would materially and adversely impact our mortgage loan originations and resulting Net revenues and Segment profit of our Mortgage Production segment, as well as our overall business and our consolidated financial position, results of operations and cash flows.

Our private label business channel is substantially dependent upon a small number of client relationships, and account for 67% and 56% of our total closings for the years ended December 31, 2013 and 2012, respectively. In particular, Merrill Lynch Home Loans, a division of Bank of America, National Association, represented approximately 29% and 27%, and Morgan Stanley Private Bank, N.A. represented 12% and 7% of our total closings for the years ended December 31, 2013 and 2012, respectively. Our agreement with Merrill Lynch Home Loans is scheduled to expire on December 31, 2015 and there can be no assurances that the agreement will be renewed on favorable terms, if at all. We are currently in discussions with Merrill Lynch Home Loans about the future structure of this relationship, including our involvement in their mortgage origination services. The non-renewal of this arrangement would negatively impact our mortgage loan originations volume, and would adversely impact our Net revenues and Segment profit of our Mortgage Production segment, as well as our overall business and our consolidated financial position, results of operations and cash flows.

Further, the loss of certain of our other private label clients, whether due to insolvency, their unwillingness or inability to perform their obligations under their respective contractual relationships with us, their termination of their respective contractual relationships with us due to our failure to fully satisfy our contractual obligations, or if we are not able to renew on commercially reasonable terms any of their respective contractual relationships with us, may materially and adversely impact our mortgage loan originations and resulting Net revenues and Segment profit of our Mortgage Production segment as well as our results of operations and cash flows.

The profitability of our Mortgage Production segment has been adversely affected by the increased mix of fee-based closings originated under our existing private label client contracts. We are currently evaluating a number of alternatives to restructure these contracts to improve the economics of the underlying contractual relationships; however, there can be no assurances that we will be successful in these efforts.

Through our private label agreements, we earn contractually specified origination assistance fees from our financial institution clients for the performance of mortgage loan origination services. During 2013, we observed a significant increase in our origination mix of fee-based closings, which is driven by our financial-institution clients' decisions to retain mortgage loans. The increased mix of fee-based closings has adversely affected the profitability of our Mortgage Production segment as the revenue per loan on fee-based closings is generally lower than the revenue per loan on saleable closings. Despite our efforts to align our cost structure with the expected mortgage production environment, based on the current market conditions and expected volumes, margins and mix, these contracts will likely be unprofitable on a fully allocated basis during 2014.

We are evaluating a number of alternatives to remedy the profitability of these arrangements. Although we have held discussions with a majority of our private label clients to amend the terms of the underlying agreements prior to their expiration, we have had modest success in executing amendments to improve the economics of the private label channel. Furthermore, we are currently obligated to perform under these agreements for terms ranging from 1 to 4 years. We will attempt to negotiate more favorable pricing as these agreements are eligible for renewal, although there can be no assurance that we will be successful in these efforts to renew the contracts on more favorable economic terms, if at all. Any failures to implement changes could have material adverse effects on our results of operations and cash flows. The amount of losses and negative cash flows that we may realize under these arrangements cannot be readily estimated as it is dependent on the volume of fee-based business we will experience, which may be impacted by the decisions of our financial institution clients towards fee-based production, as well as general market factors (such as interest rate levels) that drive the volume of loan originations, both of which are outside of our control.

Our Mortgage Production segment is substantially dependent upon our relationship with Realogy, and the termination or non-renewal of our contractual agreements with Realogy would have a material adverse effect on our business, financial position, results of operations and cash flows.

We are party to a Strategic Relationship Agreement dated as of January 31, 2005 between PHH Mortgage, PHH Home Loans, PHH Broker Partner, Realogy Services Venture Partner Inc. and Cendant Corporation (now known as Avis Budget Group, Inc.). Under the Strategic Relationship Agreement we are the exclusive recommended provider of mortgage loans to the independent sales associates affiliated with the real estate brokerage business owned and operated by Realogy's affiliates and certain customers of Realogy. Similarly, PHH Mortgage is party to a marketing agreement with Realogy's real estate brokerage franchises (Coldwell Banker Real Estate Corporation, Century 21 Real Estate LLC, ERA Franchise Systems, Inc., and Sotheby's International Affiliates, Inc.) which provides that we are the exclusive recommended provider of mortgage loans and related products to the independent sales associates of these franchises. PHH Home Loans is a joint venture that was formed for the purpose of originating and selling mortgage loans primarily sourced through Realogy's owned real estate brokerage business. The operations of PHH Home Loans are governed by the PHH Home Loans Operating Agreement.

During the year ended December 31, 2013, 21% of the mortgage loans originated by the Company were derived from Realogy Corporation's affiliates, of which 85% were originated by PHH Home Loans. In addition, during the year ended December 31, 2013, PHH Home Loans originated residential mortgage loans of $9.3 billion and PHH Home Loans brokered or sold $5.0 billion of mortgage loans to PHH Mortgage under the terms of a loan purchase arrangement.

Unless terminated earlier, our relationship with Realogy continues until January 31, 2055. However, under the PHH Home Loans Operating Agreement, beginning on February 1, 2015, Realogy has the right at any time to give us two years notice of their intent to terminate their interest in PHH Home Loans. In addition, the Strategic Relationship Agreement and the PHH Home Loans Operating Agreement outline certain terms and events that would terminate the exclusivity relationship, the PHH Home Loans joint venture, and/or Realogy's other agreements and arrangements with us. These terms and events include, but are not limited to, if:

- we materially breach any representation, warranty, covenant or other agreement contained in the Strategic Relationship Agreement, the Marketing Agreement, Trademark License agreements or certain other related agreements, including, without limitation to, our confidentiality agreements in the PHH Home Loans Operating Agreement and the Strategic Relationship Agreement, and our non-competition agreements in the Strategic Relationship Agreement that is not cured following any applicable notice or cure period;
- we become subject to any regulatory order or governmental proceeding that prevents or materially impairs PHH Home Loans' ability to originate mortgage loans for any period of time (which order or proceeding is not generally applicable to companies in the mortgage lending business) in a manner that adversely affects the value of one or more of the quarterly distributions to be paid by PHH Home Loans pursuant to the PHH Home Loans Operating Agreement;
- PHH Home Loans fails to make scheduled distributions pursuant to the PHH Home Loans Operating Agreement; or
- there is a change in control of us, PHH Broker Partner Corporation or any other affiliate of ours involving certain competitors or other specified parties.

Upon a termination of the PHH Home Loans joint venture by Realogy or its affiliates, Realogy will have the right either: (i) to require that we or certain of our affiliates purchase all of Realogy's interest in PHH Home Loans; or (ii) to cause us to sell our interest in PHH Home Loans to an unaffiliated third party designated by certain of Realogy's affiliates. If we were required to purchase Realogy's interest in PHH Home Loans, such purchase could have a material adverse impact on our liquidity. Additionally, any termination of PHH Home Loans will also result in a termination of the Strategic Relationship Agreement and our exclusivity rights under the Strategic Relationship Agreement.

If Realogy were to terminate its exclusivity obligations with respect to us, PHH Home Loans or our other arrangements, any such termination would likely result in our loss of most, if not all, of our mortgage loan originations, Net revenues and Segment profit (loss) of our Mortgage Production segment derived from Realogy's affiliates, which would have a material adverse effect on our overall business and our consolidated financial position, results of operations, cash flows and liquidity.

Certain hedging strategies that we may use to manage risks associated with our assets, including mortgage loans held for sale, interest rate lock commitments, mortgage servicing rights and foreign currency denominated assets, may not be effective in mitigating those risks and could result in substantial losses that could exceed the losses that would have been incurred had we not used such hedging strategies.

We may employ various economic hedging strategies in an attempt to mitigate the interest rate and prepayment risk inherent in many of our assets, including our mortgage loans held for sale, interest rate lock commitments and, from time to time, our mortgage servicing rights. Our hedging activities may include entering into derivative instruments. We also seek to manage interest rate risk in our Mortgage Production and Mortgage Servicing segments partially without the use of financial derivatives by monitoring and seeking to maintain an appropriate balance between our loan production volume and the size of our mortgage servicing portfolio, as the value of mortgage servicing rights and the income they provide tend to be counter-cyclical to the changes in production volumes and the gain or loss on loans that result from changes in interest rates. This approach requires our management to make assumptions with regards to future replenishment rates for our mortgage servicing rights, loan margins, the value of additions to our mortgage servicing rights and loan origination costs, and many factors can impact these estimates, including loan pricing margins and our ability to adjust staffing levels to meet changing consumer demand. Our decisions regarding the levels, if any, of our derivatives related to mortgage servicing rights could result in continued volatility in the results of operations for our Mortgage Servicing segment.

We are also exposed to foreign exchange risk associated with our investment in our Canadian operations and with foreign exchange forward contracts that we have entered into, or may in the future enter into, to hedge U.S. dollar denominated borrowings used to fund Canadian dollar denominated leases and operations. Our hedging decisions in the future to manage these foreign exchange risks will be determined in light of the facts and circumstances existing at the time and may differ from our current hedging strategy.

Our hedging strategies, including our decisions whether to use financial derivatives to hedge our Mortgage servicing rights, may not be effective in mitigating the risks related to changes in interest rates or foreign exchange rates and we may not have sufficient liquidity to exercise our strategies. Poorly designed strategies or improperly executed transactions could actually increase our risk and losses, and could result in losses in excess of what our losses would have been had we not used such hedging strategies. There have been periods, and it is likely that there will be periods in the future, during which we incur significant losses as a result of our hedging strategies. As stated earlier, the success of our interest rate risk management strategy and our replenishment strategies for our mortgage servicing rights are largely dependent on our ability to predict the earnings sensitivity of our loan servicing and loan production activities in various interest rate environments, as well as our ability to successfully manage any capacity constraints in our mortgage production business and our ability to maintain sufficient liquidity to exercise these strategies. Our hedging strategies also rely on assumptions and projections regarding our assets and general market factors. If these assumptions and projections prove to be incorrect or our hedges do not adequately mitigate the impact of changes including, but not limited to, interest rates or prepayment speeds or foreign exchange rate fluctuations, we may incur losses that could have a material adverse effect on our business, financial position, results of operations or cash flows.

Our senior unsecured long-term debt ratings are below investment grade and, as a result, we may be limited in our ability to obtain or renew financing on economically viable terms or at all.

Our senior unsecured long-term debt ratings are below investment grade and, as a result, our access to the public debt markets may be severely limited in comparison to the ability of investment grade issuers to access such markets. We may be required to rely on alternative financing, such as bank lines and private debt placements, and may also be required to pledge otherwise unencumbered assets. There can be no assurances that we would be able to find such alternative financing on terms acceptable to us, if at all. Furthermore, we may be unable to renew all of our existing bank credit commitments beyond the then-existing maturity dates. As a consequence, our cost of financing could rise significantly, thereby negatively impacting our ability to finance our mortgage loans held for sale, mortgage servicing rights and net investment in fleet leases. Any of the foregoing would have a material adverse effect on our business, financial position, results of operations, liquidity and cash flows.

Our ratings may be subject to downgrades as a result of: our exploration or the consummation of a separation or sale of our fleet business, our mortgage business, or both such businesses; if our business and financial results deteriorate significantly; our decisions to use financial derivatives to hedge our mortgage servicing rights; if we are unable to put in place sources of liquidity to fund our business satisfactory to the rating agencies; regulatory reviews, investigations, proceedings or other claims and enforcement actions result in material monetary exposures and/or other negative consequences, among other factors. We cannot predict the impact any further negative debt ratings actions may have on our cost of capital, ability to incur new indebtedness or refinance our existing indebtedness or ability to retain or secure customers.

There can be no assurances that our credit rating by the primary ratings agencies reflects all of the risks of an investment in our debt securities. Our credit ratings are an opinion by the rating agency of our ability to pay our obligations. Any of our credit ratings are subject to revision or withdrawal at any time by the applicable rating agency. Actual or anticipated changes in our credit ratings will generally affect the market value of our debt securities. Our credit ratings, however, may not reflect the potential impact of risks related to market conditions generally or other factors on the market value of, or trading market for, our debt securities.

Changes in interest rates could materially and adversely affect our volume of mortgage loan originations or reduce the value of our mortgage servicing rights, either of which could have a material adverse effect on our business, financial position, results of operations, liquidity or cash flows.

Changes in and the level of interest rates are key drivers of our mortgage loan originations in our Mortgage Production segment and mortgage loan refinancing activity, in particular. The level of interest rates are significantly affected by monetary and related policies of the federal government, its agencies and government sponsored entities, which are particularly affected by the policies of the Federal Reserve Board that regulates the supply of money and credit in the United States. The Federal Reserve Board’s policies, including initiatives to stabilize the U.S. housing market and to stimulate overall economic growth, affect the size of the mortgage loan origination market, the pricing of our interest-earning assets and the cost of our interest-bearing liabilities. Changes in any of these policies are beyond our control, difficult to predict, particularly in the current economic environment, and could have a material adverse effect on our business, financial position, results of operations, liquidity or cash flows.

Historically, rising interest rates have generally been associated with a lower volume of loan originations and lower pricing margins in our Mortgage Production segment due to a disincentive for borrowers to refinance at a higher interest rate, while falling interest rates have generally been associated with higher loan originations and higher pricing margins, due to an incentive for borrowers to refinance at a lower interest rate. Our ability to generate Gain on mortgage loans, net in our Mortgage Production segment is significantly dependent on our level of mortgage loan originations. Accordingly, increases in interest rates could materially and adversely affect our mortgage loan origination volume, which could have a material and adverse effect on our Mortgage Production segment, as well as our overall business and our consolidated financial position, results of operations, liquidity or cash flows. In addition, changes in interest rates may require us to post additional collateral under certain of our financing arrangements and derivative agreements which could impact our liquidity.

Changes in interest rates are also a key driver of the performance of our Mortgage Servicing segment as the values of our mortgage servicing rights are highly sensitive to changes in interest rates. Historically, the value of our mortgage servicing rights have increased when interest rates rise and have decreased when interest rates decline due to the effect those changes in interest rates have on prepayment estimates, with changes in fair value of our mortgage servicing rights being included in our consolidated results of operations. Because we do not currently utilize derivatives to hedge a substantial portion of our mortgage servicing rights, our consolidated financial positions, results of operations and cash flows are susceptible to significant volatility due to changes in the fair value of our mortgage servicing rights as interest rates change. As a result, substantial volatility in interest rates materially affects our Mortgage Servicing segment, as well as our consolidated financial position, results of operations and cash flows.

The industries in which we operate are highly competitive and many of our competitors have access to greater financial resources, lower funding costs and greater access to liquidity, which may place us at a competitive disadvantage.

We operate in highly competitive industries that could become even more competitive as a result of economic, legislative, regulatory or technological changes. Competition for mortgage loan originations comes primarily from commercial banks and savings institutions, as well as non-bank mortgage originators. Many of our competitors for mortgage loan originations that are commercial banks or savings institutions typically have access to greater financial resources, have lower funding costs, are less reliant than we are on the sale of mortgage loans into the secondary markets to maintain their liquidity, and may be able to participate in government programs that we are unable to participate in because we are not a state or federally chartered depository institution, all of which places us at a competitive disadvantage. The advantages of our largest competitors include, but are not limited to, their ability to hold new mortgage loan originations in an investment portfolio and their access to lower rate bank deposits as a source of liquidity. Additionally, more restrictive loan underwriting standards and the widespread elimination of certain non-conforming mortgage products throughout the industry have resulted in a more homogenous product offering, which has increased competition across the industry for mortgage originations.

The fleet management industry in which we operate is also highly competitive. We compete against national, local and regional competitors, including numerous competitors who focus on one or two products, and some competitors have greater financial resources, lower funding costs and greater access to liquidity, which places us at a competitive disadvantage. Growth in our Fleet Management Services segment is driven principally by increased market share in fleets greater than 75 units and increased fee-based services. Competitive pressures in the Fleet Management industry resulting in a decrease in our market share or lower prices would adversely affect our revenues and results of operations.

Losses incurred in connection with actual or projected loan repurchase and indemnification claims may exceed our financial statement reserves and we may be required to increase such reserves in the future. Increases to our reserves and losses incurred in connection with actual loan repurchases and indemnification payments could have a material adverse effect on our business, financial position, results of operation or cash flows.

In connection with the sale of mortgage loans, we make various representations and warranties that, if breached, require us to repurchase the loans or indemnify the purchaser for actual losses incurred in respect of such loans. These representations and warranties vary based on the nature of the transaction and the purchaser's or insurer's requirements but generally pertain to the ownership of the mortgage loan, the real property securing the loan and compliance with applicable laws and applicable lender and government-sponsored entity underwriting guidelines in connection with the origination of the loan. The aggregate unpaid principal balance of loans sold or serviced by us represents the maximum potential exposure related to loan repurchase and indemnification claims, including claims for breach of representation and warranty provisions.

The estimation of our loan repurchase and indemnification liability requires subjective and complex judgments and considers our estimates for future repurchase demands based upon recent and historical repurchase and indemnification experience, our success rate in appealing repurchase requests and loss severities. There is a reasonable possibility that losses incurred in connection with actual or projected loan repurchase and indemnification claims will be in excess of our financial statement reserves, and we may be required to increase such reserves and may sustain additional losses associated with such loan repurchase and indemnification claims in the future. In addition, an increased level of repurchase requests could result in an increased use of cash, as compared to prior periods, to fund loan repurchases or make-whole payments under loan indemnification agreements. Accordingly, increases to our reserves and losses incurred in connection with actual loan repurchases and indemnification payments in excess of our reserves could have a material adverse effect on our business, financial position, results of operations or cash flows.

Our financial statements are based in part on assumptions and estimates made by our management, including those used in determining the fair values of a substantial portion of our assets. If the assumptions or estimates are subsequently proven incorrect or inaccurate, there could be a material adverse effect on our business, financial position, results of operations or cash flows.

Pursuant to accounting principles generally accepted in the United States, we utilize certain assumptions and estimates in preparing our financial statements, including but not limited to when determining the fair values of certain assets and liabilities, reserves related to litigation, regulatory investigations and proceedings, and reserves related to mortgage representations and warranty claims. If the assumptions or estimates underlying our financial statements are incorrect, we may experience significant losses as the ultimate realization of value may be materially different than the amounts reflected in our consolidated statement of financial position as of any particular date.

A substantial portion of our assets are recorded at fair value based upon significant estimates and assumptions with changes in fair value included in our consolidated results of operations. As of December 31, 2013, 24% of our total assets were measured at fair value on a recurring basis, including $1.3 billion of assets representing our Mortgage servicing rights which are valued using significant unobservable inputs and management's judgment of the assumptions market participants would use in pricing the asset. The determination of the fair value of our assets involves numerous estimates and assumptions made by our management. Such estimates and assumptions include, without limitation, estimates of future cash flows associated with our mortgage servicing rights based upon assumptions involving interest rates as well as the prepayment rates and delinquencies and foreclosure rates of the underlying serviced mortgage loans. The use of different estimates or assumptions in connection with the valuation of these assets could produce materially different fair values, or our fair value estimates may not be realized in an actual sale or settlement, either of which could have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Reserves are established for pending or threatened litigation, claims or assessments when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated. In light of the inherent uncertainties involved in litigation and other legal proceedings, it is not always possible to determine a reasonable estimate of the amount of a probable loss, and we may estimate a range of possible loss for consideration in its estimates. The estimates are based upon currently available information and involve significant judgment taking into account the varying stages and inherent uncertainties of such matters. Accordingly, our estimates may change from time to time and such changes may be material to our consolidated results of operations, and the ultimate settlement of such matters may have a material adverse effect on our consolidated financial position, results of operations or cash flows.

For additional information on the key areas for which assumptions and estimates are used in preparing our financial statements, see "Part II—Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates" in this Form 10K.

Our reliance on outsourcing arrangements for information technology services subjects us to significant business process and control risks due to the complexity of our information systems, any failures in our ability to manage or transition services under the arrangement, or if our outsourcing counterparties do not meet their obligations to us. In addition, we may be unable to fully or successfully realize operational and cost benefits through our outsourcing arrangement for information technology services.

During 2013, we entered into an arrangement to outsource our information technology ("IT") services to a third party as part of an effort to reduce costs and obtain operational benefits, including improved governance and reductions in technology-related risk. We face risks related to our ability to successfully transition the performance of these processes and the related internal and operational controls to the third party, and the risk of not meeting our goals related to cost reductions due to the complexity of our IT systems and processes.

Entering into an outsourcing arrangement for IT services subjects us to significant business process and control risks. If our outsource partner fails to perform their obligations under the terms of the agreement, or if our transition and management of this vendor is not successful, we are subject to operational risk from our IT environment. We are heavily dependent on the strength and capability of our technology systems which we use both to interface with our customers and to manage our internal financial and other systems. Our business model and our reputation as a service provider to our clients, as well as our internal controls over financial reporting, are highly dependent upon these systems and processes. In addition, our ability to run our business in compliance with applicable laws and regulations is dependent on our technology infrastructure. Although we have service-level arrangements with our counterparties, we do not ultimately control their performance, which may make our operations vulnerable to their performance failures. Any failures in our technology systems, processes or the related internal and operational controls, or the failure of our outsourcing providers to perform as expected or as contractually required could result in the loss of client relationships, damage to our reputation, failures to comply with regulations, failure to prepare our financial statements in a timely and accurate manner, and increased costs, the result of any of which could have a material and adverse effect on our business, reputation, results of operations, financial position, or cash flows.

A failure in or breach of our technology infrastructure or information protection programs, or those of our outsource providers, could result in the inadvertent disclosure of the confidential personal information of our customers, as well as the confidential personal information of the employees and customers of our clients. Any such failure or breach could have a material and adverse effect on our business, reputation, results of operations, financial position or cash flows.

Our business model and our reputation as a service provider to our clients are dependent upon our ability to safeguard the confidential personal information of our customers, as well as the confidential personal information of the employees and customers of our clients. Although we have put in place a comprehensive information security program that we monitor and update as needed, security breaches could occur through intentional or unintentional acts by individuals having authorized or unauthorized access to confidential information of our customers or the employees or customers of our clients which could potentially compromise confidential information processed and stored in or transmitted through our technology infrastructure.

A failure in or breach of the security of our information systems, or those of our outsource providers, could result in significant damage to our reputation or the reputation of our clients, could negatively impact our ability to attract or retain clients and could result in increased costs attributable to related litigation or regulatory actions, claims for indemnification, higher insurance premiums and remediation activities, the result of any of which could have a material and adverse effect on our business, reputation, results of operations, financial position, or cash flows.

Risks Related to our Common Stock

Our existing Convertible note series and any future issuances of securities convertible into our Common stock and hedging activities may result in dilution of our stockholders or depress the trading price of our Common stock.

The voting power and ownership percentage of our stockholders will be diluted and the trading price of our Common stock could be substantially decreased if we issue any shares of our Common stock or securities convertible into our Common stock in the future, including the issuance of shares of Common stock upon conversion of any existing convertible notes or the issuance of shares of Common stock upon exercise or settlement of any outstanding share-based payment awards granted under the PHH Corporation Amended and Restated 2005 Equity and Incentive Plan. In addition, the price of our Common stock could also be negatively affected by possible sales of our Common stock by investors who engage in hedging or arbitrage trading activity that we expect to develop involving our Common stock following the issuance of the convertible notes.

We did not enter into a hedge transaction associated with the issuance of our Convertible notes due 2017. Upon conversion of the Convertible notes due 2017, the principal amount is payable in cash and to the extent the conversion value exceeds the principal amount of the converted notes we are required to pay or deliver (at our election) (i) cash; (ii) shares of our Common stock; or (iii) a combination of cash and shares of Common stock. The increase in, and any further increases in, the trading price of our common stock since the issuance of those notes, will result in a required cash payment upon conversion of the notes or will result in a dilution of the voting power and ownership percentage of the Common stock held by our existing shareholders, either of which may negatively affect the trading price of our Common stock. As of December 31, 2013, the Convertible notes due 2017 are eligible for conversion, and if all such notes were converted as of such date, we would be required to settle the note principal plus a premium of $226 million cash, 9.281 million shares of our Common stock, or a combination thereof (at our election). A 10% increase in our stock price from the closing price of December 31, 2013, results in an increase in the required conversion premium of $48 million, or 0.934 million shares.

We also may issue shares of our Common stock or securities convertible into our Common stock in the future for a number of reasons, including to finance our operations and business strategy (including in connection with acquisitions, strategic collaborations or other transactions), to increase our capital, to adjust our ratio of debt to equity, to satisfy our obligations upon the exercise of outstanding warrants or options or for other reasons. We cannot predict the size of future issuances of our Common stock or securities convertible into our Common stock or the effect, if any, that such future issuances might have to dilute the voting interests of our stockholders or otherwise on the market price for our Common stock.

Convertible note hedge and warrant transactions may negatively affect the value of our Common stock.

In connection with the issuance and sale of the Convertible notes due 2014, we entered into convertible note hedge transactions that cover approximately 8,525,484 shares of our Common stock (subject to anti-dilution adjustments) and sold warrants to purchase, subject to anti-dilution adjustments, up to approximately 8,525,484 shares of our Common stock with affiliates of the initial purchasers of the Convertible notes due 2014 (the "Option Counterparties"). The convertible note hedge and warrant transactions are expected to reduce the potential dilution upon conversion of the notes.

In connection with hedging this transaction, the Option Counterparties and/or their respective affiliates entered into various derivative transactions with respect to our Common stock. The Option Counterparties and/or their respective affiliates may modify their hedge positions by entering into or unwinding various derivative transactions with respect to our Common stock or by selling or purchasing our Common stock in secondary market transactions while the Convertible Notes are convertible, which could adversely impact the price of our Common stock. In order to unwind their hedge position with respect to those exercised options, the Option Counterparties and/or their respective affiliates are likely to sell shares of our Common stock in secondary transactions or unwind various derivative transactions with respect to our Common stock during the observation period for the converted 2014 Notes. These activities could negatively affect the value of our Common stock.

A change in control transaction or a fundamental change in our business may result in a number of significant cash outflows that could reduce the value of our businesses when separated or acquired. Further, certain provisions of our debt arrangements and the provisions of certain other agreements could discourage third parties from seeking to acquire us, could prevent or delay a transaction resulting in a change of control, or could reduce the value of our businesses if separated.

The value of our businesses if separated, or the net proceeds realized by our shareholders as the result of any change in control transaction or a fundamental change, may be negatively impacted as a result of required payments under our corporate term debt, potential required tax payments and other tax impacts or the potential termination of certain client relationships (if consents or waivers are not obtained), among other consequences.

The terms of certain of our Senior note and Convertible note debt agreements and indentures contain provisions that require us to offer to repurchase, for cash, all or a portion of the outstanding notes upon a change of control or fundamental change, as defined in such indentures. Further, a change of control or fundamental change may constitute an event of default under certain of our other debt agreements, including our Amended Credit Facility. In addition, in the event of a make-whole fundamental change (as defined by the indentures governing our Convertible notes due 2014 and 2017), the conversion rate for the notes may, in some cases, be increased for a holder that elects to convert their notes in connection with such make-whole fundamental change.

A change in control transaction may carry significant tax cost to us and/or to the potential third party acquirers. Depending on the form under which the businesses are separated or acquired, significant cash taxes could become immediately due, further restrictions may also occur on reorganization of future separated businesses, as well as adverse impact on the realization of existing and/or future deferred tax assets, including limitation on federal and state utilization of net operating losses.

We may need to obtain consents or waivers from the GSEs, state licensing agencies and certain clients or counterparties, in connection with certain change in control transactions. Additionally, the value of our Mortgage businesses could be reduced from any lost relationships and/or loss of our approved status as a Fannie Mae, Freddie Mac and Ginnie Mae approved seller/servicer in connection with certain change in control transactions. Our agreements with Fannie Mae and Freddie Mac require us to provide notice or obtain approvals or consents related to any change in control transaction. Our agreements with Realogy, including the PHH Home Loans Operating Agreement, state that Realogy may terminate PHH Home Loans if we effect a change in control transaction involving certain competitors or other third parties. In connection with such termination, we may be required to make a cash payment to Realogy in an amount equal to: (i) PHH Home Loans' trailing 12 months net income multiplied by the greater of (a) the number of years remaining in the first 12 years of the term of the agreement or (b) two years.

In addition, agreements with some of our financial institution clients governing our private-label relationships provide our clients with the right to terminate their relationship with us if we complete certain change in control transactions with certain third parties. The need to obtain waivers or consents from our clients in connection with a change in control transactions may discourage certain third parties from seeking to acquire us or could reduce the amount of consideration they would be willing to pay to our stockholders in an acquisition transaction, or could otherwise reduce the value of the businesses when separated.

Provisions in our charter documents, the Maryland General Corporation Law, and New York insurance law may delay or prevent our acquisition by a third party.

Our charter and by-laws contain several provisions that may make it more difficult for a third party to acquire control of us without the approval of our board of directors. These provisions include, among other things, advance notice for raising business or making nominations at meetings and "blank check" preferred stock. Blank check preferred stock enables our board of directors, without stockholder approval, to designate and issue additional series of preferred stock with such dividend, liquidation, conversion, voting or other rights, including the right to issue convertible securities with no limitations on conversion, as our board of directors may determine, including rights to dividends and proceeds in a liquidation that are senior to the common stock.

We are also subject to certain provisions of the Maryland General Corporation Law which could delay, prevent or deter a merger, acquisition, tender offer, proxy contest or other transaction that might otherwise result in our stockholders receiving a premium over the market price for their common stock or may otherwise be in the best interest of our stockholders. These include, among other provisions:

- the "business combinations" statute which prohibits transactions between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder for five years after the most recent date on which the interested stockholder becomes an interested stockholder and
- the "control share" acquisition statute which provides that control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter.

Our by-laws contain a provision exempting any share of our capital stock from the control share acquisition statute to the fullest extent permitted by the Maryland General Corporation Law. However, our Board of Directors has the exclusive right to amend our by-laws and, subject to their fiduciary duties, and could at any time in the future amend the by-laws to remove this exemption provision.

In addition, we are registered as an insurance holding company in the state of New York as a result of our wholly owned subsidiary, Atrium Insurance Corporation. New York insurance law requires regulatory approval of a change in control of an insurer or an insurer's holding company. Accordingly, there can be no effective change in control of us unless the person seeking to acquire control has filed a statement containing specified information with the New York state insurance regulators and has obtained prior approval. The measure for a presumptive change of control pursuant to New York law is the acquisition of 10% or more of the voting stock or other ownership interest of an insurance company or its parent. These laws may discourage potential acquisition proposals and may delay, deter or prevent a change in control of us, including through transactions, and in particular unsolicited transactions, that some or all of our stockholders might consider to be desirable.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal offices are located at 3000 Leadenhall Road, Mt. Laurel, New Jersey 08054.

Our Mortgage Production and Mortgage Servicing segments have centralized operations in approximately 565,000 square feet of shared leased office space in the Mt. Laurel, New Jersey area. We have a second area of centralized offices that is used primarily by our Mortgage Production segment in Jacksonville, Florida, where approximately 150,000 square feet is occupied. We also have two offices with approximately 150,000 square feet of total office space in the Buffalo, New York area that are used primarily by our Mortgage Servicing segment. In addition, our Mortgage Production and Mortgage Servicing segments lease 40 smaller offices located throughout the U.S.

Our Fleet Management Services segment maintains a headquarters office in a 210,000 square-foot office building in Sparks, Maryland. Our Fleet Management Services segment also leases office space and marketing centers in five locations in Canada and has 10 smaller regional locations throughout the U.S.

Item 3. Legal Proceedings

We are party to various claims and legal proceedings from time to time related to contract disputes and other commercial, employment and tax matters. For more information regarding legal proceedings, see Note 16, "Commitments and Contingencies" in the accompanying Notes to Consolidated Financial Statements.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Price of Common Stock

Shares of our Common stock are listed on the NYSE under the symbol "PHH". The following table sets forth the high and low sales prices for our Common stock for the periods indicated as reported by the NYSE:

	Stock Price	
	High	Low
January 1, 2012 to March 31, 2012	$ 16.04	9.68
April 1, 2012 to June 30, 2012	17.92	14.78
July 1, 2012 to September 30, 2012	20.94	15.29
October 1, 2012 to December 31, 2012	23.15	18.50
January 1, 2013 to March 31, 2013	23.90	20.58
April 1, 2013 to June 30, 2013	22.13	18.82
July 1, 2013 to September 30, 2013	25.13	20.20
October 1, 2013 to December 31, 2013	26.76	21.95

As of February 18, 2014, there were 6,124 holders of record of our Common stock.

Dividend Policy and Restrictions

We have not declared or paid cash dividends on our Common stock since we began operating as an independent, publicly traded company in 2005. We have developed a contingent liquidity plan for the use of excess capital above our key cash requirements that is dependent on a number of factors including: (i) the sustained execution of our MSR funding strategy; (ii) generating positive cash flows in our Mortgage segments, which may require amending the majority of our PLS contracts; and (iii) resolving our outstanding repurchase and indemnification exposure with the Agencies for our pre-2009 originations. Once our contingent liquidity needs are reduced, we may consider returns of capital to our shareholders, which may include dividends. The declaration and payment of dividends in the future will be subject to the discretion of our Board of Directors and will depend upon many factors, including economic and market conditions, our financial condition and operating results, cash requirements, capital requirements of our operating subsidiaries, legal requirements, regulatory constraints, investment opportunities at the time any such payment is considered, and other factors deemed relevant.

Many of our subsidiaries (including certain consolidated partnerships, trusts and other non-corporate entities) are subject to restrictions on their ability to pay dividends or otherwise transfer funds to other consolidated subsidiaries and, ultimately, to PHH Corporation (the parent company). These restrictions include, but are not limited to, those pursuant to the Revolving Credit facility, pursuant to certain asset-backed debt agreements, unrestricted cash available for use by our variable interest entities and unrestricted cash held for use in Canada by subsidiaries of our Fleet Management Services segment. The aggregate restricted net assets of these subsidiaries totaled $748 million as of December 31, 2013. However, these restrictions on net assets of certain subsidiaries do not directly limit our ability to pay dividends from consolidated Retained earnings.

Certain debt arrangements require the maintenance of financial ratios and contain restrictive covenants applicable to our consolidated financial statement elements, as well as restricted payment covenants that potentially could limit our ability to pay dividends. As of December 31, 2013, we may not pay dividends without the written consent of the lenders of the Revolving Credit facility or until the Convertible Notes due in 2014 have been repaid, prefunded, extended or refinanced, among other provisions. See Note 17, "Stock-Related Matters," in the accompanying Notes to Consolidated Financial Statements for further information.

Item 6. Selected Financial Data

The selected financial data set forth below is derived from our audited Consolidated Financial Statements for the periods indicated. Because of the inherent uncertainties of our business, the historical financial information for such periods may not be indicative of our future results of operations, financial position or cash flows:

	Year Ended and As of December 31,				
	2013	2012	2011	2010	2009
	(In millions, except per share data)				
Consolidated Statements of Operations					
REVENUES					
Net fee income	$ 482	$ 526	$ 468	$ 448	$ 425
Fleet lease income	1,386	1,364	1,400	1,370	1,441
Gain on mortgage loans, net	575	942	567	635	610
Mortgage net finance expense	(115)	(121)	(88)	(73)	(58)
Loan servicing income	436	449	456	415	431
Valuation adjustments related to mortgage servicing rights, net	(6)	(502)	(736)	(427)	(280)
Other income [1]	84	85	147	70	37
Net revenues [1]	2,842	2,743	2,214	2,438	2,606
Total expenses	2,601	2,656	2,416	2,323	2,326
Net income (loss) attributable to PHH Corporation[1]	135	34	(127)	48	153
Basic earnings (loss) per share attributable to PHH Corporation	$ 2.36	$ 0.60	$ (2.26)	$ 0.87	$ 2.80
Diluted earnings (loss) per share attributable to PHH Corporation	2.06	0.56	(2.26)	0.86	2.77
Consolidated Balance Sheets					
ASSETS					
Cash and cash equivalents	$ 1,245	$ 829	$ 414	$ 195	$ 150
Mortgage loans held for sale	834	2,174	2,658	4,329	1,218
Net investment in fleet leases	3,653	3,636	3,515	3,492	3,610
Mortgage servicing rights	1,279	1,022	1,209	1,442	1,413
Total assets	8,848	9,603	9,777	11,270	8,123
LIABILITIES					
Unsecured debt	$ 1,249	$ 1,156	$ 1,339	1,212	$ 1,272
Asset-backed debt	4,256	5,398	5,554	6,843	3,888
Total liabilities	7,158	8,041	8,316	9,692	6,619
PHH Corporation stockholders' equity	1,666	1,526	1,442	1,564	1,492

(1) For the year ended December 31, 2011 includes a $68 million pre-tax gain on the sale of 50.1% of the equity interests in our appraisal services business.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with "Part I—Item 1. Business" and our Consolidated Financial Statements and the notes thereto included in this Form 10-K. The following discussion should also be read in conjunction with the "Cautionary Note Regarding Forward-Looking Statements" and the risks and uncertainties described in "Part I—Item 1A. Risk Factors" set forth above.

Our Management's Discussion and Analysis of Financial Condition and Results of Operations is presented in sections as follows:

- Overview
- Results of Operations
- Risk Management
- Liquidity and Capital Resources
- Contractual Obligations
- Off-Balance Sheet Arrangements and Guarantees
- Critical Accounting Policies and Estimates
- Recently Issued Accounting Pronouncements

OVERVIEW

We are a leading outsource provider of mortgage and fleet management services. We conduct our business through three operating segments: Mortgage Production, Mortgage Servicing and Fleet Management Services. Our Mortgage Production segment originates, purchases and sells mortgage loans through PHH Mortgage. Our Mortgage Servicing segment services mortgage loans originated by PHH Mortgage and acts as a subservicer for certain clients that own the underlying servicing rights. Our Fleet Management Services segment provides commercial fleet management services to corporate clients and government agencies throughout the United States and Canada.

Although our Fleet Management Services segment has historically generated a larger portion of our Net revenues, our Mortgage Production and Mortgage Servicing segments have historically contributed a significantly larger portion of our Net income or loss. Our Mortgage Production and Mortgage Servicing segments have experienced, and may continue to experience, high degrees of earnings volatility due to significant exposure to interest rates and the real estate markets, which impacts our loan origination volumes, valuation of our mortgage servicing rights and repurchase and foreclosure-related charges. See "—Risk Management" in this Form 10-K for additional information regarding our interest rate and market risks.

In addition, we are monitoring a number of developments in regulations that are expected to impact our Mortgage segments, and there has been a heightened focus of regulators on the practices of the mortgage industry. The full impact of regulatory developments remains uncertain, although we expect the higher level of legislative and regulatory focus on mortgage origination and servicing practices will result in higher legal, compliance, and servicing related costs, potential regulatory fines and penalties, and we could experience an increase in mortgage origination or servicing related litigation in the future. For more information, see "Part I—Item 1A. Risk Factors—Risks Related to Our Company—*Our Mortgage businesses are complex and heavily regulated, and the full impact of regulatory developments to our businesses remains uncertain. In addition, we are subject to litigation, regulatory investigations, inquiries and proceedings and we may incur fines, penalties, and increased costs that could negatively impact our future results of operations, liquidity and cash flows or damage our reputation."* in this Form 10-K.

Executive Summary

Financial Performance

	Year Ended December 31,		
	2013	2012	2011
	(In millions, except per share data)		
Net revenues	$ 2,842	$ 2,743	$ 2,214
Income (loss) before income taxes	241	87	(202)
Net income (loss) attributable to PHH Corporation	135	34	(127)
Basic earnings (loss) per share attributable to PHH Corporation	$ 2.36	$ 0.60	$ (2.26)
Diluted earnings (loss) per share attributable to PHH Corporation	2.06	0.56	(2.26)

Our financial results for 2013 reflect the current dynamics in the mortgage origination environment, as increases in interest rates during 2013 have significantly reduced refinance origination volumes and the industry is transitioning to a home purchase-driven market. Our Mortgage segments are also still experiencing the impacts of the adverse developments in the housing market and the resulting higher regulatory focus. Our Fleet Management Services segment has continued its strong, consistent operating performance. As discussed in more detail under "—*Corporate Strategy"* below, we are evaluating the separation or sale of our fleet business, our mortgage business, or both such businesses.

We expect a highly challenging mortgage industry environment in 2014, as we are anticipating a decline in industry origination volumes, further total loan margin compression, and an increasing mix of fee-based closings related to our private label originations. We have reduced staffing levels in our Mortgage Production segment in response to expected client and industry demand, and have identified further overhead reductions that we expect to take place in 2014. Our pre-tax results of operations for the year ended December 31, 2013 include $22 million for severance expenses attributable to these contemplated actions. See further discussion under "—Mortgage Environment" below.

In 2013, we experienced a continued elevated level of mortgage loan repurchase and indemnification requests as the Agencies focused on completing their reviews of loans for pre-2009 origination years. Our repurchase and foreclosure-related charges for 2013 were $7 million, a significant decline from $182 million recorded during 2012. During the fourth quarter of 2013, we reduced our repurchase and foreclosure-related reserves as the Agencies have indicated that they have completed their file reviews and repurchase requests of pre-2009 originations as of December 31, 2013. See "—Risk Management" for additional information regarding our loan repurchase obligations and potential exposure.

During the third quarter of 2013, we took actions to extend our unsecured debt maturities and to reduce our borrowing costs. Our results for 2013 include a $54 million (pre-tax) loss from the early repayment of a portion of our Senior notes due 2016. See further discussion of that action under "—Liquidity and Cash Position." Our results for 2012 include a $13 million (pre-tax) loss related to the early repayment of a series of Medium-term notes.

Our financial results were also significantly affected by changes in mortgage interest rates that led to market-related changes in value of our mortgage servicing rights. During 2013, we recorded $276 million of favorable market-related changes in value of our mortgage servicing rights, compared to unfavorable changes of $223 million for 2012. Our results for 2013 and 2012 also include losses of $21 million and $16 million (pre-tax), respectively, from the termination of inactive reinsurance agreements.

Corporate Strategy

Throughout 2012 and 2013, we have made significant progress in placing PHH in a position of strength to deal with the cyclical and dynamic nature of the mortgage industry.

These actions have significantly improved our liquidity position, capital structure and operating execution and while we have experienced organic growth in our Fleet Management Services segment, we are positioning the mortgage business to be a less capital intensive, fee-based business with less volatile cash flow and increased strategic and financial flexibility. Consistent with this objective, in the fourth quarter of 2013 we entered into an agreement with

Matrix Financial Services Corporation, a subsidiary of Two Harbors Investment Corp., for their purchase of a portion of our newly-created servicing rights that are eligible for sale, subject to mutually acceptable pricing, and we will continue to subservice the underlying loans. We believe this funding relationship will contribute positively to our cash flows while diversifying our funding sources and allowing us to maintain scale for our servicing operations.

We have also participated in discussions with a majority of our private label clients to amend our contracts in an effort to ensure that our relationships meet regulatory compliance requirements as well as our operational and financial objectives. Although we have been able to make the necessary revisions to our private label contracts to maintain regulatory compliance, we have not been able to achieve all of the pricing adjustments necessary to meet our financial objectives. Accordingly, based on current market conditions and expected volumes, margins and mix, these contracts will likely be unprofitable on a fully allocated basis during 2014. Although we expect to continue our discussions with these private label clients, we believe that any meaningful pricing adjustments will not occur until the contracts are up for renewal within 1 to 4 years. For more information, see "Part I—Item 1A. Risk Factors—Risks Related to our Company— *The profitability of our Mortgage Production segment has been adversely affected by the increased mix of fee-based closings originated under our existing private label client contracts. We are currently evaluating a number of alternatives to restructure these contracts to improve the economics of the underlying contractual relationships; however there can be no assurances that we will be successful in these efforts."* in this Form 10-K.

In response to these developments, we are continuing to reengineer our fixed cost structure within our support and overhead functions, including initiating arrangements for outsourcing internal audit and information technology in 2013; however, we do not believe that re-engineering our fixed cost structure alone will be sufficient to achieve our return objectives in the home purchase portion of the market cycle. In addition to focusing on our cost structure, we continue to seek to enhance the scale of our private label and real estate mortgage production platforms through either organic or inorganic means.

Consistent with our long-term value creation objective, we are exploring a separation or sale of our fleet business, our mortgage business, or both of our businesses. In connection with this effort, we may examine potential acquisitions, dispositions, partnerships, joint ventures and changes in product offerings to achieve our strategic objectives. As part of the process, we will evaluate the use of any excess cash, which may include the prepayment of unsecured debt, strategic business investments, and/or the return of capital to shareholders. Although we are currently exploring the separation or sale of one or both of our businesses and other related transactions, there can be no assurance as to the timing, terms or success of these efforts. For more information, see "Part I—Item 1A. Risk Factors—Risks Related to our Company— *We are exploring ways to maximize shareholder value through the sale or separation of our fleet business, our mortgage business, or both such businesses. There are inherent risks and uncertainties associated with pursuing such exploratory activities and/or consummating one or more such transactions. These risks and uncertainties could have a material adverse impact on our businesses generally, including our client, employee, lender, vendor and counterparty relationships, as well as our results of operations, cash flows, liquidity or financial position."* and "Part I—Item 1A. Risk Factors—Risks Related to our Common Stock— *A change in control transaction or a fundamental change in our business may result in a number of significant cash outflows that could reduce the value of our businesses when separated or acquired. Further, certain provisions of our debt arrangements and the provisions of certain other agreements could discourage third parties from seeking to acquire us, could prevent or delay a transaction resulting in a change of control, or could reduce the value of our businesses if separated."* in this Form 10-K.

Mortgage Environment

Due in part to the increase in mortgage interest rates in 2013, we have taken actions to rationalize our mortgage business for an origination environment that we believe will be characterized by a decline in total industry origination volumes and a greater proportion of purchase originations driven by lower refinance originations. We have sought to rationalize staffing in our mortgage production operations and overhead functions to align our cost structure with the expected mortgage production environment. During the third quarter of 2013, we announced actions to reduce headcount in our Mortgage Production segment by approximately 750 employees, or 18% of our Mortgage Production employees. Since that time, we have evaluated additional opportunities to reduce headcount in both our Mortgage Production segment as well as our support and overhead functions and we intend to further reduce headcount in 2014. These actions resulted in severance expense of $22 million for the year ended December

31, 2013. Assuming mortgage interest rates and our origination volumes remain near their current levels, we would expect these actions to generate annualized cost reductions of at least $110 million in comparison to second quarter 2013 levels. After completing these actions, we expect our total number of employees to be approximately 5,600, or a 20% reduction from our headcount as of September 30, 2013 of approximately 7,000. In comparison, we had approximately 6,700 employees as of December 31, 2012.

We expect a highly challenging mortgage industry environment in 2014. If interest rates remain at their current level, our Mortgage Production segment will likely be unprofitable and cash consumptive this year, while our Mortgage Servicing segment profitability would likely improve from meaningfully lower MSR amortization, curtailment interest expense and payoff-related costs in 2014 as compared to 2013.

Liquidity and Cash Position

We believe that we continue to have a strong liquidity position relative to our capital needs and our upcoming debt maturities. During 2013, we issued $350 million of Senior Notes due in 2021 and repaid $280 million of our Senior notes due in 2016. We have continued to improve our ratio of unencumbered assets to unsecured debt and have significantly increased our levels of unrestricted cash. We also successfully initiated an alternative funding source for our MSRs with the execution of our agreement with Matrix Financial Services Corporation. The execution of this funding alternative for MSRs and other funding alternatives we continue to explore, along with our business optimization efforts, should help us migrate to a less capital intensive, fee-for-service business model that is less dependent upon the unsecured debt markets.

Our unrestricted cash balance at the end of 2013 was $1.2 billion compared to $829 million as of December 31, 2012. We continue to maintain an excess cash position to fund certain known or expected payments, to fund our working capital needs and to maintain cash reserves for contingencies. The following is a summary of certain key items that we consider in our analysis of cash needs as of December 31, 2013:

- A minimum of $250 million for the repayment of Convertible notes that are due in the third quarter of 2014;
- $200 million for identified contingencies related to mortgage loan repurchases and legal and regulatory matters;
- $100 million to $125 million cash reserves for mortgage-related interest rate risk management activities; and
- $200 million to $250 million minimum for working capital needs.

In addition to the cash needs identified above, we had $99 million of unrestricted cash available for use in variable interest entities and $110 million in unrestricted cash held for use in Canada by subsidiaries of our Fleet Management Services segment. We believe our improved liquidity position provides us with increased flexibility in our capital planning objectives.

Throughout 2013 we have made progress with regard to the milestones needed to be achieved in order to use our excess capital above our key cash requirements, which may include strategic business investments, the prepayment of unsecured debt and the return of capital to our shareholders. We expect that the mortgage production environment will be challenging in 2014 driven by reduced industry originations and the potential for margin compression resulting from increased competitive pressures. As a result of these challenges, our overall mortgage business could produce negative cash flow in 2014 as a result of increased cash consumption in the Mortgage Production segment. These pressures resulting from the mortgage origination environment provide inherent uncertainty regarding the use of our excess capital above key cash requirements.

Regulatory Developments

Consistent with some of our peers, we have experienced inquiries and requests for information from regulators and attorneys general of certain states as well as various government agencies. We are working diligently in assessing and understanding the implications of the developments in the regulatory environment, and we are devoting substantial resources towards implementing all of the new rules and complying with requests from inquiries, examinations, and proceedings while meeting the needs and expectations of our clients.

In January 2014, the CFPB initiated an administrative proceeding alleging that our reinsurance activities have violated certain provisions of the Real Estate Settlement Procedures Act. We believe that we have complied with the Real Estate Settlement Procedures Act and other laws applicable to our former mortgage reinsurance activities, and we intend to vigorously defend against the CFPB's allegations. We cannot estimate the amount of loss or a range of possible losses, if any, associated with this matter and there can be no assurance that the ultimate resolution of this matter will not result in losses, fines or penalties which could be material to our results of operations, cash flows or financial position.

For more information about our significant legal and regulatory matters, see Note 16, "Commitments and Contingencies" in the accompanying Notes to Consolidated Financial Statements

In January 2014 the CFPB's rule requiring mortgage originators to evaluate a borrower's ability to repay their mortgage, commonly referred to as the "ability to repay" rule became effective. Although failure to comply with the ability to repay rule can give rise to legal liability for mortgage originators, the rule also provides certain legal protection against liability, including a safe harbor for certain mortgages that are "qualified mortgages" within the meaning of the rule. A mortgage in which points and fees charged to the borrower exceed certain thresholds cannot be a qualified mortgage and may not be readily saleable to the secondary mortgage market investors, including the Agencies, or may only be saleable at substantial discounts or with recourse liability exposure to the mortgage originator.

In an effort to minimize our legal liability under the ability to repay rule and to ensure that the mortgages we originate or purchase will be readily saleable to secondary market investors, we intend to originate or purchase mortgages satisfying the requirements of the qualified mortgage safe harbor whenever possible. Compliance with this rule required amendments to certain of our private label client agreements, which were executed in the fourth quarter of 2013.

RESULTS OF OPERATIONS

Consolidated Results

The following table presents our consolidated results of operations:

	Year Ended December 31, 2013	2012	2011
	(In millions, except per share data)		
Net fee income	$ 482	$ 526	$ 468
Fleet lease income	1,386	1,364	1,400
Gain on mortgage loans, net	575	942	567
Mortgage net finance expense	(115)	(121)	(88)
Loan servicing income	436	449	456
Valuation adjustments related to mortgage servicing rights, net	(6)	(502)	(736)
Other income	84	85	147
Net revenues	2,842	2,743	2,214
Depreciation on operating leases	1,211	1,212	1,223
Fleet interest expense	58	68	79
Total other expenses	1,332	1,376	1,114
Total expenses	2,601	2,656	2,416
Income (loss) before income taxes	241	87	(202)
Income tax expense (benefit)[1]	77	(6)	(100)
Net income (loss)	164	93	(102)
Less: net income attributable to noncontrolling interest	29	59	25
Net income (loss) attributable to PHH Corporation	$ 135	$ 34	$ (127)
Basic earnings (loss) per share attributable to PHH Corporation	$ 2.36	$ 0.60	$ (2.26)
Diluted earnings (loss) per share attributable to PHH Corporation	$ 2.06	$ 0.56	$ (2.26)

(1) Our effective tax rates were 31.8%, (7.0)% and (49.7)% for 2013, 2012 and 2011, respectively. Our effective tax rates differ from our federal statutory rate of 35%, primarily due to: (i) amounts of net income attributable to noncontrolling interest (for which no taxes are provided); (ii) state benefits from the impact of applying statutory changes to apportionment factors and tax rate; and (iii) changes in valuation allowances. See Note 14, "Income Taxes", in the accompanying Notes to Consolidated Financial Statements for further information.

Segment Results

The following table summarizes segment profit (loss) for our reportable segments, and a discussion of significant items follows.

	Year Ended December 31,	
	2013	2012
	(In millions)	
Reportable Segments Profit (Loss):[1]		
Mortgage Production segment	$ 22	$ 416
Mortgage Servicing segment	157	(462)
Fleet Management Services segment	88	87
Other[2]	(55)	(13)

(1) Segment profit (loss) is described in Note 23, "Segment Information", in the accompanying Notes to Consolidated Financial Statements.

(2) For the years ended December 31, 2013 and 2012, Other primarily represents pre-tax losses on the early repayment of certain unsecured debt obligations which were not allocated to the reportable segments.

Mortgage Production segment profit was $22 million during 2013, compared to $416 million in 2012. The impact of the increase in mortgage interest rates beginning in the second quarter and declining consumer demand for mortgage loans had a significant effect on the results of the segment, significantly decreasing many of the key drivers of profit when compared to the prior year. Interest rate lock commitment volume declined by 42% compared to 2012 and applications declined by 19%. Total loan margins decreased to 344 basis points during 2013, from 392 basis points in 2012.

We experienced a shift in the mix of fee-based closings which increased to 51% of our closings compared to 35% for 2012, reflecting our private label clients' decisions to retain more mortgage loans on their balance sheets. The increased mix of fee-based closings adversely affects the profitability of the segment as the revenue per loan on fee-based closings is generally lower than the revenue per loan on saleable closings. Segment profit in 2013 also includes $22 million of severance costs related to reducing our headcount reflecting our attempts to align our cost structure with the current origination environment. See further discussions above under "—Corporate Strategy" and "—Mortgage Environment".

Mortgage Servicing segment profit was $157 million for 2013 compared to a loss of $462 million in 2012. The primary mortgage rate used to value our MSRs increased by 128 basis points in 2013, compared to a decrease of 66 basis points in 2012, which resulted in a benefit to the results of the Mortgage Servicing segment. Market-related changes in fair value increased the value of our MSRs by $276 million during 2013, compared to a $223 million decrease during 2012.

We experienced a $28 million increase in subservicing fees in 2013 compared to 2012, reflecting a partial year's impact of the integration of HSBC's sub-serviced portfolio during the second quarter of 2013. There were related increases in Salaries and related expenses and Other expenses of the Mortgage Servicing segment related to this increase in subservicing activity.

Our repurchase and foreclosure-related charges for 2013 were $7 million, a significant decline from $182 million recorded for 2012. See "—Risk Management" for additional information regarding our repurchase obligations and potential exposure.

Fleet Management Services segment profit was $88 million for 2013, representing a $1 million increase from 2012. The fleet management industry continues to experience challenges associated with the economic uncertainties in the U.S. as corporations face cost reduction initiatives and increasing fleet operating costs. While our average leased vehicle unit count is down slightly from 2012, we continued to grow the average balance of net investment in leases, as our mix has changed to include more expensive truck and service-type vehicles. We have continued our focus on less capital intensive revenue streams and have grown our service units over the past two years, which we expect to continue in 2014.

Mortgage Production Segment

Segment Overview

Our Mortgage Production segment provides mortgage services, including private-label mortgage services, to financial institutions and real estate brokers through PHH Mortgage. The segment generates revenue through fee-based mortgage loan origination services and the origination and sale of mortgage loans into the secondary market. PHH Mortgage generally sells all saleable mortgage loans that it originates to secondary market investors, which include a variety of institutional investors, and retains the servicing rights on mortgage loans sold. During 2013, 80% of our mortgage loans were sold to, or were sold pursuant to, programs sponsored by Fannie Mae, Freddie Mac or Ginnie Mae and the remaining 20% were sold to private investors. We source mortgage loans through our retail and wholesale/correspondent platforms, as further described below.

Retail Platform. Through our retail platform, we maintain direct contact with borrowers who are purchasing a home or refinancing a mortgage loan. We operate either through our teleservices operation or our network of field sales professionals. Within our teleservices operation, we provide centralized application and loan processing capabilities for our customers. Our network of field sales professionals are generally located in real estate brokerage offices or are affiliated with financial institution clients around the U.S. and are equipped to provide product information and take mortgage applications. We also maintain multiple internet sites that provide online mortgage application capabilities for our customers. Our retail platform consists of our private label services and real estate channels.

> The **private label services channel** includes providing outsourced mortgage origination services for wealth management firms, regional banks and community banks throughout the U.S, including Merrill Lynch Home Loans, a division of Bank of America, National Association, Morgan Stanley Private Bank, N.A. and HSBC Bank USA. We are a leading provider of private-label mortgage loan originations and in this channel, we offer a complete outsourcing solution, from processing applications through funding, for clients that wish to offer mortgage services to their customers but do not want to maintain the internal infrastructure to operate a mortgage platform.

> The **real estate channel** includes providing mortgage origination services for brokers associated with brokerages owned or franchised by Realogy Corporation and other third-party brokers. Through our affiliations with real estate brokers, we have access to home buyers at the time of purchase. Substantially all of the originations through the real estate channel are originated from Realogy and Realogy Franchisees. For the year ended December 31, 2013, we originated mortgage loans for 19% of the transactions in which real estate brokerages owned by Realogy represented the home buyer and 10% of the transactions in which real estate brokerages franchised by Realogy where we have exclusive marketing service agreements, represented the home buyer. See "Part I—Item 1. Business—Operating Segments" for a further discussion of our relationship with Realogy.

Wholesale/Correspondent Platform. Through our wholesale/correspondent platform, we purchase closed mortgage loans from community banks, credit unions, mortgage brokers and mortgage bankers. We also acquire mortgage loans from mortgage brokers that receive applications from and qualify the borrowers. Wholesale/correspondent originations are highly dependent upon pricing margins and overall industry capacity.

Outlook and Trends

Beginning in the second half of 2013, loan margins declined further from the highs of recent periods and mortgage interest rates have remained elevated compared to the historic lows experienced in prior years. The rise in mortgage interest rates is expected to further decrease industry originations as refinance incentives and opportunities for prospective borrowers decline. As consumer demand for mortgage loans declined in the third and fourth quarters of 2013, we reduced contract labor, overtime and staffing in our mortgage production operations to align our cost structure with the mortgage production environment. See "—Executive Summary" for additional information.

The industry also continues to be affected by a variety of other factors including an increasingly complex regulatory compliance environment, and changes to mortgage backed security programs, including increases in guarantee fees. Future conforming loan origination volumes and loan margins may be negatively impacted by the increases in guarantee fees (which may have the effect of increasing mortgage interest rates charged to borrowers). See "Part I—Item 1A. Risk Factors—Risks Related to Our Company—*Changes in existing U.S. government-sponsored mortgage programs or servicing eligibility standards could materially and adversely affect our business, financial position, results of operations, liquidity or cash flows and could require us to fundamentally change our business model in order to effectively compete in the market.*" in this Form 10-K.

According to Fannie Mae's *Economic and Housing Outlook*, the industry experienced a 16% decline in total loan originations during 2013 compared to 2012, consisting of a 27% decrease in refinancing activity that was offset by a 12% increase in purchase activity. Our total origination volumes for 2013 reflect lower consumer refinancing demand, our emphasis on growth in our retail platform and efforts to manage cash consumption and loan quality. Our 2013 refinance originations declined 13% from the prior year, while our purchase originations increased 9% from 2012 levels.

During 2013, we observed a shift in the mix of our originations to a greater percentage of fee-based closings which generally consist of higher average loan amounts than loans closed to be sold. The amount of fee-based closings is impacted by the mortgage product and loan programs our PLS clients market to their customers, as well as the amount of mortgage loans our clients want to retain on their balance sheets. Fee-based closings represented 51% and 35% of our total origination volumes during 2013 and 2012, respectively, and this increase was primarily driven by improvements in the market for non-agency jumbo loan production and the full impact of closing volume from the implementation of certain PLS clients during 2012. See "Part I—Item 1A. Risk Factors—Risks Related to Our Company—*The profitability of our Mortgage Production segment has been adversely affected by the increased mix of fee-based closings originated under our existing private label client contracts. We are currently evaluating a number of alternatives to restructure these contracts to improve the economics of the underlying contractual relationships; however there can be no assurances that we will be successful in these efforts."* in this Form 10-K.

In April 2013, the Federal Housing Finance Agency announced an extension of HARP by two years to December 31, 2015. This program allows borrowers opportunities to refinance if their loan is owned or guaranteed by Fannie Mae or Freddie Mac and was sold to Fannie Mae of Freddie Mac on or before May 31, 2009, among other eligibility criteria. We have continued our emphasis on growth in our retail platform which has been positively impacted by borrowers refinancing through the HARP program which represented 20% and 8% of total retail closings units for 2013 and 2012, respectively

During 2013, the mortgage origination environment continued to evolve, as increases in interest rates have significantly reduced refinance origination volumes and the industry is transitioning to a home purchase-driven market. Fannie Mae's *Economic and Housing Outlook* is forecasting a decrease in industry loan originations to $1.3 trillion during 2014 compared to $1.8 trillion during 2013, consisting of a 58% decrease in refinance originations, partially offset by a 14% increase in purchase originations. Fannie Mae is also projecting that purchase originations will represent 63% of the mortgage industry volumes for 2014 and total home sales will increase by 3% compared to 2013.

Segment Metrics:

	Year Ended December 31, 2013	2012	2011
		($ In millions)	
Loans closed to be sold	$ 25,675	$ 36,022	$ 37,889
Fee-based closings	26,692	19,562	14,056
Total closings	$ 52,367	$ 55,584	$ 51,945
Purchase closings	$ 19,141	$ 17,549	$ 20,404
Refinance closings	33,226	38,035	31,541
Total closings	$ 52,367	$ 55,584	$ 51,945
Retail closings - PLS	$ 35,136	$ 31,239	$ 24,162
Retail closings - Real Estate	12,221	14,280	11,430
Total retail closings	47,357	45,519	35,592
Wholesale/correspondent closings	5,010	10,065	16,353
Total closings	$ 52,367	$ 55,584	$ 51,945
Retail - PLS (in units)	89,137	89,980	76,023
Retail - Real Estate (in units)	50,158	57,033	47,037
Total retail	139,295	147,013	123,060
Wholesale/correspondent (in units)	22,166	47,462	77,992
Total closings (in units)	161,461	194,475	201,052
Loans sold	$ 27,242	$ 36,582	$ 40,035
Applications	$ 58,824	$ 72,390	$ 67,586
IRLCs expected to close	$ 15,387	$ 26,599	$ 33,717
Total loan margin (in basis points)	344	392	271

Segment Results:

	Year Ended December 31, 2013	2012	2011
		(In millions)	
Mortgage fees	$ 307	$ 346	$ 295
Gain on mortgage loans, net	575	942	567
Mortgage interest income	63	84	101
Mortgage interest expense	(127)	(150)	(125)
Mortgage net finance expense	(64)	(66)	(24)
Other income	3	12	76
Net revenues	821	1,234	914
Salaries and related expenses	427	419	341
Occupancy and other office expenses	34	31	30
Other depreciation and amortization	13	7	9
Other operating expenses	296	302	251
Total expenses	770	759	631
Income before income taxes	51	475	283
Less: net income attributable to noncontrolling interest	29	59	25
Segment profit	$ 22	$ 416	$ 258

2013 Compared With 2012: Mortgage Production segment profit was $22 million, a decrease of $394 million, or 95%, from 2012. Net revenues decreased to $821 million, down $413 million, or 33% compared with the prior year primarily driven by lower loan margins and origination volume resulting from an increase in interest rates. Segment profit was also negatively affected by a decrease in economic hedge results and a shift in the mix of our originations to a greater percentage of fee-based closings. Total expenses increased to $770 million, up $11 million, or 1% compared with the prior year driven by higher salaries, benefits and incentives and corporate overhead allocations which were partially offset by a decrease in production expenses resulting from lower closing volumes.

Net revenues. Mortgage fees decreased to $307 million, down 11% from 2012 driven by a $16 million decrease in application fees related to higher HARP volume (which has lower fee income), a $6 million decrease in correspondent underwriting fees and lower overall fee income from a 12% decline in closing units in our real estate channel. In addition, origination assistance fees from our PLS channel were $8 million lower compared to the prior year primarily due to higher HARP volume. Gain on loans was $322 million lower compared to 2012 driven by a 42% decrease in IRLCs expected to close and a 48 basis points decrease in average total loan margins. During 2013, our IRLCs expected to close were negatively affected by an increase in interest rates leading to lower consumer demand as refinance incentives and opportunities for prospective borrowers declined, as well as an increased mix of fee-based production (where we do not enter into an IRLC). Economic hedge results were down $65 million, or 36% primarily driven by lower execution gains on mortgage loans sold.

Total expenses. Salaries, benefits and incentives increased by $34 million compared to the prior year which included a $20 million increase in severance expense associated with the actions we took in the second half of 2013, and plan to take in 2014, to adjust our staffing levels for the current origination environment. In addition, we maintained excess origination capacity earlier in 2013 in preparation for the spring home buying season and the launch of our private label relationship with HSBC. Other operating expenses declined by $6 million as lower production expenses were partially offset by an increase in corporate overhead allocations. The decrease in production expenses was largely attributable to lower commissions, contract labor and overtime and production-related direct expenses from lower retail closing and application unit volumes. The $20 million increase in corporate overhead allocations was driven by information technology-related expenses associated with private label implementations which are allocated fully to the Mortgage Production segment, and higher professional, consulting and technology costs related to strategic initiatives and new outsourcing arrangements.

During 2013, we failed to satisfy certain service level agreements and other performance provisions under some of our mortgage origination assistance agreements and incurred an immaterial amount of contractual penalties related to these issues, and a continuation of our failure to fully satisfy the terms of service-level and other performance provisions of these contracts could result in material penalties or the loss of client relationships. We have implemented measures to improve our loan processing and customer service delivery in an effort to more fully satisfy the terms of our mortgage origination assistance agreements.

2012 Compared With 2011: Mortgage Production segment profit was $416 million, an increase of $158 million, or 61%, from 2011. Net revenues increased to $1.2 billion, up $320 million, or 35% compared with the prior year driven by a shift in the mix of our originations to a greater percentage of retail closings, higher loan margins and demand from a continued low interest rate environment and increased economic hedge results. Total expenses increased to $759 million, up $128 million, or 20% compared with the prior year driven by increased production expenses resulting from higher retail closings and increases in professional fees and customer service-related expenses.

Net revenues. The number of total retail closings and private label closings increased by 19% and 18%, respectively compared to 2011, which contributed to higher Mortgage fees from a $41 million increase in origination assistance fees from private label clients and a $16 million increase in appraisal and application revenue. These increases were partially offset by a $7 million decrease in correspondent underwriting fees resulting from our planned reduction in wholesale/correspondent volume. While Gain on mortgage loans, net was positively impacted from the shift to retail volume, higher loan margins and demand and increased economic hedge results, our IRLCs expected to close declined by 21% resulting from a shift in mix to a greater composition of fee-based closings (where we do not enter into an IRLC) and lower wholesale/correspondent volume. Economic hedge results were up $83 million, or 86%, driven by favorable execution gains on mortgage loans sold and lower interest rate volatility that were partially offset by a lower impact from pullthrough assumptions. Mortgage net finance expense was $66 million, an increase of $42 million, or 175%, driven by higher allocated financings costs of corporate unsecured borrowings resulting from a higher effective interest rate of the convertible note issuance that was partially offset by a lower average balance and note rate of loans held for sale. In 2011, Other income was impacted by a $68 million onetime gain from the sale of 50.1% of the equity interests in STARs, an appraisal services business.

Total expenses. The increase in production expenses were largely attributable to salaries, benefits and incentives from a higher average headcount, as well as higher commissions and production-related direct expenses from retail closing volumes. Average headcount increased compared to 2011 from staffing levels associated with expected future mortgage origination volumes and the development of our mortgage compliance programs, loan quality and customer service initiatives. Total expenses were also negatively impacted by increases in consulting and outsourcing services (driven by compliance and operational initiatives), higher customer service-related expenses (related to service level and performance agreements) and an increase in corporate overhead allocation (driven by information technology-related expenses associated with private label client implementations).

Selected Income Statement Data:

	Year Ended December 31,		
	2013	2012	2011
		(In millions)	
Gain on mortgage loans, net:			
Gain on loans	$ 482	$ 804	$ 482
Change in fair value of Scratch and Dent and certain non-conforming mortgage loans	(21)	(41)	(11)
Economic hedge results	114	179	96
Total change in fair value of mortgage loans and related derivatives	93	138	85
Total	$ 575	$ 942	$ 567
Salaries and related expenses:			
Salaries, benefits and incentives	$ 294	$ 260	$ 207
Commissions	110	124	98
Contract labor and overtime	23	35	36
Total	$ 427	$ 419	$ 341
Other operating expenses:			
Production-related direct expenses	$ 109	$ 125	$ 103
Corporate overhead allocation	101	81	71
Other expenses	86	96	77
Total	$ 296	$ 302	$ 251

Following are descriptions of the contents and drivers of the financial results of the Mortgage Production segment:

Mortgage fees consist of fee income earned on all loan originations, including loans closed to be sold and fee-based closings. Retail closings and fee-based closings are key drivers of Mortgage fees. Fee income consists of amounts earned related to application and underwriting fees and fees on cancelled loans. Fee income also consists of amounts earned from financial institutions related to brokered loan fees and origination assistance fees resulting from our private-label mortgage outsourcing activities.

Gain on mortgage loans, net includes realized and unrealized gains and losses on our mortgage loans, as well as the changes in fair value of our IRLCs and loan-related derivatives. The fair value of our IRLCs is based upon the estimated fair value of the underlying mortgage loan, adjusted for: (i) the estimated costs to complete and originate the loan and (ii) the estimated percentage of IRLCs that will result in a closed mortgage loan.

Gain on loans is primarily driven by the volume of IRLCs expected to close, total loan margins and the mix of wholesale/correspondent closing volume. For wholesale/correspondent closings and certain retail closings from our private label clients, the cost to acquire the loan reduces the gain from selling the loan into the secondary market. Change in fair value of Scratch and Dent and certain non-conforming mortgage loans is primarily driven by additions, sales and changes in value of Scratch and Dent loans, which represent loans with origination flaws or performance issues. Economic hedge results represent the change in value of mortgage loans, interest rate lock commitments and related derivatives, including the impact of changes in actual pullthrough as compared to our initial assumptions.

Salaries and related expenses consist of salaries, payroll taxes, benefits and incentives paid to employees in our mortgage production operations and commissions paid to employees involved in the loan origination process. Commissions for employees involved in the loan origination process are primarily driven by the volume of retail closings. Closings from our real estate channel have higher commission rates than private label closings.

Other operating expenses consist of production-related direct expenses, allocations for corporate overhead and other production related expenses. Production-related direct expenses represent variable costs directly related to the volume of loan originations and consist of appraisal, underwriting and other direct loan origination expenses and are primarily driven by the volume of applications.

Mortgage Servicing Segment

Segment Overview

Our Mortgage Servicing segment services mortgage loans originated by PHH Mortgage, purchases mortgage servicing rights and acts as subservicer for certain clients that own the underlying servicing rights. The segment principally generates revenue through fees earned from our Mortgage servicing rights or from our subservicing agreements. Mortgage servicing rights (MSRs) are the rights to receive a portion of the interest coupon and fees collected from the mortgagors for performing specified mortgage servicing activities, which consist of collecting loan payments, remitting principal and interest payments to investors, managing escrow funds for the payment of mortgage-related expenses such as taxes and insurance, performing loss mitigation activities on behalf of investors and otherwise administering our mortgage loan servicing portfolio.

We may choose to use a combination of derivative instruments to protect against potential adverse changes in the fair value of our MSRs resulting from a decline in interest rates. If the derivative instruments are effective, the change in fair value of derivatives is intended to react in the opposite direction of the market-related change in the fair value of MSRs, and generally increase in value as interest rates decline and decrease in value as interest rates rise. The size and composition of derivatives instruments used depends on a variety of factors, including the potential decline in value of our MSRs based on our evaluation of the current market environment and the interest rate risk inherent in our capitalized servicing portfolio which requires assumptions with regards to future replenishment rates, loan margins, the value of additions to MSRs and loan origination costs. Many factors can impact these estimates, including loan pricing margins, the availability of liquidity to fund additions to our capitalized MSRs and the ability to adjust staffing levels to meet changing consumer demand. As a result, our decisions regarding the levels, if any, of our derivatives related to mortgage servicing rights could result in continued volatility in the results of operations for our Mortgage Servicing segment.

Our Mortgage Servicing segment also includes the results of our former reinsurance activities from our wholly owned Atrium reinsurance subsidiaries. Beginning in the second half of 2013, our segment results were no longer impacted by premiums earned on reinsurance contracts or provisions for reinsurance reserves since we no longer had exposure to losses from contractual reinsurance agreements. See "—Risk Management" for additional information.

Outlook and Trends

Our servicing operations continue to be negatively impacted by conditions in the housing market and general economic factors, including higher unemployment rates, which have led to elevated levels of delinquencies, significant increases in repurchase and indemnification requests and high loss severities on defaulted loans. Although we believe the Agencies have substantially completed their reviews of loan files from pre-2009 vintages, repurchase and indemnification requests from all investors and insurers have been volatile and the persistency of these recent trends remains extremely uncertain. These factors, plus the increased regulatory focus on servicing activities, have increased and will likely continue to increase servicing costs across the industry. See "—Risk Management" for additional information regarding loan repurchase and indemnification trends and our related reserves.

We have experienced a 194% growth in the number of loans subserviced for others between December 31, 2012 and 2013, increasing the size of the unpaid principal balance in our subserviced portfolio to $96.3 billion. This growth reflects our efforts to migrate our business to a less capital intensive, fee-for-service business model. In further support of that effort, we have been exploring and implementing funding alternatives for our Mortgage servicing rights, including entering into an agreement in October 2013 with Matrix Financial Services Corporation, a subsidiary of Two Harbors Investment Corp., for their purchase of a portion of our newly-created servicing rights that are eligible for sale, subject to mutually acceptable pricing, while we continue to subservice the underlying loans. We may experience a decline in the replenishment rate of our Mortgage servicing rights as a result of this emphasis on subservicing relationships.

Segment Metrics:

	December 31, 2013	December 31, 2012	December 31, 2011
		($ In millions)	
Total loan servicing portfolio	$ 226,837	$ 183,730	$ 182,387
Number of loans in owned portfolio	824,992	882,591	925,589
Number of subserviced loans	390,070	132,695	138,295
Total number of loans serviced	1,215,062	1,015,286	1,063,884
Capitalized loan servicing portfolio	$ 129,145	$ 140,381	$ 147,088
Capitalized servicing rate	0.99 %	0.73 %	0.82 %
Capitalized servicing multiple	3.4	2.4	2.7
Weighted-average servicing fee (in basis points)	29	30	31

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
		(In millions)	
Average total loan servicing portfolio	$ 210,379	$ 185,859	$ 174,332
Average capitalized loan servicing portfolio	134,028	146,379	142,128
Payoffs and principal curtailments of capitalized portfolio	33,368	38,314	25,168

Segment Results:

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
		(In millions)	
Mortgage interest income	$ 9	$ 9	$ 15
Mortgage interest expense	(58)	(62)	(76)
Mortgage net finance expense	(49)	(53)	(61)
Loan servicing income	436	449	456
Change in fair value of mortgage servicing rights	13	(497)	(733)
Net derivative loss related to mortgage servicing rights	(19)	(5)	(3)
Valuation adjustments related to mortgage servicing rights, net	(6)	(502)	(736)
Net loan servicing income (loss)	430	(53)	(280)
Other income	—	—	(2)
Net revenues	381	(106)	(343)
Salaries and related expenses	53	37	33
Occupancy and other office expenses	13	10	10
Other depreciation and amortization	1	—	1
Other operating expenses	157	309	170
Total expenses	224	356	214
Segment profit (loss)	$ 157	$ (462)	$ (557)

2013 Compared With 2012: Mortgage Servicing segment profit was $157 million during 2013, compared to a segment loss of $462 million during 2012. Our Net revenues increased to $381 million during 2013 driven by positive MSR market-related fair value adjustments resulting from an increase in mortgage interest rates during the period. During 2012, our Net revenues were negative due to unfavorable MSR market-related fair value adjustments as interest rates declined during that period. Total expenses decreased to $224 million, down $132 million, or 37% compared with the prior year driven by lower repurchase and foreclosure-related charges that were offset by increases in costs associated with servicing delinquent and foreclosed loans and higher salaries and related expenses primarily associated with the increased subservicing portfolio.

Annual Report

Net revenues. Servicing fees from our capitalized servicing portfolio decreased by $42 million, or 10% compared to 2012 driven by an 8% decrease in the average capitalized loan servicing portfolio and a decline in the weighted-average servicing fee. Our MSR replenishment rate was 80% during 2013 and loan payoffs with a higher total servicing fee were replaced by new production with lower servicing fees. Lower refinancing activity in 2013 resulted in a 15% decrease in payoffs in our capitalized loan servicing portfolio, which drove a $6 million, or 13%, decrease in curtailment interest paid to investors and a $16 million decrease in actual prepayments of the underlying mortgage loans. During 2013, market-related fair value adjustments increased the value of our MSRs by $276 million compared to a decrease of $223 million in the prior year driven largely by changes in the interest rate environment during each period. The primary mortgage rate used to value our MSR increased by 128 basis points compared to a decrease of 66 basis points during 2012. While market-related fair value adjustments were positively impacted by increasing interest rates and a steepening of the yield curve during 2013, our market-related fair value adjustments reflect a $35 million decrease from lower projected servicing cash flows for delinquent and foreclosed loans, a $26 million decrease from an update to our prepayment model and a $14 million decrease related to expected prepayment activity from HARP refinances.

During 2013 and 2012, Loan servicing income included losses related to the termination of inactive reinsurance contracts which totaled $21 million and $16 million, respectively. Loan servicing income for 2013 includes a positive impact from the assumption of a subservicing portfolio from HSBC with an unpaid principal balance of $47 billion in the second quarter. Our subservicing fees were $42 million, an increase of $28 million resulting from a 110% increase in the average number of loans in our subserviced portfolio and an increase in the average subservicing fee earned per loan. We expect subservicing fee income in 2014 to have further growth, both from the full year's impact of this relationship, and from other business changes consistent with our strategy to position the mortgage business to be less capital intensive, and have more fee-based revenue streams.

Total expenses. We recorded repurchase and foreclosure-related charges of $7 million during 2013, down $175 million from the prior year. During 2013, the Agencies worked towards the Federal Housing and Finance Administration's goal to be complete with all pre-2009 repurchase and indemnification requests by December 31, 2013 and this expectation is included in our estimated reserve for repurchase and foreclosure-related losses as of December 31, 2013. The $7 million provision during 2013 was primarily driven by expenses not reimbursed pursuant to government mortgage insurance programs that were offset by an improvement in actual and estimated future loss severities. During 2012, repurchase and foreclosure-related charges were $182 million which was driven by a significant increase in the actual and projected number of repurchase and indemnification requests and a decline in our success rate in appealing repurchase and indemnification requests. The Agencies focused on clearing the backlog of previously requested loan files for the pre-2009 vintage years and we experienced a 52% increase in the total number of requests in 2012 compared to 2011.

Total expenses were negatively impacted by a $17 million increase in unreimbursed servicing and interest costs and other expenses associated with servicing delinquent and foreclosed loans (primarily government loans). In addition, Salaries and related expenses increased by $16 million compared to the prior year which was driven by an increase in the average number of permanent employees in 2013 and the full impact of additional resources that were added throughout the second half of 2012 in order to implement new industry servicing and compliances practices. The increase in permanent employees during 2013 was primarily driven by the transfer of employees of HSBC into our servicing operations when we commenced subservicing activities.

2012 Compared With 2011: Mortgage Servicing segment loss was $462 million, a decrease of $95 million, or 17%, from 2011. Net revenues were negative in each period, driven by unfavorable Changes in fair value of mortgage servicing rights resulting from increases in the interest rate environment during each period. Total expenses increased to $356 million, up $142 million, or 66% compared with the prior year driven by higher repurchase and foreclosure-related charges from an increase in repurchase and indemnification requests and increases in costs associated with servicing delinquent and foreclosed loans.

Net revenues. We grew our average capitalized loan servicing portfolio by 3% during 2012 which resulted in an $11 million increase in servicing fees from the capitalized portfolio. Subservicing fees remained constant with the prior year despite a 27% increase in the principal balance of our subserviced loan servicing portfolio since the end of 2011. We earn fees on a per loan basis and the number of loans in our subserviced portfolio decreased by 4% in the same period, which was offset by an increase in the average subservicing fee earned per loan. Higher refinancing activity in 2012 resulted in a 65% increase in payoffs in our capitalized loan servicing portfolio, which drove a $16 million, or 55%, increase in curtailment interest paid to investors. The increase in payoffs also resulted in a $62 million, or 29%, increase in unfavorable adjustments resulting from the realization of expected cash flows that were partially offset by an 11 basis points decrease in the average MSR value of prepayments. Market-related fair value adjustments decreased the value of our MSRs by $223 million during 2012 compared to $521 million in the prior year which was primarily attributable to a decrease in mortgage interest rates. The primary mortgage rate used to value our MSR decreased by 66 and 93 basis points during 2012 and 2011, respectively. The decrease in market-related fair value adjustments for 2011 was further driven by a $40 million impact resulting from our assessment of projected costs associated with servicing delinquent and foreclosed loans and a $20 million unfavorable change related to an increase in projected future prepayments linked to expected borrower participation in HARP.

In 2012, we recorded a $16 million pre-tax loss in Loan servicing income related to the termination of an inactive reinsurance contract that was offset by a $13 million increase in net favorable reinsurance activity from the contract termination and portfolio runoff. In addition, Mortgage net finance expense was $53 million, a decrease of $8 million, or 13%, driven by lower interest expense allocated to fund our MSRs resulting from a lower average MSR balance.

Total expenses. The $102 million increase in repurchase and foreclosure-related charges was largely attributable to the Agencies' focus on clearing the backlog of previously requested loan files related to pre-2009 origination years which led to a 52% increase in actual repurchase and indemnification requests compared to the prior year and a significant increase in our projected number of future repurchase and indemnifications. We also experienced a decline in our success rate in appealing repurchase requests that was partially offset by a decrease in our estimated future loss severities. Total expenses were also negatively impacted by a $30 million increase in unreimbursed servicing and interest costs and other expenses associated with servicing delinquent and foreclosed loans (primarily government loans). In addition, we experienced an increase in consulting fees, outsourcing services and other costs related to managing our servicing platform to comply with new industry servicing and compliance practices that were partially offset by a decrease in the provision for compensatory fees and litigation costs related to foreclosure proceedings.

Selected Income Statement Data:

	Year Ended December 31,		
	2013	2012	2011
		(In millions)	
Loan servicing income:			
Servicing fees from capitalized portfolio	$ 395	$ 437	$ 426
Subservicing fees	42	14	14
Late fees and other ancillary servicing revenue	57	62	61
Curtailment interest paid to investors	(39)	(45)	(29)
Net reinsurance loss	(19)	(19)	(16)
Total	$ 436	$ 449	$ 456
Changes in fair value of Mortgage Servicing Rights:			
Actual prepayments of the underlying mortgage loans	$ (217)	$ (233)	$ (164)
Actual receipts of recurring cash flows	(46)	(41)	(48)
Market-related fair value adjustments	276	(223)	(521)
Total	$ 13	$ (497)	$ (733)

	Year Ended December 31,		
	2013	2012	2011
		(In millions)	
Other operating expenses:			
Repurchase and foreclosure-related charges	$ 7	$ 182	$ 80
Corporate overhead allocation	24	18	15
Other expenses	126	109	75
Total	$ 157	$ 309	$ 170

Following are descriptions of the contents and drivers of the financial results of the Mortgage Servicing segment:

Loan servicing income is primarily driven by the average capitalized loan servicing portfolio and the average servicing fee. Servicing fees from the capitalized portfolio is driven by recurring servicing fees that are recognized upon receipt of the coupon payment from the borrower and recorded net of guarantee fees due to the investor. For loans that are subserviced, we receive a nominal stated amount per loan which is less than our average servicing fee related to the capitalized portfolio. Curtailment interest paid to investors represents uncollected interest from the borrower that is required to be passed onto investors and is primarily driven by the number of loan payoffs. Net reinsurance income or loss represents premiums earned on reinsurance contracts, net of ceding commission and provisions for reinsurance reserves.

Changes in fair value of mortgage servicing rights include actual prepayments of the underlying mortgage loans, actual receipts of recurring cash flows and market-related fair value adjustments. The fair value of our MSRs is estimated based upon projections of expected future cash flows considering prepayment estimates, our historical prepayment rates, portfolio characteristics, interest rates based on interest rate yield curves, implied volatility, servicing costs and other economic factors. Generally, the value of our MSRs is expected to increase when interest rates rise and decrease when interest rates decline due to the effect those changes in interest rates have on prepayment estimates. Other factors noted above as well as the overall market demand for MSRs may also affect the valuation.

Actual prepayments are driven by two factors: (i) the number of loans that prepaid during the period and (ii) the current value of the mortgage servicing right asset at the time of prepayment. Market-related fair value adjustments represent the change in fair value of MSRs due to changes in market inputs and assumptions used in the valuation model.

Other operating expenses consist of repurchase and foreclosure-related charges, allocations for corporate overhead and other servicing related expenses. Repurchase and foreclosure-related charges are primarily driven by the actual and projected volumes of repurchase and indemnification requests, our success rate in appealing repurchase requests and expected loss severities. Expected loss severities are impacted by various economic factors including delinquency rates and home price values while our success rate in appealing repurchase requests can fluctuate based on the validity and composition of repurchase demands and the underlying quality of the loan files.

Other expenses are primarily costs directly associated with servicing loans in foreclosure and real estate owned, professional fees and outsourcing fees.

Fleet Management Services Segment

Segment Overview

We principally generate revenue in our Fleet Management Services segment through the amounts earned on operating leasing agreements and fee income earned on additional services and products provided to our fleet management customers. Fee-based services consist primarily of the following:

Management services to our clients include fleet policy analysis and recommendations, benchmarking, vehicle recommendations, ordering and purchasing vehicles, arranging for vehicle delivery and administration of the title and registration process, as well as tax and insurance requirements, pursuing warranty claims and remarketing used vehicles. We receive revenue for management services as a component of the total lease payments, and the management fee revenue is recognized over the lease term.

Maintenance service cards are used to facilitate payment for vehicle repairs and maintenance, provide access to our supplier network and service discounts and offer support services including managerial oversight and reporting of their maintenance programs, fleet performance and related costs. We receive a fixed monthly fee for these services from our clients as well as additional fees from service providers in our third-party network for individual maintenance services.

Fuel card programs facilitate the payment, monitoring and control of fuel purchases, including access to a variety of fuel brands and consolidated reporting on purchases and transaction monitoring to assist clients with evaluation of their fleet performance and costs. We receive both monthly fees from our fuel card clients and additional fees from fuel partners and providers.

Accident management services provide clients with immediate assistance upon receiving the initial accident report from the driver (e.g., facilitating emergency towing services and car rental assistance), an organized vehicle appraisal and repair process through a network of third-party preferred repair and body shops and coordination and negotiation of potential accident claims. We receive fees from our clients for these services as well as additional fees from service providers in our third-party network for individual incident services.

Driver safety training services are offered to clients and include classroom and behind the wheel training for small groups or individual drivers taught by professional driving instructors. We receive fees from our clients for these services.

Our net investment in fleet leases includes:

Open-end leases are a form of lease in which the client bears substantially all of the vehicle's residual value risk. These leases typically have a minimum term of 12 months and can be continued after that at the lessee's election for successive monthly renewals. Upon return of the vehicle by the lessee, we typically sell the vehicle into the secondary market and the client receives a credit or pays the difference between the sale proceeds and the vehicle's book value. Open-end leases may be classified as operating or direct financing depending upon the nature of the residual guarantee. As of December 31, 2013, open-end leases represented 98% of our lease portfolio.

Closed-end leases are a form of lease in which we retain the residual risk of the value of the vehicle at the end of the lease term and may be classified as operating or direct financing based on the terms of the individual contracts. As of December 31, 2013, closed-end leases represented 2% of our lease portfolio.

Outlook and Trends

The fleet management industry has continued to be influenced by the current condition of the U.S. economy and the levels of corporate spending and capital investment which has resulted in corporate cost-reduction initiatives, increasing fleet operating costs, including increasing vehicle acquisition costs, maintenance costs and fuel prices. In recent years, the mix of our net investment in leases has changed to include more truck and service-type vehicles that have a higher initial capitalized cost, which has offset declines in our leased units. Growth in our Fleet Management Services segment is driven principally by increased market share in fleets greater than 75 units and increased fee-based services.

Segment Metrics:

	Average for the Year Ended December 31,		
	2013	2012	2011
		(In thousands of units)	
Leased vehicles	257	265	274
Maintenance service cards	340	338	324
Fuel cards	311	304	295
Accident management vehicles	313	307	298

Segment Results:

	Year Ended December 31,		
	2013	2012	2011
		(In millions)	
Fleet management fees	$ 175	$ 180	$ 173
Fleet lease income	1,386	1,364	1,400
Other income	81	73	73
Net revenues	1,642	1,617	1,646
Salaries and related expenses	70	62	62
Occupancy and other office expenses	14	14	15
Depreciation on operating leases	1,211	1,212	1,223
Fleet interest expense	60	70	82
Other depreciation and amortization	10	10	11
Other operating expenses	189	162	178
Total expenses	1,554	1,530	1,571
Segment profit	$ 88	$ 87	$ 75

2013 Compared With 2012: Fleet Management Services segment profit was $88 million, an increase of $1 million, or 1%, from 2012. Net revenues increased to $1.64 billion, up $25 million, or 2% compared with the prior year driven primarily by higher operating lease syndication revenue. Total expenses increased to $1.55 billion, up $24 million, or 2% compared with the prior year driven by higher cost of goods sold related to operating lease syndication volume and an increase in salaries and related expenses that were partially offset by a decrease in Fleet interest expense resulting from a lower cost of funds rate.

Net revenues. Fleet management fees were $175 million, a decrease of $5 million, or 3%, driven by lower client participation in driver safety training services. During 2013, we continued to grow our average maintenance service, fuel card and accident management unit counts compared to 2012; however we experienced a 3% decline in our average number of leased vehicles. Declines in leasing revenue from lower average vehicle units and the rate billed as the interest component for funding the lease were partially offset by a higher depreciation component for the cost of vehicles under lease resulting from a change in mix to more expensive truck and service-type vehicles. The amount of gross proceeds related to operating lease syndications was $55 million, an increase of $25 million, or 83% compared to 2012. Other income was $81 million, an increase of $8 million from 2012 driven by a higher volume of new vehicle sales at our dealerships and an increase in revenues associated with vehicles equipped with onboard technology.

Total expenses. Salaries and related expenses increased by $8 million compared to the prior year resulting from an increase in the average number of permanent employees due to current and expected growth in the business. Fleet interest expense decreased by $10 million and was driven by a lower cost of funds rate from new debt issuances that was partially offset by a higher average volume of borrowings. The unit decline and change in mix of our leased vehicles described above resulted in a slight decrease in Depreciation on operating leases. The $30 million increase in Cost of goods sold was primarily driven by the increase in operating lease syndication volume and higher volume of vehicle sales at our dealerships compared to 2012. Other expenses decreased by $5 million primarily due to a decrease in expenses associated with client participation in driver safety training services and lower client concessions that were offset by an increase in costs for vehicles equipped with onboard technology.

2012 Compared With 2011: Fleet Management Services segment profit was $87 million, an increase of $12 million, or 16%, from 2011. Net revenues decreased to $1.62 billion, down $29 million, or 2% compared with the prior year driven primarily by lower operating lease syndication revenue. Total expenses decreased to $1.53 billion, down $41 million, or 3% compared with the prior year driven by lower cost of goods sold related to operating lease syndication volume and a decrease in Fleet interest expense primarily resulting from a lower cost of funds rate.

Net revenues. We grew our average maintenance service, fuel card and accident management unit counts compared to 2011. Fleet management fees were $180 million, an increase of $7 million, or 4%, driven by the higher average maintenance service unit counts, higher client participation in driver safety draining services and a $4 million increase in asset-based fleet management services, including an increase resulting from client asset dispositions. Our average number of leased vehicles declined by 3% compared to the prior year which contributed to lower Leasing revenue. While our average leased vehicles declined, we experienced growth in our net investment in leases resulting from a change in mix to more expensive truck and service-type vehicles. This mix shift partially offset the decline in Leasing revenue from the lower unit counts due to the higher depreciation component for the cost of vehicles under lease. The amount of gross proceeds related to operating lease syndications was $30 million, a decrease of $26 million, or 46% compared to 2011. Other income remained constant with the prior year despite a $4 million decrease in the gains on used car sales due to a lower volume of used car sales. Lower used car sales were offset by higher revenues associated with vehicles equipped with onboard technology and gains on vehicles sales at our dealerships from new remarketing strategies.

Total expenses. The decline and change in mix of our leased vehicles units described above also resulted in an $11 million net decrease in Depreciation on operating leases. Fleet interest expense decreased by $12 million driven by an $8 million decline in leasing interest expense related to a lower cost of funds rate from new debt issuances that was partially offset by a higher average volume of borrowings. Fleet interest expense was also positively impacted by $4 million compared to 2011 from lower fair value adjustments related to interest rate contracts on asset-backed debt and lower amortization of deferred financing fees. The $23 million decrease in Cost of goods sold was mainly driven by the decrease in the amount of operating lease syndication volume compared to 2011. Other expenses increased by $5 million primarily due to an increase in expenses associated with client participation in driver safety training services and vehicles equipped with onboard technology.

Selected Income Statement Data:

	Year Ended December 31,		
	2013	2012	2011
		(In millions)	
Fleet lease income:			
Leasing revenue	$ 1,331	$ 1,334	$ 1,344
Operating lease syndication revenue	55	30	56
Total	$ 1,386	$ 1,364	$ 1,400
Other operating expenses:			
Cost of goods sold	$ 109	$ 79	$ 102
Corporate overhead allocation	48	46	44
Other expenses	32	37	32
Total	$ 189	$ 162	$ 178

Following are descriptions of the contents and drivers of the financial results of the Fleet Management Services segment:

Fleet lease income consists of leasing revenue related to operating and direct financing leases as well as the gross sales proceeds associated with our operating lease syndications. Leasing revenue related to operating leases consists of an interest component for the funding cost inherent in the lease as well as a depreciation component for the cost of the vehicles under lease. Leasing revenue related to direct financing leases consists of an interest component for the funding cost inherent in the lease. We originate certain leases with the intention of syndicating to banks and other financial institutions, which includes the sale of the underlying assets and assignment of any rights to the leases. Upon the transfer and assignment of operating leases that qualify for sales treatment, we record the gross proceeds from the sale within Fleet lease income.

Other income primarily consists of gross sales proceeds from our owned vehicle dealerships, the net gain or loss from the sale of used vehicles and other ancillary revenues.

Depreciation on operating leases is the depreciation expense associated with vehicles under operating leases included in Net investment in fleet leases.

Fleet interest expense is primarily driven by the average volume and cost of funds rate of outstanding borrowings and consists of interest expense associated with borrowings related to leased vehicles, changes in market values of interest rate derivative contracts related to vehicle asset-backed debt and amortization of deferred financing fees.

Other operating expenses consist of cost of goods sold, allocations for corporate overhead and other expenses. Cost of goods sold represents the acquisition cost of vehicles at our dealerships and the carrying value of certain operating leases syndicated to banks and other financial institutions.

Other expenses include costs related to driver safety training services, vehicles equipped with onboard technology, professional fees and other expenses related to managing our fleet services.

Other

Overview

We leverage a centralized corporate platform to provide shared services for general and administrative functions to our reportable segments. These shared services include support associated with, among other functions, information technology, enterprise risk management, internal audit, human resources, accounting and finance and communications. The costs associated with these shared general and administrative functions, in addition to the cost of managing the overall corporate function, are recorded within Other and allocated to our reportable segments through a corporate overhead allocation. Other also includes intersegment eliminations and certain income and expenses that are not allocated back to our reportable segments.

Results:

	Year Ended December 31, 2013	2012	2011
		(In millions)	
Net revenues	$ (2)	$ (2)	$ (3)
Salaries and related expenses	73	77	71
Occupancy and other office expenses	4	4	4
Fleet interest expense	(2)	(2)	(3)
Other depreciation and amortization	9	8	4
Other operating expenses	142	69	54
Total, expenses before allocation	226	156	130
Corporate overhead allocation	(173)	(145)	(130)
Total expenses	53	11	—
Net loss before income taxes	$ (55)	$ (13)	$ (3)

2013 Compared With 2012: Net loss before income taxes was $55 million, compared to a loss of $13 million in 2012. Total expenses before corporate allocations increased to $226 million, up $70 million, or 45%, compared with the prior year driven by higher costs associated with the early repayment of certain unsecured debt and an increase in professional and consulting fees.

Total expenses. We continued to execute on our strategy to improve our liquidity position and capital structure and repaid portions of certain unsecured debt during each period. During 2013, Other expenses includes a $54 million pre-tax loss for debt tender premiums and costs associated with the early retirement of a portion of the Senior notes due in 2016, compared to a $13 million pre-tax loss during 2012 related to the repayment of the Medium-term notes due in 2013. Professional fees increased by $29 million compared to the prior year which was driven by fees associated with risk management and strategic initiatives and higher information technology costs. The increase in technology costs during 2013 was driven by private label client implementations in our Mortgage Production segment and costs related to our new outsourcing arrangement for technology infrastructure management and application development.

2012 Compared With 2011: Net loss before income taxes was $13 million, an increase of $10 million from 2011. Total expenses before corporate allocations increased to $156 million, up $26 million, or 20% compared with the prior year driven by costs associated with the early repayment of certain unsecured debt and higher salaries and related expenses.

Total expenses. Other expenses includes a $13 million pre-tax loss resulting from debt tender premiums and costs related to the early repayment of the Medium-term notes due in 2013 and a $3 million increase in computer software and hardware expenses related to investments in our information technology infrastructure. Professional fees remained constant with the prior year as higher information technology-related expenses related to new private label client implementations in our Mortgage production segment were offset by fees incurred during 2011 related to the development of our information technology infrastructure that were nonrecurring.

The increase in Salaries and related expenses was driven by a higher average headcount, an increase in management incentives and additional severance associated with the separation of certain executives during 2012.

Selected Income Statement Data:

	Year Ended December 31,		
	2013	2012	2011
		(In millions)	
Other operating expenses:			
Professional fees	$ 61	$ 32	$ 32
Other expenses	81	37	22
Total	$ 142	$ 69	$ 54
Corporate overhead allocation:			
Mortgage Production segment	$ 101	$ 81	$ 71
Mortgage Servicing segment	24	18	15
Fleet Management Services segment	48	46	44
Other	(173)	(145)	(130)
Total	$ —	$ —	$ —

Following are descriptions of the contents and drivers of our financial results:

Net revenues represent income that is not allocated to the reportable segments and intersegment eliminations.

Salaries and related expenses represent costs associated with operating corporate functions and our centralized management platform and consist of salaries, payroll taxes, benefits and incentives paid to shared service support employees. These expenses are primarily driven by the average number of permanent employees.

Corporate overhead allocation to each segment is determined based upon the actual and estimated usage by function or expense category.

RISK MANAGEMENT

We are exposed to various business risks which may significantly impact our financial results including, but not limited to: (i) interest rate risk; (ii) consumer credit risk; (iii) commercial credit risk; (iv) counterparty and concentration risk; (v) liquidity risk; and (vi) foreign exchange risk. Our risk management framework and governance structure are intended to provide oversight and ongoing management of the risks inherent in our business activities and create a culture of risk awareness. The Finance and Risk Management Committee of the Board of Directors provides oversight with respect to our risk management function and the policies, procedures and practices used in identifying and managing our material risks. Our Chief Executive Officer and Chief Risk Officer are responsible for the design, implementation and maintenance of our enterprise risk management program.

Our Risk Management organization, working with each of our businesses, oversees governance processes and monitoring of these risks including the establishment of risk strategy and documentation of risk policies and controls. The Risk Management organization operates independently of the business units, but works in partnership to provide oversight of enterprise risk management and controls. This includes establishing enterprise-level risk management policies, appropriate governance activities and creating risk transparency through risk reporting.

Risks unique to our Mortgage businesses are governed through various committees including, but not limited to: (i) interest rate risk, including development of hedge strategy and policies, monitoring hedge positions and counterparty risk; (ii) quality control, including audits related to the processing, underwriting and closing of loans, findings of any fraud-related reviews and reviews of post-closing functions, such as FHA insurance and monitoring of overall portfolio delinquency trends and recourse activity; and (iii) credit risk, including establishing credit policy, product development and changes to underwriting guidelines.

Risks unique to our Fleet business are governed through a committee that is responsible for approving risk management policies and procedures that include, but are not limited to the following: (i) credit and counterparty risks; (ii) credit losses and reserves; (iii) collections and accounts receivable; (iv) residual risk on closed-end units; (v) legal, compliance, and commercial litigation issues; and (vi) and operational, supply chain and price risks.

Interest Rate Risk

Our principal market exposure is to interest rate risk, specifically long-term Treasury and mortgage interest rates due to their impact on mortgage-related assets and commitments. Additionally, our escrow earnings on our mortgage servicing rights and our net investment in variable-rate lease assets are sensitive to changes in short-term interest rates such as LIBOR. We also are exposed to changes in short-term interest rates on certain variable rate borrowings including our mortgage warehouse asset-backed debt, vehicle management asset-backed debt and our unsecured revolving credit facility. We anticipate that such interest rates will remain our primary benchmark for market risk for the foreseeable future.

Our Mortgage Production segment and Mortgage Servicing segment are both subject to variability in results of operations due to fluctuations in interest rates. In a declining interest rate environment, we would expect our Mortgage Production segment's results of operations to be positively impacted by higher loan origination volumes and improved loan margins while we would expect the results of operations of our Mortgage Servicing segment to decline due to higher actual and projected loan prepayments related to our capitalized loan servicing portfolio. In a rising interest rate environment, we would expect a negative impact on the results of operations of our Mortgage Production segment and our Mortgage Servicing segment's results of operations to be positively impacted. The interaction between the results of operations of our Mortgage segments is a core component of our overall interest rate risk strategy.

Our Fleet Management Services business is subject to variability in results of operations from fluctuations in interest rates due to changes in variable-rate leases that may be funded by fixed-rate or variable rate debt.

Refer to "—Item 7A. Quantitative and Qualitative Disclosures About Market Risk" for an analysis of the impact of 25 bps, 50 bps and 100 bps changes in interest rates on the valuation of assets and liabilities sensitive to interest rates. For more information, see "Part I—Item 1A. Risk Factors—Risks Related to our Company—*Certain hedging strategies that we may use to manage risks associated with our assets, including mortgage loans held for sale, interest rate lock commitments, mortgage servicing rights and foreign currency denominated assets, may not be effective in mitigating those risks and could result in substantial losses that could exceed the losses that would have been incurred had we not used such hedging strategies.* and *Changes in interest rates could materially and adversely affect our volume of mortgage loan originations or reduce the value of our mortgage servicing rights, either of which could have a material adverse effect on our business, financial position, results of operations, liquidity or cash flows.* " in this Form 10-K.

Mortgage Loans and Interest Rate Lock Commitments

Interest rate lock commitments represent an agreement to extend credit to a mortgage loan applicant, or an agreement to purchase a loan from a third-party originator, whereby the interest rate on the loan is set prior to funding. Our Mortgage loans held for sale, which are held in inventory awaiting sale into the secondary market, and our Interest rate lock commitments, are subject to changes in mortgage interest rates from the date of the commitment through the sale of the loan into the secondary market. As such, we are exposed to interest rate risk and related price risk during the period from the date of the lock commitment through (i) the lock commitment cancellation or expiration date; or (ii) the date of sale into the secondary mortgage market. Loan commitments generally range between 30 and 90 days; and we typically sell mortgage loans within 30 days of origination.

A combination of options and forward delivery commitments on mortgage-backed securities or whole loans are used to hedge our commitments to fund mortgages and our loans held for sale. These forward delivery commitments fix the forward sales price that will be realized in the secondary market and thereby reduce the interest rate and price risk to us. Our expectation of how many of our interest rate lock commitments will ultimately close is a key factor in determining the notional amount of derivatives used in hedging the position.

Mortgage Servicing Rights

Our mortgage servicing rights ("MSRs") are subject to substantial interest rate risk as the mortgage notes underlying the MSRs permit the borrowers to prepay the loans. Therefore, the value of MSRs generally tends to diminish in periods of declining interest rates (as prepayments increase) and increase in periods of rising interest rates (as prepayments decrease). Although the level of interest rates is a key driver of prepayment activity, there are other factors that influence prepayments, including home prices, underwriting standards and product characteristics. Since our Mortgage Production segment's results of operations are positively impacted when interest rates decline, our Mortgage Production segment's results of operations may fully or partially offset the change in fair value of MSRs either negating or minimizing the need to hedge the change in fair value of our MSRs with derivatives.

We consider the estimated benefit of new originations on our Mortgage Production segment's results of operations to determine the net economic value change from a decline in interest rates, and we continuously evaluate our ability to replenish lost MSR value and cash flow due to increased prepayments. A replenishment rate greater than 100% is one indicator of the benefit of mortgage loan originations offsetting lost MSR value. During the year ended December 31, 2013, our replenishment rate was 80% which reflects $22.1 billion of additions to our capitalized servicing portfolio compared to $27.8 billion of loan payoffs. We have seen our replenishment rate decline from 189% in 2011, to 97% in 2012, to 80% in 2013 which has been driven by reductions in wholesale/correspondent volume and an increase in the mix of fee-based closings. Our replenishment rate for 2014 is expected to be negatively impacted by the agreement we executed in the fourth quarter of 2013 with Matrix Financial Services Corporation, a subsidiary of Two Harbors Investment Corp., for their purchase of a portion of our newly-created servicing rights that are eligible for sale, while we continue to subservice the underlying loans.

This risk management approach requires management to make assumptions with regards to future replenishment rates, loan margins, the value of additions to MSRs and loan origination costs. Many factors can impact these estimates, including loan pricing margins, the availability of liquidity to fund additions to our capitalized MSRs and the ability to adjust staffing levels to meet changing consumer demand. As a result, our decisions regarding the levels, if any, of our derivatives related to mortgage servicing rights could result in continued volatility in the results of operations for our Mortgage Servicing segment.

Indebtedness

The asset-backed debt used to finance much of our operations is exposed to interest rate fluctuations. We may use certain hedging strategies and derivative instruments to create a desired mix of fixed- and variable-rate assets and liabilities. Derivative instruments used in these hedging strategies may include swaps and interest rate caps. We primarily issue variable-rate debt, which more closely matches the characteristics of the related assets, including the net investment in variable-rate lease assets. From time to time, derivatives that convert variable cash flows to fixed cash flows are used to manage the risk associated with variable-rate debt and net investment in fixed-rate lease assets. Such derivatives may include freestanding derivatives and derivatives designated as cash flow hedges.

Consumer Credit Risk

Our exposures to consumer credit risk include:

- Loan repurchase and indemnification obligations from breaches of representation and warranty provisions of our loan sales or servicing agreements, which result in indemnification payments or exposure to loan defaults and foreclosures; and
- A decline in the fair value of mortgage servicing rights as a result of increases in involuntary prepayments from increasing portfolio delinquencies.

We are not subject to the majority of the credit-related risks inherent in maintaining a mortgage loan portfolio because loans are not held for investment purposes. We sell nearly all of the mortgage loans that we originate in the secondary mortgage market within 30 days of origination. Conforming loan sales are primarily in the form of mortgage-backed securities guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae.

For our loan servicing portfolio, we utilize several risk mitigation strategies in an effort to minimize losses from delinquencies, foreclosures and real estate owned including: collections, loan modifications, and foreclosure and property disposition. Since the majority of the risk resides with the investor and not with us, these techniques may vary based on individual investor and insurer requirements.

In an effort to minimize losses from loan repurchases and indemnifications, we focus on originating high quality mortgage loans and closely monitoring investor and agency eligibility requirements for loan sales. To monitor our loan production for such issues, our quality review teams perform audits related to the processing, underwriting and closing of mortgage loans prior to, or shortly after, the sale of loans to identify any potential repurchase exposures due to breach of representations and warranties. In addition, when an investor requests that we repurchase a loan that we originated, we perform a comprehensive review of the loan file to determine if a breach of representation and warranties occurred prior to authorizing the repurchase of the loan.

The following tables summarize certain information regarding the total loan servicing portfolio, which includes loans associated with capitalized Mortgage servicing rights as well as loans subserviced for others:

	December 31,	
	2013	2012
Portfolio Delinquency:(1)		
30 days	1.82 %	1.93 %
60 days	0.62 %	0.52 %
90 days or more	0.90 %	0.70 %
Total(2)	3.34 %	3.15 %
Foreclosure/real estate owned(3)	2.36 %	1.92 %

(1) Represents the total loan servicing portfolio delinquencies as a percentage of the total unpaid principal balance of the portfolio.

(2) The total servicing portfolio increased during 2013 due to the assumption of a new subservicing portfolio. Excluding the subservicing portfolio assumed during 2013, the Company's total portfolio delinquency and foreclosure/real estate owned based on the unpaid principal balance were 2.86% and 1.64%, respectively.

(3) As of December 31, 2013 and 2012, there were loans in foreclosure with an unpaid principal balance of $4.7 billion and $3.0 billion, respectively. Excluding the subservicing portfolio assumed during 2013, the Company's foreclosed loans had an unpaid principal balance of $2.6 billion.

	December 31,	
	2013	2012
Major Geographical Concentrations:(1)		
California	16.2 %	15.0 %
New York	16.1 %	7.2 %
Florida	6.6 %	6.7 %
New Jersey	5.8 %	6.1 %
Other	55.3 %	65.0 %

(1) Includes loans related to the assumption of a subservicing portfolio during 2013.

The following table summarizes the percentage of loans that are greater than 90 days delinquent, in foreclosure and real estate owned based on the unpaid principal balance for significant geographical concentrations:

	December 31, 2013
New York	26.3 %
Florida	12.9 %
New Jersey	11.0 %
California	6.8 %

Loan Repurchases and Indemnifications

Representations and warranties are provided to investors and insurers on a significant portion of loans sold and are also assumed on purchased mortgage servicing rights. The representation and warranties made by us are set forth in our loan sale agreements and relate to, among other things, the ownership of the loan, the validity of the lien securing the loan, the underwriting standards required by the investor, the loan's compliance with applicable local, state and federal laws and, for loans with a loan-to-value ratios greater than 80%, the existence of primary mortgage insurance. Investors routinely request loan files to review for potential breaches of representation and warranties.

If there is no breach of a representation and warranty provision, then there is no obligation to repurchase the loan or indemnify the investor against loss. In the event of a breach of these representations and warranties, the investor will issue a repurchase demand and we may be required to repurchase the mortgage loan or indemnify the investor against loss. We subject the population of repurchase and indemnification requests to a review and appeals process to establish the validity of the claim and determine our corresponding obligation. We have established a loan repurchase and indemnification liability for our estimate of exposure to losses related to our obligation to repurchase or indemnify investors for loans sold. This liability represents management's estimate of probable losses based on the best information available and requires the application of a significant level of judgment and the use of a number of assumptions. In limited circumstances, the full risk of loss on loans sold is retained to the extent the liquidation of the underlying collateral is insufficient. In some instances where we have purchased loans from third parties, we may have the ability to recover the loss from the third party originator.

Actual losses incurred in connection with loan repurchases and indemnifications could vary significantly from and exceed the recorded liability. See “—Critical Accounting Policies and Estimates” for information regarding the estimation of our loan repurchase and indemnification liability. We may also be required to increase our loan repurchase and indemnification liability in the future. Accordingly, there can be no assurance that actual losses or estimates of reasonably possible losses associated with loan repurchases and indemnifications will not be in excess of the recorded liability or that we will not be required to increase the recorded liability in the future.

Given the inherent uncertainties involved in estimating losses associated with future repurchase and indemnification requests, there is a reasonable possibility that future losses may be in excess of the recorded liability. As of December 31, 2013, the estimated amount of reasonably possible losses in excess of the recorded liability was approximately $30 million which relates to our estimate of repurchase and foreclosure-related charges that may not be reimbursed pursuant to government mortgage insurance programs in the event we do not file insurance claims. The estimate is based on our expectation of future defaults and the historical defect rate for government insured loans. The Company’s estimate of reasonably possible losses does not represent probable losses and is based upon significant judgments and assumptions which can be influenced by many factors, including: (i) home prices and the levels of home equity; (ii) the quality of our underwriting procedures; (iii) borrower delinquency and default patterns; and (iv) general economic conditions.

In 2013, we experienced a continued elevated level of mortgage loan repurchase and indemnification requests as the Agencies focused on completing their reviews of loans for pre-2009 origination years. Our liability for probable losses related to repurchase and indemnification obligations as of December 31, 2013 reflects our belief that the Agencies are substantially complete with their review of loans originated prior to 2009 and that we have received the related repurchase requests. As of December 31, 2013, 75% of the unpaid principal balance of our unresolved requests relates to loans originated between 2005 and 2008, but we expect the composition of requests to migrate towards more recent origination years after the existing requests are resolved.

Fannie Mae and Freddie Mac have established a new representation and warranty framework for conventional loans sold or delivered on or after January 1, 2013. The new framework is expected to provide increased transparency and certainty to lenders with respect to repurchase exposure on future loan sales and provide relief of certain repurchase obligations provided loans meet specific payment requirements including 36 months of consecutive on-time payments, except for loans originated under the Home Affordable Refinance Program, which requires only 12 months of acceptable payment history. The new representation and warranty framework is also expected to change the quality control review processes of Fannie Mae and Freddie Mac, including changing the timing of reviews and establishing consistent guidelines around the review and appeal process. Throughout 2013, Fannie Mae and Freddie Mac were primarily focused on file reviews for pre-2009 vintage years. As such, the full impact of the new framework is extremely uncertain; however we will continue to monitor the Agencies’ behavior towards file reviews of loans sold or delivered under the new framework. These rules will likely impact the processing of representation and warranty claims on a prospective basis and may impact our future expectations of repurchase and indemnification liabilities, our success rate in appealing requests and loss severities for loans sold or delivered after January 1, 2013.

See Note 15, "Credit Risk", in the accompanying Notes to Consolidated Financial Statements for additional information regarding our repurchase and foreclosure-related reserves.

Repurchase and foreclosure-related reserves consist of the following:

	December 31, 2013	December 31, 2012
	(In millions)	
Loan repurchase and indemnification liability	$ 100	$ 140
Allowance for probable foreclosure losses	20	28
Adjustment to value for real estate owned	22	23
Total	$ 142	$ 191

The table below presents the trend over the most recent quarters of our repurchase and foreclosure-related reserves activity and the number of repurchase and indemnification requests received:

	Three Months Ended				
	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012
			($ In millions)		
Balance, beginning of period	$ 180	$ 191	$ 194	$ 191	$ 176
Realized losses	(21)	(15)	(20)	(17)	(27)
Increases (decreases) in reserves due to:					
Change in assumptions	(19)	—	11	15	37
New loan sales	2	4	6	5	5
Balance, end of period	$ 142	$ 180	$ 191	$ 194	$ 191
Repurchase and indemnification requests received (number of loans)	1,017	735	603	886	980

We subject the population of repurchase and indemnification requests received to a review and appeal process to establish the validity of the claim and corresponding obligation. The following table presents the unpaid principal balance of our unresolved requests by status:

	December 31, 2013			December 31, 2012		
	Investor Requests	Insurer Requests	Total [4]	Investor Requests	Insurer Requests	Total [4]
			(In millions)			
Agency Invested:						
Claim pending [1]	$ 19	$ —	$ 19	$ 25	$ 1	$ 26
Appealed [2]	43	5	48	49	7	56
Open to review [3]	74	5	79	44	23	67
Agency requests	136	10	146	118	31	149
Private Invested:						
Claim pending [1]	9	—	9	8	—	8
Appealed [2]	16	2	18	16	2	18
Open to review [3]	16	2	18	33	5	38
Private requests	41	4	45	57	7	64
Total	$ 177	$ 14	$ 191	$ 175	$ 38	$ 213

(1) Claim pending status represents loans that have completed the review process where we have agreed with the representation and warranty breach and are pending final execution.

(2) Appealed status represents loans that have completed the review process where we have disagreed with the representation and warranty breach and are pending response from the claimant. Based on claims received and appealed during the year ended December 31, 2013 that have been resolved, we were successful in refuting approximately 90% of claims appealed.

(3) Open to review status represents loans where we have not completed our review process. We appealed approximately 65% of claims received and reviewed during the year ended December 31, 2013.

(4) Investors may make repurchase demands based on unresolved mortgage insurance rescission notices. In these cases, the total unresolved requests balance includes certain loans that are currently subject to both an outstanding repurchase demand and an unresolved mortgage insurance rescission notice.

Mortgage Loans in Foreclosure and Real Estate Owned

Mortgage loans in foreclosure represent the unpaid principal balance of mortgage loans for which foreclosure proceedings have been initiated, plus recoverable advances made by us on those loans. These amounts are recorded net of an allowance for probable losses on such mortgage loans and related advances. As of December 31, 2013, mortgage loans in foreclosure were $172 million, net of an allowance for probable losses of $20 million, and were included in Other assets in the accompanying Consolidated Balance Sheets.

Real estate owned, which are acquired from mortgagors in default, are recorded at the lower of the adjusted carrying amount at the time the property is acquired or fair value. Fair value is determined based upon the estimated net realizable value of the underlying collateral less the estimated costs to sell. As of December 31, 2013, real estate owned were $51 million, net of a $22 million adjustment to record these amounts at their estimated net realizable value, and were included in Other assets in the accompanying Consolidated Balance Sheets.

Mortgage Reinsurance

We no longer have exposure to consumer credit risk through reinsurance activities since we no longer have any contractual reinsurance agreements. In 2013, we terminated our remaining inactive reinsurance contract that resulted in a pre-tax loss of $21 million for the year ended December 31, 2013, which was recorded in Loan servicing income in the Consolidated Statements of Operations. See Note 15, "Credit Risk", in the accompanying Notes to Consolidated Financial Statements for additional information regarding the termination agreement.

In 2012, we terminated one of our inactive reinsurance contracts. During the year ended December 31, 2012, this termination resulted in a pre-tax loss of $16 million which was recorded in Loan servicing income in the Consolidated Statements of Operations.

Commercial Credit Risk

We are exposed to commercial credit risk for our clients under the lease and service agreements of our Fleet Management Services segment. We manage such risk through an evaluation of the financial position and creditworthiness of the client, which is performed on at least an annual basis. The lease agreements generally allow us to refuse any additional orders; however, the obligation remains for all leased vehicle units under contract at that time. The fleet management service agreements can generally be terminated upon 30 days written notice.

Vehicle leases are primarily classified as operating leases; however, as of December 31, 2013, direct financing leases comprised 3% of our Net investment in fleet leases and there were no related receivables that were greater than 90 days delinquent.

Historical credit losses for receivables related to vehicle leasing and fleet management services have not been significant.

Counterparty and Concentration Risk

We are exposed to risk in the event of non-performance by counterparties to various agreements, derivative contracts, and sales transactions. In general, we manage such risk by evaluating the financial position and creditworthiness of counterparties, monitoring the amount for which we are at risk, requiring collateral, typically cash, in instances in which financing is provided and/or dispersing the risk among multiple counterparties.

We manage our exposure to risk from derivative counterparties through entering into bilateral collateral agreements and legally enforceable master netting agreements with many counterparties. As of December 31, 2013, there were no significant concentrations of credit risk with any individual counterparty or group of counterparties with respect to our derivative transactions.

Concentrations of credit risk associated with receivables are considered minimal due to our diverse client base. With the exception of the financing provided to customers of our mortgage business, we do not normally require collateral or other security to support credit sales.

The Mortgage Production segment has exposure to risk related to the volume of transactions with individual counterparties. During the year ended December 31, 2013, 21% of our mortgage loan originations were derived from our relationships with Realogy and its affiliates, 29% were derived from Merrill Lynch Home Loans, a division of Bank of America, National Association and 12% were derived from Morgan Stanley Private Bank, N.A. Our agreement with Merrill Lynch expires in accordance with its terms in December 2015 and Realogy has certain contractual termination rights beginning February 2015. Our inability to renew the respective agreements, or the insolvency or inability of Realogy, Merrill Lynch, or Morgan Stanley to perform their obligations under their respective agreements with us, could have a negative impact on our Mortgage Production segment. See “Part I—

Item 1A. Risk Factors—Risks Related to Our Company—*The private label originations of our Mortgage Production segment are substantially dependent upon a small number of client relationships, including those with Merrill Lynch Home Loans, a division of Bank of America, National Association and Morgan Stanley Private Bank, N.A.. The termination or non-renewal of our contractual agreements with certain of these clients would materially and adversely impact our mortgage loan originations and resulting Net revenues and Segment profit of our Mortgage Production segment, as well as our overall business and our consolidated financial position, results of operations and cash flows. and Our Mortgage Production segment is substantially dependent upon our relationship with Realogy, and the termination or non-renewal of our contractual agreements with Realogy would have a material adverse effect on our business, financial position, results of operations and cash flows."* in this Form 10-K.

The Mortgage Servicing segment has exposure to concentration risk associated with the amount of our servicing portfolio for which we must maintain compliance with the requirements of the GSE servicing guides. As of December 31, 2013, 63% of our servicing portfolio relates to loans governed by these servicing guides.

For the year ended December 31, 2013, the Fleet Management Services segment had no significant client concentrations as no client represented more than 5% of the Net revenues of the business.

Liquidity Risk

Liquidity is an essential component of our ability to operate the business and, therefore, it is crucial that we maintain adequate levels of surplus liquidity through economic cycles. We are exposed to liquidity risk through our ongoing needs to originate and finance mortgage loans, sell mortgage loans into secondary markets, purchase and fund leased vehicles under management, retain mortgage servicing rights, meet our contractual obligations and otherwise fund our working capital needs. We rely on internal cash flow generation and external financing sources to fund a significant portion of our operations. Consistent with our expressed plan to focus on liquidity, our funding strategy is intended to ensure that we will have sufficient liquidity and diverse sources of funding to enable us to meet operating needs and actual and contingent liabilities. We also consider business conditions, expected cash flow generation, upcoming maturities, potential refinancing strategies, and capital market conditions that dictate the availability of liquidity.

The Board of Directors approves the liquidity and financing plan, which is designed to ensure that we will have sufficient liquidity to meet our operating needs and plan for certain contingencies. The Finance & Risk Management Committee reviews the liquidity and financing plan to assess whether management has appropriately planned and provided for liquidity risks. We manage liquidity risk on a consolidated basis which involves periodic stress testing of liquidity sources and uses. Senior management regularly reviews our current liquidity position and projected liquidity needs including any potential and/or pending events that could impact liquidity positively or negatively. Additionally, management has established internal processes to monitor the availability under our existing debt arrangements. We address liquidity risk by maintaining committed borrowing capacity and cash on hand in excess of our expected needs and attempting to manage the timing of our market access by extending the tenor of our funding arrangements.

See "Part I—Item 1A. Risk Factors—Risks Related to our Company—*Our senior unsecured long-term debt ratings are below investment grade and, as a result, we may be limited in our ability to obtain or renew financing on economically viable terms or at all.*" in this Form 10-K for more information.

Foreign Exchange Risk

We also have exposure to foreign exchange risk through: (i) our investment in our Canadian operations; (ii) any U.S. dollar borrowing arrangements we may enter into to fund Canadian dollar denominated leases and operations; and (iii) any foreign currency swap forward-exchange contracts that we may enter into.

LIQUIDITY AND CAPITAL RESOURCES

We manage our liquidity and capital structure to fund growth in assets, to fund business operations and to meet contractual obligations, including maturities of our indebtedness. In developing our liquidity plan, we consider how our needs may be impacted by various factors including maximum liquidity requirements during the period, fluctuations in assets and liability levels due to changes in business operations, upcoming debt maturities, levels of interest rates and working capital needs. We also assess market conditions and capacity for debt issuance in various markets we access to fund our business needs. Our primary operating funding needs arise from the origination and financing of mortgage loans, the purchase and funding of vehicles under management and the retention of mortgage servicing rights. Our liquidity needs can also be significantly influenced by changes in interest rates due to collateral posting requirements from derivative agreements as well as the levels of repurchase and indemnification requests.

Our sources of liquidity include: unrestricted Cash and cash equivalents; committed and uncommitted credit facilities; cash flows from assets under management; proceeds from the sale or securitization of mortgage loans and lease assets; secured borrowings, including the asset-backed debt markets; cash flows from operations (including service fee and lease revenues); the unsecured debt markets; and equity capital (including retained earnings). The Agency MBS, whole-loan, and non-conforming markets for mortgage loans have historically provided substantial liquidity for our mortgage loan production operations. A large component of the mortgage backed securities we sell is guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae (collectively, "Agency MBS"). During the year ended December 31, 2013, 97% of our loans closed to be sold were conforming loans. During 2013, our sales of non-agency (or non-conforming) loans have been focused on whole-loan sales to specified investors under best-efforts commitments, and we expect this to continue into 2014.

During 2013 we issued $350 million of 6.375% Senior notes due in 2021 and used the proceeds to repay $280 million aggregate principal of the 9.25% Senior Notes due 2016. Our 2013 results include a $54 million pre-tax loss from this early repayment. We also entered into an agreement with Matrix Financial Services Corporation, a subsidiary of Two Harbors Investment Corp., for their purchase of a portion of our newly-created servicing rights that are eligible for sale, subject to mutually acceptable pricing, while we continue to subservice the underlying loans. We believe this funding relationship will contribute positively to our cash flows while diversifying our funding sources and allowing us to maintain scale for our servicing operations. The execution of these funding alternatives for MSRs along with our business optimization efforts as discussed in “Overview—Executive Summary”, should help us migrate to a less capital intensive, fee-for-service business model that is less dependent upon the unsecured debt markets.

Throughout 2013 we have made progress with regard to the milestones we need to achieve in order to use our excess capital above our key cash requirements. Additionally, as part of our strategy to maximize shareholder value, we are exploring the separation or sale of our fleet business, our mortgage business or both of our businesses. As part of this process, we will evaluate the use of any excess cash, which may include strategic business investments, the prepayment of unsecured debt and the return of capital to our shareholders. We expect that the mortgage production environment will be challenging in 2014 driven by reduced industry originations and the potential for margin compression as a result of increased competitive pressures. As a result of these challenges, our overall mortgage business could produce negative cash flow in 2014 as a result of increased cash consumption in the Mortgage Production Segment. These pressures resulting from the mortgage origination environment provide inherent uncertainty regarding the use of our excess capital above key cash requirements.

Given our expectation for business volumes, we believe that our sources of liquidity are adequate to fund our operations for at least the next 12 months. We expect aggregate capital expenditures to be between $40 million and $45 million for 2014, in comparison to $32 million for 2013.

We continue to monitor developments in regulations that may impact our businesses including the Dodd-Frank Act and ongoing GSE reforms that could have a material impact on our liquidity. For more information, see "Part I—Item 1A. Risk Factors—Risk Related to our Company—*Our Mortgage businesses are complex and heavily regulated, and the full impact of regulatory developments to our businesses remains uncertain. In addition, we are subject to litigation, regulatory investigations, inquiries and proceedings and we may incur fines, penalties, and increased costs that could negatively impact our future results of operations, liquidity and cash flows or damage our reputation.* " and "Part I—Item 1A. Risk Factors—Risk Related to our Company—*We are highly dependent upon programs administered by Fannie Mae, Freddie Mac and Ginnie Mae. Failure to maintain our relationships with each of Fannie Mae, Freddie Mac and Ginnie Mae would materially and adversely affect our business, financial position, results of operations or cash flows.*"

Cash Flows

As of December 31, 2013, we had Cash and cash equivalents of $1.2 billion, an increase of $416 million from $829 million as of December 31, 2012. We continue to maintain an excess cash position to fund certain known or expected payments, to fund our working capital needs and to maintain cash reserves for contingencies. The following is a summary of certain key items that we consider in our analysis of cash needs as of December 31, 2013:

- A minimum of $250 million for the repayment of Convertible notes that are due in the third quarter of 2014;
- $200 million for identified contingencies related to mortgage loan repurchases and legal and regulatory matters;
- $100 million to $125 million cash reserves for mortgage-related interest rate risk management activities; and
- $200 million to $250 million minimum for working capital needs.

In addition to the cash needs identified above, we had $99 million of unrestricted cash available for use in variable interest entities and $110 million in unrestricted cash held for use in Canada by subsidiaries of our Fleet Management Services segment. We believe our improved liquidity position provides us with increased flexibility in our capital planning objectives.

The following table summarizes the changes in Cash and cash equivalents:

	Year Ended December 31, 2013	Year Ended December 31, 2012	Change
	(In millions)		
Cash provided by (used in):			
Operating activities	$ 2,709	$ 2,057	$ 652
Investing activities	(1,177)	(1,215)	38
Financing activities	(1,112)	(427)	(685)
Effect of changes in exchange rates on Cash and cash equivalents	(4)	—	(4)
Net increase in Cash and cash equivalents	$ 416	$ 415	$ 1

Operating Activities

Our cash flows from operating activities reflect the net cash generated or used in our business operations and can be significantly impacted by the timing of mortgage loan originations and sales. In addition to depreciation and amortization, the operating results of our reportable segments are impacted by the following significant non-cash activities:

- **Mortgage Production** —Capitalization of mortgage servicing rights
- **Mortgage Servicing** —Change in fair value of mortgage servicing rights
- **Fleet Management Services** —Depreciation on operating leases

During the year ended December 31, 2013, cash provided by our operating activities was $2.7 billion. This is primarily reflective of $1.9 billion of net cash provided by the volume of mortgage loan sales in our Mortgage Production segment. Cash provided by operating activities was further driven by positive cash flows from our Mortgage Servicing and Fleet Management Services segments.

The net cash provided by the operating activities of our Mortgage Production segment resulted from a $1.3 billion decrease in Mortgage loans held for sale in our Consolidated Balance Sheets between December 31, 2013 and 2012, which is the result of timing differences between origination and sale as of the end of each period. The decrease in Mortgage loans held for sale also resulted in a decrease in Mortgage Asset-Backed Debt, as further described in Financing Activities.

During the year ended December 31, 2012, cash provided by operating activities was $2.1 billion. This is primarily reflective of $1.5 billion of net cash provided by the volume of mortgage loan sales in our Mortgage Production segment. Cash provided by operating activities was further driven by positive cash flows from our Mortgage Servicing and Fleet Management Services segments.

Investing Activities

Our cash flows from investing activities include cash outflows for purchases of vehicle inventory, net of cash inflows for sales of vehicles within the Fleet Management Services segment as well as changes in the funding requirements of restricted cash, cash equivalents and investments for all of our business segments. Cash flows related to the acquisition and sale of vehicles fluctuate significantly from period to period due to the timing of the underlying transactions.

During the year ended December 31, 2013, cash used in our investing activities was $1.2 billion, which primarily consisted of $1.3 billion in net cash outflows from the purchase and sale of vehicles that was partially offset by a $187 million net decrease in Restricted cash, cash equivalents and investments primarily due to $118 million of restricted cash that was settled related to the termination of a reinsurance agreement in 2013 and a $43 million decrease in restricted cash used as overcollateralization for fleet securitizations.

During the year ended December 31, 2012, cash used in our investing activities was $1.2 billion, which primarily consisted of $1.4 billion in net cash outflow from the purchase and sale of vehicles which was partially offset by a $150 million net decrease in Restricted cash, cash equivalents and investments primarily due to a $104 million reduction in restricted cash associated with our mortgage reinsurance activities from paid losses and the termination of one of our reinsurance agreements and a release of $33 million of restricted cash related to the Chesapeake 2009-1 and 2009-4 Notes which were repaid during 2012.

Financing Activities

Our cash flows from financing activities include proceeds from and payments on borrowings under our vehicle management asset-backed debt, mortgage asset-backed debt and unsecured debt facilities. The fluctuations in the amount of borrowings within each period are due to working capital needs and the funding requirements for assets supported by our secured and unsecured debt, including Net investment in fleet leases, Mortgage loans held for sale and Mortgage servicing rights. As of the end of each quarter, our financing activities and Consolidated Balance Sheets reflect our efforts to maximize secured borrowings against the available asset base, increasing the ending cash balance. Within each quarter, excess available cash is utilized to fund assets rather than using the mortgage and vehicle asset-backed borrowing arrangements, given the relative borrowing costs and returns on invested cash.

During the year ended December 31, 2013, cash used in our financing activities was $1.1 billion which related to $1.1 billion of net payments on secured borrowings resulting primarily from the decreased funding requirements for Mortgage loans held for sale described in operating activities, and $62 million of net proceeds from unsecured borrowings resulting from the issuance of Senior notes due 2021 and the repayment of a portion of the principal amount of Senior notes due 2016. Debt tender premiums and costs of $50 million were paid related to the early repayment of the 2016 Notes which was included in operating activities. In addition, other financing activities includes $41 million of distributions to noncontrolling interests.

During the year ended December 31, 2012, cash used in our financing activities was $427 million and related to $176 million of net payments on secured borrowings resulting from the decreased funding requirements for Mortgage loans held for sale described in operating activities and $153 million of net payments on unsecured borrowings resulting from the repayments of the Convertible notes due 2012 and the Medium-term Notes due 2013 which were offset by the issuances of the Convertible notes due 2017 and the Senior Notes due 2019.

Debt

We utilize both secured and unsecured debt as key components of our financing strategy. Our primary financing needs arise from our assets under management programs which are summarized in the table below:

	December 31, 2013	December 31, 2012
	(In millions)	
Restricted cash, cash equivalents and investments	$ 234	$ 425
Mortgage loans held for sale	834	2,174
Net investment in fleet leases	3,653	3,636
Mortgage servicing rights	1,279	1,022
Total	$ 6,000	$ 7,257

Asset-backed debt is used primarily to support our investments in vehicle management and mortgage assets, and is secured by collateral which includes certain Mortgage loans held for sale, Net investment in fleet leases, Accounts receivable and Restricted cash and cash equivalents. The outstanding balances under the asset-backed debt facilities vary daily based on our current funding needs for eligible collateral and our decisions regarding the use of excess available cash to fund assets. In addition, amounts undrawn and available under our revolving credit facilities can be utilized to supplement asset-backed facilities and provide for the funding of vehicles in the U.S. and Canada, as well as the funding of mortgage originations.

The following table summarizes our Debt as of December 31, 2013:

	Balance	Collateral[1]
	(In millions)	
Vehicle management asset-backed debt	$ 3,481	$ 3,851
Secured Canadian credit facility	—	—
Mortgage asset-backed debt	775	829
Unsecured debt	1,249	—
Total	$ 5,505	$ 4,680

(1) Assets held as collateral are not available to pay our general obligations.

See Note 12, "Debt and Borrowing Arrangements" in the accompanying Notes to Consolidated Financial Statements for additional information regarding the components of our debt.

Vehicle Management Asset-Backed Debt

Vehicle management asset-backed debt primarily represents variable-rate debt issued by our wholly owned subsidiary, Chesapeake Funding LLC, to support the acquisition of vehicles used by our Fleet Management Services segment's U.S. leasing operations and variable-rate debt issued by Fleet Leasing Receivables Trust ("FLRT"), a special purpose trust, used to finance leases originated by our Canadian fleet operation.

Vehicle-management asset-backed debt structures may provide creditors an interest in: (i) a pool of master leases or a pool of specific leases; (ii) the related vehicles under lease; and/or (iii) the related receivables billed to clients for the monthly collection of lease payments and ancillary service revenues (such as fuel and maintenance services). This interest is generally granted to a specific series of note holders either on a pro-rata basis relative to their share of the total outstanding debt issued through the facility or through a direct interest in a specific pool of leases. Repayment of the obligations of the facilities is non-recourse to us and is sourced from the monthly cash flow generated by lease payments and ancillary service payments made under the terms of the related master lease contracts.

Our funding strategy for the Fleet Management Services segment includes the issuance of asset-backed notes as follows:

Term notes: provide a fixed funding amount at the time of issuance, and include:

- **Term notes, in amortization** contain provisions where the monthly collection of lease payments allocable to the series is used in repayment of principal until the notes are paid in full.
- **Term notes, in revolving period** contain provisions that allow the outstanding debt to revolve for a specified period of time. During the revolving period, the monthly collection of lease payments allocable to each outstanding series creates availability to fund the acquisition of vehicles and/or equipment to be leased to customers. Upon expiration of the revolving period, notes begin amortizing.

Variable-funding notes provide a committed capacity which may be drawn upon as needed during a commitment period, which is primarily 364 days in duration, but may extend to a two-year duration for some facilities. Similar to revolving term notes, the monthly collection of lease payments creates availability to fund the acquisition of vehicles and/or equipment to be leased to customers. Available committed capacity under Variable-funding notes may be used to fund growth in Net investment in fleet leases during the term of the commitment.

Our ability to maintain liquidity through Vehicle management asset-backed debt is dependent on:

- market demand for ABS, specifically demand for ABS collateralized by fleet leases;
- the quality and eligibility of assets underlying the arrangements;
- our ability to negotiate terms acceptable to us;
- maintaining our role as servicer of the underlying lease assets;
- our ability to maintain a sufficient level of eligible assets, collateral, or credit enhancements; and
- our ability to comply with certain financial covenants (see "— Debt Covenants" below for additional information).

Vehicle management asset-backed funding arrangements consisted of the following facilities as of December 31, 2013:

	Balance	Total Capacity	Available Capacity[(1)]	End of Revolving Period[(2)]	Estimated Maturity Date[(3)]
		(In millions)			
Chesapeake 2009-3	$ 13	n/a	n/a	n/a	09/07/14
Chesapeake 2011-2	325	n/a	n/a	n/a	04/07/17
Chesapeake 2012-1	490	n/a	n/a	n/a	06/07/16
Chesapeake 2012-2	578	n/a	n/a	n/a	03/07/17
Term notes, in amortization	1,406				
Chesapeake 2013-1	700	700	—	05/22/14	07/07/18
Term notes, in revolving period	700	700	—		
Chesapeake 2013-2	760	780	20	07/09/14	08/07/18
Chesapeake 2013-3	—	520	520	07/10/15	n/a
FLRT 2010-2	598	769	171	08/30/14	06/15/23
Variable-funding notes	1,358	2,069	711		
Other	17	n/a	n/a		
Total	$ 3,481	$ 2,769	$ 711		

(1) Capacity is dependent upon maintaining compliance with the terms, conditions, and covenants of the respective agreements and may be further limited by asset eligibility requirements.

(2) During the revolving period, the monthly collection of lease payments allocable to each outstanding series creates availability to fund the acquisition of vehicles and/or equipment to be leased to customers. Upon expiration, the revolving period of the related series of notes ends and the repayment of principal commences, amortizing monthly with the allocation of lease payments until the notes are paid in full.

(3) Represents the estimated final repayment date of the amortizing notes.

Secured Canadian Credit Facility

The Secured Canadian credit facility provides up to $118 million (C$125 million) of committed revolving capacity. Available borrowing capacity under the facility is based on a borrowing base calculation which considers eligible unencumbered vehicle leases, certain purchased vehicles not yet subject to lease, and account receivables for ancillary services. The facility is scheduled to expire on August 2, 2015. As of and during the year ended December 31, 2013, there were no amounts outstanding under the Secured Canadian credit facility.

Mortgage Asset-Backed Debt

Mortgage asset-backed debt primarily represents variable-rate mortgage repurchase facilities to support the origination of mortgage loans. Mortgage repurchase facilities, also called warehouse lines of credit, are one component of our funding strategy, and they provide creditors a collateralized interest in specific mortgage loans that meet the eligibility requirements under the terms of the facility during the warehouse period. The source of repayment of the facilities is typically from the sale or securitization of the underlying loans into the secondary mortgage market. We utilize both committed and uncommitted warehouse facilities and we evaluate our capacity needs under these facilities based on forecasted volume of mortgage loan closings and sales.

Our funding strategies for mortgage originations may also include the use of committed and uncommitted mortgage gestation facilities. Gestation facilities effectively finance mortgage loans that are eligible for sale to an agency prior to the issuance of the related mortgage-backed security.

Our ability to maintain liquidity through Mortgage warehouse asset-backed debt is dependent on:

- market demand for mortgage-backed securities and liquidity in the secondary mortgage market;
- the quality and eligibility of assets underlying the arrangements;
- our ability to negotiate terms acceptable to us;
- our ability to access the asset-backed debt market;
- our ability to maintain a sufficient level of eligible assets or credit enhancements;
- our ability to access the secondary market for mortgage loans;
- maintaining our role as servicer of the underlying mortgage assets; and
- our ability to comply with certain financial covenants (see "— Debt Covenants" for additional information).

See further discussion at "Part I—Item 1A. Risk Factors—Risks Related to our Company—*We are substantially dependent upon our unsecured and secured funding arrangements, a significant portion of which are short-term agreements. If any of our funding arrangements are terminated, not renewed or otherwise become unavailable to us, we may be unable to find replacement financing on economically viable terms, if at all, which would adversely affect our ability to fund our operations.*"

Mortgage asset-backed funding arrangements consisted of the following as of December 31, 2013:

	Balance	Total Capacity	Available Capacity[1]	Maturity Date
		(In millions)		
Debt:				
Committed facilities:				
Credit Suisse First Boston Mortgage Capital LLC	$ 217	$ 675	$ 458	12/30/14[2]
Fannie Mae	164	500	336	12/13/14
Wells Fargo Bank	91	450	359	02/04/14[3]
Bank of America	167	414	247	10/09/14
Royal Bank of Scotland plc	70	250	180	06/20/14
Committed repurchase facilities	709	2,289	1,580	
Uncommitted facilities:				
Fannie Mae	—	2,500	2,500	n/a
Royal Bank of Scotland plc	—	250	250	n/a
Uncommitted repurchase facilities	—	2,750	2,750	
Servicing advance facility	66	n/a	n/a	n/a[4]
Total	$ 775	$ 5,039	$ 4,330	
Off-Balance Sheet Gestation Facilities:				
JP Morgan Chase	$ 71	$ 250	$ 179	10/31/14

(1) Capacity is dependent upon maintaining compliance with the terms, conditions, and covenants of the respective agreements and may be further limited by asset eligibility requirements.

(2) The maturity date of this facility may be extended at CSFB's option on a rolling 364-day term until the stated expiration date of May 22, 2015.

(3) In February 2014, the Wells Fargo Bank facility was extended to February 3, 2015 with $350 million total capacity.

(4) This facility has entered a repayment period, whereby we are required to repay the outstanding balance through advance collections or through additional payments on or before June 30, 2015.

Unsecured Debt

Unsecured credit facilities are utilized to fund our short-term working capital needs, to fund our MSRs, to supplement asset-backed facilities, and to provide for a portion of the operating needs of our mortgage and fleet management businesses. As of and during the year ended December 31, 2013, there were no amounts outstanding under the unsecured credit facilities.

Unsecured borrowing arrangements consisted of the following as of December 31, 2013:

	Balance	Balance at Maturity	Maximum Capacity	Maximum Available Capacity	Maturity Date
	(In millions)				
4% notes due in 2014	$ 247	$ 250	n/a	n/a	09/01/14
6% notes due in 2017	207	250	n/a	n/a	06/15/17
Convertible notes	454	500			
9.25% notes due in 2016	170	170	n/a	n/a	03/01/16
7.375% notes due in 2019	275	275	n/a	n/a	09/01/19
6.375% notes due in 2021	350	350	n/a	n/a	08/15/21
Term notes	795	795			
Revolving credit facility — Tranche A[(1)]	—	—	$ 250	$ 250	08/02/15
Revolving credit facility — Tranche B[(1)]	—	—	50	50	07/01/14
Other	—	—	5	5	09/30/14
Credit facilities	—	—	$ 305	$ 305	
Total	$ 1,249	$ 1,295			

(1) Capacity amounts shown reflect the contractual maximum capacity of the facility. As of December 31, 2013, the available capacity of this facility is $79 million, after applying the borrowing base coverage ratio test.

The Convertible notes due 2017 met the requirements for conversion as of December 31, 2013, and holders of the notes may convert all or any portion of the notes, at their option. As of December 31, 2013, the if-converted value exceeded the principal amount of the notes by $226 million. Upon conversion, the principal amount of the converted notes would be payable in cash, and we would pay or deliver the conversion premium (at our election) in: (i) cash; (ii) shares of Common stock; or (iii) a combination of cash and shares of Common stock.

As of February 17, 2014, our credit ratings, and ratings outlook on our senior unsecured debt were as follows:

	Senior Debt	Short-Term Debt	Ratings Outlook/Watch
Moody's Investors Service	Ba2	NP	Stable
Standard & Poors	BB-	B	Negative
Fitch	BB	B	Evolving

Following our announcement that we are exploring a separation or sale of our fleet business, our mortgage business, or both businesses, in February 2014, Standard & Poors revised our Ratings Outlook from Stable to Negative and Fitch placed our ratings on Ratings Watch Evolving. These revisions reflect the agencies concerns around the potential outcome of a separation or sale, including risks related to the businesses, in particular volatility and regulatory/legal risks inherent in the mortgage industry.

Our senior unsecured long-term debt credit ratings are below investment grade, and as a result, our access to the public debt markets may be severely limited in comparison to the ability of investment grade issuers to access such markets.

A security rating is not a recommendation to buy, sell or hold securities, may not reflect all of the risks associated with an investment in our debt securities and is subject to revision or withdrawal by the assigning rating organization. Each rating should be evaluated independently of any other rating.

See further discussion at "Part I—Item 1A. Risk Factors—Risks Related to our Company—*We are exploring ways to maximize shareholder value through the sale or separation of our fleet business, our mortgage business, or both such businesses. There are inherent risks and uncertainties associated with pursuing such exploratory activities and/or consummating one or more such transactions. These risks and uncertainties could have a material adverse impact on our businesses generally, including our client, employee, lender, vendor and counterparty relationships, as well as our results of operations, cash flows, liquidity or financial position., and Our senior unsecured long-term debt ratings are below investment grade and, as a result, we may be limited in our ability to obtain or renew financing on economically viable terms or at all.*"

Debt Covenants

Certain debt arrangements require the maintenance of certain financial ratios and contain other affirmative and negative covenants, termination events, and other restrictions, including, but not limited to, covenants relating to material adverse changes, consolidated net worth, liquidity, profitability, available borrowing capacity maintenance, restrictions on indebtedness of the Company and its material subsidiaries, mergers, liens, liquidations, sale and leaseback transactions, and restrictions on certain types of payments, including dividends and stock repurchases. Certain other debt arrangements, including the Fannie Mae committed facility, contain provisions that permit the Company or our counterparty to terminate the arrangement upon the occurrence of certain events, including those described below.

Among other covenants, the Revolving Credit Facility and certain mortgage repurchase facilities require that the Company maintain: (i) on the last day of each fiscal quarter, net worth of at least $1.0 billion; (ii) a ratio of indebtedness to tangible net worth no greater than 5.75 to 1; (iii) a minimum of $1.0 billion in committed mortgage warehouse financing capacity excluding any mortgage warehouse capacity provided by GSEs and certain mortgage gestation facilities; and (iv) a minimum of $750 million in committed third party fleet vehicle lease financing capacity. These covenants represent the most restrictive net worth and debt to equity covenants; however, certain other outstanding debt agreements contain debt to equity covenants that are less restrictive.

During 2013, the termination events for the Fannie Mae committed facility were amended to require the Company to maintain (i) on the last day of each fiscal quarter, consolidated net worth of at least $1.0 billion; (ii) on the last day of each fiscal quarter, a ratio of indebtedness to tangible net worth no greater than 6.0 to 1; (iii) a minimum of $1.0 billion in committed mortgage warehouse or gestation facilities, with no more than $500 million of gestation facilities included towards the minimum, but excluding committed or uncommitted loan purchase arrangements or other funding arrangements from Fannie Mae and any mortgage warehouse capacity provided by government sponsored enterprises; and (iv) compliance with certain loan repurchase trigger event criteria related to the aging of outstanding loan repurchase demands by Fannie Mae.

As of December 31, 2013, the Company was in compliance with all financial covenants related to its debt arrangements.

Under certain of the Company's financing, servicing, hedging and related agreements and instruments, the lenders or trustees have the right to notify the Company if they believe it has breached a covenant under the operative documents and may declare an event of default. If one or more notices of default were to be given, the Company believes it would have various periods in which to cure certain of such events of default. If the Company does not cure the events of default or obtain necessary waivers within the required time periods, the maturity of certain debt agreements could be accelerated and the ability to incur additional indebtedness could be restricted. In addition, an event of default or acceleration under certain agreements and instruments would trigger cross-default provisions under certain of the Company's other agreements and instruments.

See Note 17, "Stock-Related Matters" in the accompanying Notes to Consolidated Financial Statements for information regarding restrictions on the Company's ability to pay dividends pursuant to certain debt arrangements.

CONTRACTUAL OBLIGATIONS

The following table summarizes our future contractual obligations as of December 31, 2013:

	Less than 1 year	1 -3 years	3-5 years (In millions)	More than 5 years	Total
Asset-backed debt[(1)(2)]	$ 1,798	$ 1,866	$ 582	$ 10	$ 4,256
Unsecured debt[(3)]	250	170	250	625	1,295
Interest expense on Unsecured debt	83	139	93	87	402
Operating leases	21	41	33	63	158
Capital leases[(1)]	6	1	—	—	7
Purchase commitments	124	7	—	—	131
Loan repurchase agreements	28	—	—	—	28
	$ 2,310	$ 2,224	$ 958	$ 785	$ 6,277

(1) The table above excludes future cash payments related to interest expense on asset-backed debt, which totaled $88 million for 2013. Interest is calculated on most of our asset-backed debt obligations based on variable rates referenced to LIBOR or other short-term interest rate indices. A portion of our interest cost related to vehicle management asset-backed debt is charged to lessees pursuant to lease agreements.

(2) Represents the contractual maturities for asset-backed debt arrangements, except for our vehicle management asset-backed notes, where estimated payments are based on the expected cash inflows from the securitized vehicle leases and related assets.

(3) Excludes $226 million related to the if-converted value of the 2017 Convertible notes, as that amount may be settled in either cash or shares upon conversion, at the Company's election. See Note 12, "Debt and Borrowing Arrangements" in the accompanying Notes to Consolidated Financial Statements for further discussion.

For further information about our Asset-backed debt and Unsecured debt, see “—Liquidity and Capital Resources—Debt" and Note 12, "Debt and Borrowing Arrangements" in the accompanying Notes to Consolidated Financial Statements.

Operating lease obligations include: (i) leases for our Mortgage Production and Servicing segments in Mt. Laurel, New Jersey, Jacksonville, Florida, near Buffalo, New York and other smaller regional locations throughout the U.S.; and (ii) leases for our Fleet Management Services segment for its headquarters office in Sparks, Maryland, office space and marketing centers in several locations in Canada and other smaller regional locations throughout the U.S.

Purchase commitments include various commitments to purchase goods or services from specific suppliers made by us in the ordinary course of our business, including $88 million in 2014 for the purchases of vehicles to be leased, and those related to capital expenditures. Purchase commitments exclude our liability for income tax contingencies, which totaled $4 million as of December 31, 2013, since we cannot predict with reasonable certainty or reliability the timing of cash settlements to the respective taxing authorities for these estimated contingencies. For more information regarding our liability for income tax contingencies, see Note 1, "Summary of Significant Accounting Policies" in the accompanying Notes to Consolidated Financial Statements.

For further information about our Operating lease and Purchase commitments, see Note 16, "Commitments and Contingencies" in the accompanying Notes to Consolidated Financial Statements.

Loan repurchase obligations represent the unpaid principal amount of loans that have completed the repurchase request review process and the claims are pending final execution or payment. See Note 15, "Credit Risk" in the accompanying Notes to Consolidated Financial Statements and “—Risk Management” for further information regarding our loan repurchase exposures and related reserves.

As of December 31, 2013, we had commitments with agreed-upon rates or rate protection that we expect to result in closed mortgage loans of $1.4 billion.

Commitments to sell loans generally have fixed expiration dates or other termination clauses and may require the payment of a fee. We may settle the forward delivery commitments on MBS or whole loans on a net basis including the posting of collateral; therefore, the commitments outstanding do not necessarily represent future cash obligations. Our $4.5 billion (gross notional) of forward delivery commitments on MBS or whole loans as of December 31, 2013 generally will be settled within 90 days of the individual commitment date.

For further information about our commitments to fund or sell mortgage loans, see Note 6, "Derivatives" in the accompanying Notes to Consolidated Financial Statements.

As of December 31, 2013, we had commitments to sell servicing rights related to $171 million of the unpaid principal balance of Mortgage loans held for sale and Interest rate lock commitments that are expected to result in closed loans. For further information about our commitments to sell Mortgage servicing rights, see Note 5, "Transfers and Servicing of Mortgage Loans" in the accompanying Notes to Consolidated Financial Statements.

OFF-BALANCE SHEET ARRANGEMENTS AND GUARANTEES

In the ordinary course of business, we enter into numerous agreements that contain guarantees and indemnities whereby we indemnify another party for breaches of representations and warranties. In addition, we utilize a committed off-balance sheet mortgage gestation facility as a component of our financing strategy.

See "—Liquidity and Capital Resources—Debt—Mortgage Asset-Backed Debt" above, and Note 16, "Commitments and Contingencies" in the accompanying Notes to the Consolidated Financial Statements for additional information.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our significant accounting policies are described in Note 1, "Summary of Significant Accounting Policies" in the accompanying Notes to Consolidated Financial Statements and are integral in understanding our financial position and results of operations because we are required to make estimates and assumptions that may affect the value of our assets and liabilities and financial results. Presented below are those accounting policies that we believe require highly difficult, subjective and complex judgments and estimates relating to matters that are inherently uncertain. Additionally, events that are outside of our control cannot be predicted and, as such, they cannot be contemplated in evaluating such estimates and assumptions. If there is a significant unfavorable change to current conditions, it could have a material adverse effect on our business, financial position, results of operations and cash flows. We believe that the estimates and assumptions we used when preparing our financial statements were the most appropriate at that time.

Fair Value Measurements

We record certain assets and liabilities at fair value and we have an established and documented process for determining fair value measurements. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. We determine fair value based on quoted market prices, where available. If quoted prices are not available, fair value is estimated based upon other observable inputs, and may include valuation techniques such as present value cash flow models, option-pricing models or other conventional valuation methods. In addition, when estimating the fair value of liabilities, we may use the quoted price of an identical liability when traded as an asset and quoted prices for similar liabilities or similar liabilities when traded as assets, if available.

We use unobservable inputs when observable inputs are not available. These inputs are based upon our judgments and assumptions, which represent our assessment of the assumptions market participants would use in pricing the asset or liability, which may include: (i) information about current pricing for similar products; (ii) modeled assumptions based on internally-sourced data and characteristics of the specific instrument; and (iii) counterparty risk, credit quality and liquidity. The incorporation of counterparty credit risk did not have a significant impact on the valuation of our assets and liabilities recorded at fair value on a recurring basis as of December 31, 2013.

As of December 31, 2013, 24% of our Total assets were measured at fair value on a recurring basis.

As of December 31, 2013, 37% of our assets and liabilities measured at fair value on a recurring basis were valued using primarily observable inputs and were categorized within Level Two of the valuation hierarchy as defined by ASC 820, "Fair Value Measurements and Disclosures". Level Two instruments are comprised of the majority of our Mortgage loans held for sale and derivative assets and liabilities used to manage risk on our mortgage servicing rights, mortgage loans and related lock commitments.

As of December 31, 2013, 63% of our assets and liabilities measured at fair value on a recurring basis were valued using significant unobservable inputs and were categorized within Level Three of the valuation hierarchy as defined by ASC 820. Our Level Three measurements include:

- Mortgage servicing rights, which represent 92% of our assets and liabilities categorized within Level Three. See "— Mortgage Servicing Rights" below.

- Certain non-conforming mortgage loans held for sale, including Scratch and Dent (loans with origination flaws or performance issues) and second lien loans. See "— Mortgage Loans Held for Sale" below.

- Interest rate lock commitments ("IRLCs"). The fair value of IRLCs is based upon the estimated fair value of the underlying mortgage loan, adjusted for: (i) estimated costs to complete and originate the loan and (ii) an adjustment to reflect the estimated percentage of commitments that will result in a closed mortgage loan, which can vary based on the age of the underlying commitment and changes in mortgage interest rates. Our IRLCs are classified within Level Three of the valuation hierarchy due to the unobservable inputs used in the valuation and the lack of any observable market for trading such instruments.

- Convertible-note related derivatives. The estimated fair value of the conversion option and purchased options associated with the Convertible notes due 2014 uses an option pricing model and is primarily impacted by changes in the market price and volatility of our Common stock.

The use of different assumptions may have a material effect on the estimated fair value amounts recorded in our financial statements, and the actual amounts realized in the sale or settlement of these instruments may vary materially from the recorded amounts. See Note 20, "Fair Value Measurements" in the accompanying Notes to Consolidated Financial Statements for sensitivity analysis for our significant assumptions and further discussions of our measurements at fair value.

Mortgage Servicing Rights

The fair value of our mortgage servicing rights ("MSRs") is estimated based upon projections of expected future cash flows, including service fee income and costs to service the loans. We use a third-party model as a basis to forecast prepayment rates at each monthly point for each interest rate path calculated using a probability weighted option adjusted spread ("OAS") model. Prepayment rates used in the development of expected future cash flows are based on historical observations of prepayment behavior in similar periods, comparing current mortgage rates to the mortgage interest rate in our servicing portfolio, and incorporates loan characteristics (e.g., loan type and note rate) and factors such as recent prepayment experience, the relative sensitivity of our capitalized servicing portfolio to refinance if interest rates decline and estimated levels of home equity.

During 2013, we updated the third-party prepayment model and calibrated the modeled results to the actual prepayment experience of our capitalized servicing portfolio. Although the model update slowed projected lifetime prepayment speeds, there was an increase in projected short-term prepayment speeds, and we recorded a $26 million reduction in the value of our MSRs as a result of this prepayment model update.

The evaluation of our MSRs is governed by a committee which consists of key members of management, to approve our MSR valuation policies and ensure that the fair value of our MSRs is appropriate considering all available internal and external data. We validate assumptions used in estimating the fair value of our MSRs against a number of third-party sources, which may include peer surveys, MSR broker surveys, third-party valuations and other market-based sources. The key assumptions used in the valuations of MSRs include prepayment rates, discount rate and delinquency rates.

If we experience a 10% adverse change in prepayment speeds, OAS and delinquency rates, the fair value of our MSRs would be reduced by $49 million, $67 million and $25 million, respectively. These sensitivities are hypothetical and for illustrative purposes only. Changes in fair value based on a 10% variation in assumptions generally cannot be extrapolated because the relationship of the change in fair value may not be linear. Also, the effect of a variation in a particular assumption is calculated without changing any other assumption; in reality, changes in one assumption may result in changes in another, which may magnify or counteract the sensitivities. Further, this analysis does not assume any impact resulting from our intervention to mitigate these variations.

Mortgage Loans Held for Sale

Mortgage loans held for sale ("MLHS") represent mortgage loans originated or purchased by us and held until sold to secondary market investors. We elected to measure MLHS at fair value, which is intended to better reflect the underlying economics of our business, as well as eliminate the operational complexities of our risk management activities related to MLHS and applying hedge accounting.

The majority of our Mortgage loans held for sale are classified as Level Two and fair value is estimated by utilizing either: (i) the value of securities backed by similar mortgage loans, adjusted for certain factors to approximate the value of a whole mortgage loan, including the value attributable to mortgage servicing and credit risk; (ii) current commitments to purchase loans; or (iii) recent observable market trades for similar loans, adjusted for credit risk and other individual loan characteristics. Inputs used in the valuation of these Level Two loans include, among other assumptions, current forward pricing for agency asset-backed securities, as well as current published agency guaranty fees and pricing adjustments. These prices and inputs are market-based, however the value realized at settlement may vary from our assumptions due to a variety of factors.

We classified Scratch and Dent (loans with origination flaws or performance issues) and second-lien loans within Level Three of the valuation hierarchy due to the relative illiquidity observed in the market. MLHS classified within Level Three are valued based upon either a collateral-based valuation model or a discounted cash flow model.

Income Taxes

We are subject to the income tax laws of the various jurisdictions in which we operate, including U.S. federal, state, and local and Canadian jurisdictions. These tax laws are complex and are subject to different interpretations by the taxpayer and the relevant government taxing authorities. When determining our domestic and foreign income tax expense, we must make judgments about the application of these inherently complex tax laws.

We record income taxes in accordance with ASC 740, "Income Taxes", which requires that deferred tax assets and liabilities be recognized. Deferred taxes are recorded for the expected future consequences of events that have been recognized in the financial statements or tax returns, based upon enacted tax laws and rates. Deferred tax assets are recognized subject to management's judgment that realization is more likely than not, and are reduced by valuation allowances if it is more likely than not that some portion of the deferred tax asset will not be realized.

As of December 31, 2013 and 2012, we had net deferred tax liabilities, which consisted of deferred tax assets primarily resulting from federal and state loss carryforwards and credits netted against deferred tax liabilities primarily resulting from the temporary differences created from originated Mortgage servicing rights and depreciation and amortization (primarily related to accelerated Depreciation on operating leases for tax purposes). The loss carryforwards are expected to reverse in future periods, offsetting taxable income resulting from the reversal of these temporary differences.

Based on projections of taxable income and prudent tax planning strategies available at our discretion, we determined that it is more-likely-than-not that certain deferred tax assets would be realized; however, we had valuation allowances of $26 million and $30 million as of December 31, 2013 and 2012, respectively, which primarily represent state net operating loss carryforwards that we believe that it is more likely than not that the loss carryforwards will not be realized. As of December 31, 2013 and 2012, we had no valuation allowances for deferred tax assets generated from federal net operating losses. Should a change in circumstances lead to a change in our judgments about the realization of deferred tax assets in future years, we would adjust the valuation allowances in the period that the change in circumstances occurs, along with a charge or credit to income tax expense. Significant changes to our estimates and assumptions may result in an increase or decrease to our tax expense in a subsequent period.

Our interpretations of the complex tax laws in the jurisdictions in which we operate are subject to review and examination by the various governmental taxing authorities and disputes may arise over the respective tax positions. We record liabilities for income tax contingencies using a two-step process. We must first presume the tax position will be examined by the relevant taxing authority and determine whether it is "more likely than not" that the position will be sustained upon examination, based on its technical merits. Once an income tax position meets the "more likely than not" recognition threshold, it is then measured to determine the amount of the benefit to recognize in the financial statements.

Liabilities for income tax contingencies are reviewed periodically and are adjusted as events occur that affect our estimates, such as the availability of new information, subsequent transactions or events, the lapsing of applicable statutes of limitations, the conclusion of tax audits, the measurement of additional estimated liabilities based on current calculations (including interest and/or penalties), the identification of new income tax contingencies, the release of administrative tax guidance affecting our estimates of income tax liabilities or the rendering of relevant court decisions. The ultimate resolution of income tax contingency liabilities could have a significant impact on our effective income tax rate in a given financial statement period. Liabilities for income tax contingencies, including accrued interest and penalties, were $4 million for both December 31, 2013 and 2012, and are reflected in Other liabilities in the accompanying Consolidated Balance Sheets.

Mortgage Loan Repurchase and Indemnification Liability

Representations and warranties are provided to investors and insurers on a significant portion of loans sold and are also assumed on purchased mortgage servicing rights. As a result, we may be required to repurchase the mortgage loan or indemnify the investor against loss in the event of a breach of representations and warranties. We have established a loan repurchase and indemnification liability for our estimate of exposure to losses related to our obligation to repurchase or indemnify investors for loans sold.

The estimation of the liability for probable losses related to repurchase and indemnification obligations considers both (i) specific, non-performing loans currently in foreclosure where we believe we will be required to indemnify the investor for any losses and (ii) an estimate of probable future repurchase or indemnification obligations from breaches of representation and warranties. The liability related to specific non-performing loans is based on a loan-level analysis considering the current collateral value, estimated sales proceeds and selling costs. The liability related to probable future repurchase or indemnification obligations is segregated by year of origination and considers the amount of unresolved repurchase and indemnification requests and includes an estimate for future repurchase demands based upon recent and historical repurchase and indemnification experience, as well as our success rate in appealing repurchase requests and an estimated loss severity, based on current loss rates for similar loans.

The underlying trends for loan repurchases and indemnifications are volatile and there is a significant amount of uncertainly regarding our expectations of future loan repurchases and indemnifications, our success rate in appealing repurchase requests and related loss severities. We have observed increased levels of loan repurchase and indemnification requests from investors and insurers during 2013 and 2012 due to the increase in the number of loan files reviews for the pre-2009 vintage years. Our repurchase and indemnification liability as of December 31, 2013 reflects our belief that the Agencies are substantially complete with their review of loans originated prior to 2009 and that we have received the related repurchase requests. The composition of our mortgage loan repurchases and indemnifications is expected to migrate towards more recent origination years, which may affect our success rate in appealing requests and loss severities. Our success rate in appealing repurchase requests has been impacted by the validity and composition of repurchase demands and the underlying quality of the loan files while our expected loss severities have been impacted by various economic factors including delinquency rates and home prices. Given the inherent uncertainties involved in estimating losses associated with future repurchase and indemnification requests, it is reasonably possible that our exposure exceeds our mortgage loan repurchase and indemnification liability.

Our estimate of the mortgage loan repurchase and indemnification liability considers the current macro-economic environment and recent repurchase trends; however, if we experience a prolonged period of higher repurchase and indemnification activity or if weakness in the housing market continues and further declines in home values occur, then our realized losses from loan repurchases and indemnifications may ultimately be in excess of our liability. As of December 31, 2013, the estimated amount of reasonably possible losses in excess of the recorded liability was $30 million, which relates to our estimate of repurchase and foreclosure-related charges that may not be reimbursed pursuant to government mortgage insurance programs in the event we do not file insurance claims. The estimate is based on our expectation of future defaults and the historical defect rate for government insured loans. The Company's estimate of reasonably possible losses does not represent probable losses and is based upon significant judgments and assumptions which can be influenced by many factors, including: (i) home prices and the levels of home equity; (ii) the quality of our underwriting procedures; (iii) borrower delinquency patterns; and (iv) general economic conditions.

See Note 15, "Credit Risk" in the accompanying Notes to Consolidated Financial Statements for further information.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

For information regarding recently issued accounting pronouncements and the expected impact on our financial statements, see Note 1, "Summary of Significant Accounting Policies" in the accompanying Notes to Consolidated Financial Statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

Our principal market exposure is to interest rate risk, specifically long-term Treasury and mortgage interest rates due to their impact on mortgage-related assets and commitments. Additionally, our escrow earnings on our mortgage servicing rights and our net investment in variable-rate lease assets are sensitive to changes in short-term interest rates such as LIBOR. We also are exposed to changes in short-term interest rates on certain variable rate borrowings including our mortgage asset-backed debt, vehicle management asset-backed debt and our unsecured revolving credit facility. We anticipate that such interest rates will remain our primary benchmark for market risk for the foreseeable future.

See "—Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management" in this Form 10-K for a further description of our assets and liabilities subject to interest rate risk.

Sensitivity Analysis

We assess our market risk based on changes in interest rates utilizing a sensitivity analysis. The sensitivity analysis measures the potential impact on fair values based on hypothetical changes (increases and decreases) in interest rates.

We use a duration-based model in determining the impact of interest rate shifts on our debt portfolio, certain other interest-bearing liabilities and interest rate derivatives portfolios. The primary assumption used in these models is that an increase or decrease in the benchmark interest rate produces a parallel shift in the yield curve across all maturities.

We utilize a probability weighted option-adjusted spread model to determine the fair value of mortgage servicing rights and the impact of parallel interest rate shifts on mortgage servicing rights. The primary assumptions in this model are prepayment speeds, option-adjusted spread (discount rate) and weighted-average delinquency rates. However, this analysis ignores the impact of interest rate changes on certain material variables, such as the benefit or detriment on the value of future loan originations, non-parallel shifts in the spread relationships between mortgage-backed securities, swaps and Treasury rates and changes in primary and secondary mortgage market spreads. We rely on market sources in determining the impact of interest rate shifts for mortgage loans, interest rate lock commitments, forward delivery commitments on mortgage-backed securities or whole loans and option contracts. In addition, for interest-rate lock commitments, the borrower's propensity to close their mortgage loans under the commitment is used as a primary assumption.

Our total market risk is influenced by a wide variety of factors including market volatility and the liquidity of the markets. There are certain limitations inherent in the sensitivity analysis presented, including the necessity to conduct the analysis based on a single point in time and the inability to include the complex market reactions that normally would arise from the market shifts modeled.

We used December 31, 2013 market rates to perform the sensitivity analysis. The estimates are based on the market risk sensitive portfolios described in the preceding paragraphs and assume instantaneous, parallel shifts in interest rate yield curves. These sensitivities are hypothetical and presented for illustrative purposes only. Changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in fair value may not be linear.

The following table summarizes the estimated change in the fair value of our assets and liabilities sensitive to interest rates as of December 31, 2013 given hypothetical instantaneous parallel shifts in the yield curve:

	Change in Fair Value					
	Down 100 bps	**Down 50 bps**	**Down 25 bps**	**Up 25 bps**	**Up 50 bps**	**Up 100 bps**
			(In millions)			
Mortgage assets and liabilities:						
Mortgage loans held for sale	$ 25	$ 16	$ 9	$ (9)	$ (19)	$ (40)
Interest rate lock commitments[1]	32	21	12	(14)	(30)	(64)
Forward loan sale commitments[1]	(53)	(34)	(19)	21	43	89
Option contracts[1]	(2)	(2)	(1)	3	6	13
Total Mortgage pipeline	2	1	1	1	—	(2)
Mortgage servicing rights	(284)	(130)	(61)	56	107	191
Derivatives related to MSRs[1]	34	16	8	(7)	(14)	(27)
Total Mortgage servicing rights and related derivatives	(250)	(114)	(53)	49	93	164
Total mortgage assets and liabilities	(248)	(113)	(52)	50	93	162
Net investment in fleet leases	14	7	3	(4)	(7)	(14)
Interest rate contracts[1]	(1)	—	—	—	1	1
Debt	(49)	(24)	(12)	12	24	47
Total, net	$ (284)	$ (130)	$ (61)	$ 58	$ 111	$ 196

[1] Included in Other assets or Other liabilities in the Consolidated Balance Sheets.

Equity Price Risk

We also have exposure to equity price risk associated with our convertible debt. As of December 31, 2013, Convertible notes included: (i) $250 million of 4.0% Convertible notes with a maturity date of September 1, 2014; and (ii) $250 million of 6.0% Convertible notes with a maturity date of June 15, 2017.

The Convertible notes due in 2014 contain a conversion feature which allows holders to convert all or any portion of the notes upon the occurrence of certain triggering events prior to March 1, 2014 or at any time on or after March 1, 2014 at a conversion price of $25.805 per share. In connection with the offering of the notes, we entered into hedging transactions which were intended to reduce the potential dilution of our common stock upon conversion and effectively raise the conversion price to $34.74 per share. As of December 31, 2013, the Convertible notes due 2014 do not meet the requirements for conversion and there have been no conversions of the notes since issuance.

The Convertible notes due in 2017 contain a conversion feature which allows holders to convert all or any portion of the notes at any time on or after December 15, 2016 or prior to December 15, 2016 upon the occurrence of certain triggering events at a conversion price of $12.79 per share. Upon conversion, we will pay the principal portion in cash and the conversion option in cash or shares or a combination of cash or shares, at our election. As of December 31, 2013 the Convertible notes due 2017 met the requirements for conversion, and the if-converted value exceeded the principal amount of the notes by $226 million or 9.281 million shares of our Common stock. A 10% increase in our stock price from the closing price as of December 31, 2013 results in an increase in the required premium of $48 million, or 0.934 million shares.

Item 8. Financial Statements and Supplementary Data

Index to the Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of PHH Corporation:

We have audited the accompanying consolidated balance sheets of PHH Corporation and subsidiaries (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2013. Our audits also included the financial statement schedules listed in Items 8 and 15. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of PHH Corporation and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control—Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2014 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Philadelphia, PA
February 26, 2014

PHH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share data)

	Year Ended December 31, 2013	2012	2011
REVENUES			
Mortgage fees	$ 307	$ 346	$ 295
Fleet management fees	175	180	173
Net fee income	482	526	468
Fleet lease income	1,386	1,364	1,400
Gain on mortgage loans, net	575	942	567
Mortgage interest income	70	91	114
Mortgage interest expense	(185)	(212)	(202)
Mortgage net finance expense	(115)	(121)	(88)
Loan servicing income	436	449	456
Change in fair value of mortgage servicing rights	13	(497)	(733)
Net derivative loss related to mortgage servicing rights	(19)	(5)	(3)
Valuation adjustments related to mortgage servicing rights, net	(6)	(502)	(736)
Net loan servicing income (loss)	430	(53)	(280)
Other income	84	85	147
Net revenues	2,842	2,743	2,214
EXPENSES			
Salaries and related expenses	623	595	507
Occupancy and other office expenses	65	59	59
Depreciation on operating leases	1,211	1,212	1,223
Fleet interest expense	58	68	79
Other depreciation and amortization	33	25	25
Other operating expenses	611	697	523
Total expenses	2,601	2,656	2,416
Income (loss) before income taxes	241	87	(202)
Income tax expense (benefit)	77	(6)	(100)
Net income (loss)	164	93	(102)
Less: net income attributable to noncontrolling interest	29	59	25
Net income (loss) attributable to PHH Corporation	$ 135	$ 34	$ (127)
Basic earnings (loss) per share attributable to PHH Corporation	$ 2.36	$ 0.60	$ (2.26)
Diluted earnings (loss) per share attributable to PHH Corporation	$ 2.06	$ 0.56	$ (2.26)

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)

	Year Ended December 31, 2013	2012	2011
Net income (loss)	$ 164	$ 93	$ (102)
Other comprehensive (loss) income, net of tax:			
Currency translation adjustment	(14)	5	(5)
Change in unrealized gains on available-for-sale securities, net	(1)	(1)	1
Change in unfunded pension liability, net	5	1	(4)
Total other comprehensive (loss) income, net of tax	(10)	5	(8)
Total comprehensive income (loss)	154	98	(110)
Less: comprehensive income attributable to noncontrolling interest	29	59	25
Comprehensive income (loss) attributable to PHH Corporation	$ 125	$ 39	$ (135)

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS
(In millions, except share data)

	December 31, 2013	December 31, 2012
ASSETS		
Cash and cash equivalents	$ 1,245	$ 829
Restricted cash, cash equivalents and investments (including $0 and $121 of available-for-sale securities at fair value)	234	425
Mortgage loans held for sale	834	2,174
Accounts receivable, net	981	797
Net investment in fleet leases	3,653	3,636
Mortgage servicing rights	1,279	1,022
Property and equipment, net	75	79
Goodwill	25	25
Other assets	522	616
Total assets [1]	$ 8,848	$ 9,603
LIABILITIES AND EQUITY		
Accounts payable and accrued expenses	$ 803	$ 586
Debt	5,505	6,554
Deferred taxes	685	622
Other liabilities	165	279
Total liabilities [1]	7,158	8,041
Commitments and contingencies (Note 16)	—	—
EQUITY		
Preferred stock, $0.01 par value; 1,090,000 shares authorized; none issued or outstanding	—	—
Common stock, $0.01 par value; 273,910,000 shares authorized; 57,265,517 shares issued and outstanding at December 31, 2013; 56,975,991 shares issued and outstanding at December 31, 2012	1	1
Additional paid-in capital	1,142	1,127
Retained earnings	507	372
Accumulated other comprehensive income	16	26
Total PHH Corporation stockholders' equity	1,666	1,526
Noncontrolling interest	24	36
Total equity	1,690	1,562
Total liabilities and equity	$ 8,848	$ 9,603

See accompanying Notes to Consolidated Financial Statements.

Continued.

CONSOLIDATED BALANCE SHEETS—(Continued)
(In millions)

(1) The Consolidated Balance Sheets include assets of variable interest entities which can be used only to settle the obligations and liabilities of variable interest entities which creditors or beneficial interest holders do not have recourse to PHH Corporation and subsidiaries as follows:

	December 31, 2013	December 31, 2012
ASSETS		
Cash and cash equivalents	$ 99	$ 66
Restricted cash, cash equivalents and investments	206	249
Mortgage loans held for sale	318	730
Accounts receivable, net	53	90
Net investment in fleet leases	3,581	3,531
Property and equipment, net	2	2
Other assets	25	39
Total assets	$ 4,284	$ 4,707
LIABILITIES		
Accounts payable and accrued expenses	$ 23	$ 36
Debt	3,753	4,074
Other liabilities	12	13
Total liabilities	$ 3,788	$ 4,123

Annual Report

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In millions, except share data)

	PHH Corporation Stockholders' Equity						
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Equity
	Shares	Amount					
Beginning Balance	**55,699,218**	**$ 1**	**$ 1,069**	**$ 465**	**$ 29**	**$ 14**	**$ 1,578**
Total comprehensive (loss) income	—	—	—	(127)	(8)	25	(110)
Distributions to noncontrolling interest	—	—	—	—	—	(20)	(20)
Stock compensation expense	—	—	7	—	—	—	7
Stock issued under share-based payment plans	661,937	—	6	—	—	—	6
Balance at December 31, 2011	**56,361,155**	**$ 1**	**$ 1,082**	**$ 338**	**$ 21**	**$ 19**	**$ 1,461**
Total comprehensive income	—	—	—	34	5	59	98
Distributions to noncontrolling interest	—	—	—	—	—	(42)	(42)
Stock compensation expense	—	—	6	—	—	—	6
Stock issued under share-based payment plans	614,836	—	3	—	—	—	3
Conversion option related to Convertible note issuance, net (Note 12)	—	—	33	—	—	—	33
Recognition of deferred taxes related to Convertible notes	—	—	3	—	—	—	3
Balance at December 31, 2012	**56,975,991**	**$ 1**	**$ 1,127**	**$ 372**	**$ 26**	**$ 36**	**$ 1,562**
Total comprehensive income (loss)	—	—	—	135	(10)	29	154
Distributions to noncontrolling interest	—	—	—	—	—	(41)	(41)
Stock compensation expense	—	—	9	—	—	—	9
Stock issued under share-based payment plans	289,526	—	2	—	—	—	2
Recognition of deferred taxes related to Convertible notes	—	—	4	—	—	—	4
Balance at December 31, 2013	**57,265,517**	**$ 1**	**$ 1,142**	**$ 507**	**$ 16**	**$ 24**	**$ 1,690**

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Year Ended December 31, 2013	2012	2011
Cash flows from operating activities:			
Net income (loss)	$ 164	$ 93	$ (102)
Adjustments to reconcile Net income (loss) to net cash provided by operating activities:			
Capitalization of originated mortgage servicing rights	(244)	(310)	(499)
Net loss on mortgage servicing rights and related derivatives	6	502	736
Vehicle depreciation	1,211	1,212	1,223
Other depreciation and amortization	33	25	25
Origination of mortgage loans held for sale	(25,914)	(37,162)	(38,929)
Proceeds on sale of and payments from mortgage loans held for sale	27,837	38,711	41,263
Net gain on interest rate lock commitments, mortgage loans held for sale and related derivatives	(527)	(1,108)	(516)
Deferred income tax expense (benefit)	64	(23)	(100)
Other adjustments and changes in other assets and liabilities, net	79	117	(315)
Net cash provided by operating activities	2,709	2,057	2,786
Cash flows from investing activities:			
Investment in vehicles	(1,722)	(1,702)	(1,695)
Proceeds on sale of investment vehicles	409	345	407
Net cash paid on derivatives related to mortgage servicing rights	(23)	—	(3)
Purchases of property and equipment	(32)	(31)	(25)
Purchases of restricted investments	(85)	(178)	(250)
Proceeds from sales and maturities of restricted investments	205	219	279
Decrease (increase) in restricted cash and cash equivalents	67	109	(71)
Other, net	4	23	27
Net cash used in investing activities	(1,177)	(1,215)	(1,331)
Cash flows from financing activities:			
Proceeds from secured borrowings	43,342	62,799	63,002
Principal payments on secured borrowings	(44,443)	(62,975)	(64,284)
Proceeds from unsecured borrowings	350	518	1,304
Principal payments on unsecured borrowings	(288)	(671)	(1,205)
Issuances of common stock	3	5	8
Cash paid for debt issuance costs	(29)	(57)	(35)
Distributions to noncontrolling interest	(41)	(42)	(20)
Other, net	(6)	(4)	(4)
Net cash used in financing activities	(1,112)	(427)	(1,234)
Effect of changes in exchange rates on Cash and cash equivalents	(4)	—	(2)
Net increase in Cash and cash equivalents	416	415	219
Cash and cash equivalents at beginning of period	829	414	195
Cash and cash equivalents at end of period	$ 1,245	$ 829	$ 414
Supplemental Disclosure of Cash Flows Information:			
Payments for debt tender premium and costs	$ 50	$ 14	$ —
Interest payments	177	213	204
Income tax payments, net	12	11	13

See accompanying Notes to Consolidated Financial Statements.

1. Summary of Significant Accounting Policies

Basis of Presentation

PHH Corporation and subsidiaries (collectively, "PHH" or the "Company") is a leading outsource provider of mortgage and fleet management services operating in the following business segments:

- **Mortgage Production** — provides mortgage loan origination services and sells mortgage loans.
- **Mortgage Servicing** — performs servicing activities for originated and purchased loans.
- **Fleet Management Services** — provides commercial fleet management services.

The Consolidated Financial Statements include the accounts and transactions of PHH and its subsidiaries, as well as entities in which the Company directly or indirectly has a controlling interest and variable interest entities of which the Company is the primary beneficiary. PHH Home Loans, LLC and its subsidiaries are consolidated within the Consolidated Financial Statements and Realogy Corporation's ownership interest is presented as a noncontrolling interest. Intercompany balances and transactions have been eliminated from the Consolidated Financial Statements.

On March 31, 2011, the Company sold 50.1% of the equity interests in its appraisal services business, Speedy Title and Appraisal Review Services, ("STARS") to CoreLogic, Inc. for a total purchase price of $35 million. For the year ended December 31, 2011, a $68 million gain on the sale of the 50.1% equity interest was recorded within Other income. Subsequent to March 31, 2011, the Company participates in the appraisal services business through its 49.9% ownership interest in STARS, and is entitled to its proportionate share of STARS' earnings.

Consistent with our December 31, 2013 presentation, certain subservicing advance receivable balances at December 31, 2012 were reclassified from Other liabilities to Accounts payable and accrued expenses, upon the assumption of a large subservicing portfolio in 2013, to reflect the short-term operating nature of the advances payable. These reclassifications had no effect on reported totals for assets, liabilities, stockholders' equity, cash flows or net income or loss. See Note 10, "Accounts Payable and Accrued Expenses", for further information.

The Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) and pursuant to the rules and regulations of the Securities and Exchange Commission. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions include, but are not limited to, those related to the valuation of mortgage servicing rights, mortgage loans held for sale and other financial instruments, the estimation of liabilities for mortgage loan repurchases and indemnifications and reinsurance losses, and the determination of certain income tax assets and liabilities and associated valuation allowances. Actual results could differ from those estimates.

Unless otherwise noted and except for share and per share data, dollar amounts presented within these Notes to Consolidated Financial Statements are in millions.

Changes In Accounting Policies

Comprehensive Income. In February 2013, the FASB issued ASU 2013-02, "Reporting of Amounts Reclassified out of Accumulated Other Comprehensive Income". This update to the comprehensive income guidance requires additional disclosure about the amounts reclassified out of Accumulated other comprehensive income, including disclosing the amounts that impact each line item in the Statement of Operations within a reporting period. This update enhances the disclosure requirements for amounts reclassified out of Accumulated other comprehensive income but will not impact the Company's financial position, results of operations or cash flows. The Company adopted the new accounting guidance prospectively effective January 1, 2013. The updated disclosures are included in Note 18, "Accumulated Other Comprehensive Income".

Intangibles. In July 2012, the FASB issued ASU 2012-02, “Testing Indefinite-Lived Intangible Assets for Impairment”. This update amends the current guidance on testing indefinite-lived intangibles for impairment and allows for the option to first assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangibles are impaired. If it is more likely than not that the indefinite-lived intangibles are impaired, the entity is required to determine the fair value of the indefinite-lived intangibles and perform the quantitative impairment test by comparing the fair value with the carrying amount. The Company adopted the new accounting guidance effective January 1, 2013 and applied it prospectively. The adoption of this update did not have an impact on the Company’s financial statements.

Offsetting Assets and Liabilities. In December 2011, the FASB issued ASU 2011-11, “Disclosures about Offsetting Assets and Liabilities”. This update requires disclosure of both gross and net information about instruments and transactions in the scope of these pronouncements. Subsequently in January 2013, the FASB issued ASU 2013-01, “Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities” which limited the disclosures to derivatives including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are offset in accordance with current derivative and netting guidance, or subject to a master netting arrangement or similar agreement. The Company adopted the new accounting guidance retrospectively effective January 1, 2013. The updated disclosures are included in Note 6, "Derivatives".

Recently Issued Accounting Pronouncements

Receivables. In January 2014, the FASB issued ASU 2014-04, “Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure”. This update to the receivable guidance clarifies when a creditor is considered to have received physical possession of residential real estate resulting from an in substance repossession or foreclosure. In addition, the amendments require disclosure of both: (i) the amount of foreclosed residential real estate property held by the creditor; and (ii) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure. The update requires the Company to apply the guidance using either a modified retrospective transition method or a prospective transition method for interim and annual periods beginning after December 15, 2014, with early adoption permitted. The Company is currently evaluating the impact of adopting the new accounting standard.

Income Taxes. In July 2013, the FASB issued ASU 2013-11,”Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists”. This update to the income tax guidance clarifies the diversity in practice in the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This update requires the unrecognized tax benefit to be presented in the financial statements as a reduction to a deferred tax asset or as a liability to the extent the entity cannot or does not intend to use the deferred tax asset for such purpose. The new accounting guidance is effective beginning January 1, 2014 and should be applied prospectively to all unrecognized tax benefits that exist at the effective date and retrospective application is permitted. The Company does not expect the adoption of ASU 2013-11 to have a material impact on its financial statements.

Revenue Recognition

Mortgage Production. Mortgage production includes the origination and sale of residential mortgage loans. Mortgage loans are originated through various channels, including relationships with financial institutions, real estate brokerage firms, and corporate clients. The Company also purchases mortgage loans originated by third parties. Mortgage fees consist of fee income earned on all loan originations, including loans closed to be sold and fee-based closings. Fee income consists of amounts earned related to application and underwriting fees, fees on cancelled loans and amounts earned from financial institutions related to brokered loan fees and origination assistance fees resulting from private-label mortgage outsourcing activities. Fees associated with the origination and acquisition of mortgage loans are recognized as earned.

Gain on mortgage loans, net includes the realized and unrealized gains and losses on Mortgage loans held for sale, as well as the changes in fair value of all loan-related derivatives, including interest rate lock commitments and freestanding loan-related derivatives.

Originated mortgage loans are principally sold directly to, or pursuant to programs sponsored by, government-sponsored entities and other investors. Each type of mortgage loan transfer is evaluated for sales treatment through a review that includes both an accounting and a legal analysis to determine whether or not the transferred assets have been isolated from the transferor. To the extent the transfer of assets qualifies as a sale, the asset is derecognized and the gain or loss is recorded on the sale date. In the event the transfer of assets does not qualify as a sale, the transfer would be treated as a secured borrowing.

Loans are placed on non-accrual status when any portion of the principal or interest is 90 days past due or earlier if factors indicate that the ultimate collectability of the principal or interest is not probable. Interest received from loans on non-accrual status is recorded as income when collected. Loans return to accrual status when the principal and interest become current and it is probable that the amounts are fully collectible.

Mortgage Servicing. Mortgage servicing involves the servicing of residential mortgage loans on behalf of the investor. Loan servicing income represents recurring servicing and other ancillary fees earned for servicing mortgage loans owned by investors as well as net reinsurance income or loss resulting from mortgage reinsurance contracts. Servicing fees received for servicing mortgage loans owned by investors are based on a stipulated percentage of the outstanding monthly principal balance on such loans, or the difference between the weighted-average yield received on the mortgage loans and the amount paid to the investor, less guaranty fees and interest on curtailments. For loans that are subserviced for others, a nominal stated amount per loan is received. Loan servicing income is receivable only out of interest collected from mortgagors and is recorded as income when collected. Late charges and other miscellaneous fees collected from mortgagors are also recorded as income when collected. Costs associated with loan servicing are charged to expense as incurred.

Fleet Management and Leasing. Fleet management services are provided to corporate clients and government agencies and include management and leasing of vehicles and other fee-based services for clients' vehicle fleets. Vehicles are leased primarily to corporate fleet users under open-end operating and direct financing lease arrangements where the client bears substantially all of the vehicle's residual value risk. The lease term under the open-end lease agreements provides for a minimum lease term of 12 months and after the minimum term, the leases may be continued at the lessees' election for successive monthly renewals. In limited circumstances, vehicles are leased under closed-end leases where the Company bears all of the vehicle's residual value risk. Gains or losses on the sales of vehicles under closed-end leases are recorded in Other income in the period of sale.

Lease revenues for operating leases, which contain a depreciation component, an interest component and a management fee component, are recognized over the lease term of the vehicle, which encompasses the minimum lease term and the month-to-month renewals. Lease revenues for direct financing leases contain an interest component and a management fee component. The interest component is recognized using the effective interest method over the lease term of the vehicle, which encompasses the minimum lease term and the month-to-month renewals. Direct finance leases are placed on non-accrual status when it is determined that the value of past due lease receivables will not be recoverable.

The interest component of lease revenue is determined in accordance with the pricing supplement to the respective lease agreement. The interest component of lease revenue is generally calculated on a variable-rate basis that fluctuates in accordance with changes in the variable-rate index; however, in certain circumstances, the lease may contain a fixed rate that would remain constant for the life of the lease. The depreciation component of lease revenue is based on the straight-line depreciation of the vehicle over its expected lease term. The management fee component of lease revenue is recognized on a straight-line basis over the life of the lease.

Revenue for other fleet management services is recognized as earned when the services are provided to the lessee. These services include fuel cards, accident management services and maintenance services. Revenue for these services is based on a negotiated percentage of the purchase price for the underlying products or services provided by certain third-party suppliers.

Certain truck and equipment leases are originated with the intention of syndicating to banks and other financial institutions. When operating leases are sold, the underlying assets are transferred and any rights to the leases and their future leasing revenues are assigned to the banks or financial institutions. Upon the transfer and assignment of the rights associated with the operating leases, the proceeds from the sale are recorded as revenue in Fleet lease income and an expense for the undepreciated cost of the asset sold is recognized in Other operating expenses. Upon the sale or transfer of rights to direct financing leases, the net gain or loss is recorded in Other income. Under certain of these sales agreements, a portion of residual risk in connection with the fair value of the asset at lease termination is retained and a liability is recorded for the retention of this risk.

Income Taxes

The Company is subject to the income tax laws of the various jurisdictions in which it operates, including U.S. federal, state, local and Canadian jurisdictions. A consolidated federal income tax return is filed. Depending upon the jurisdiction, the Company files consolidated or separate legal entity state and Canadian income tax returns.

Income tax expense consists of two components: current and deferred. Current tax expense represents the amount of taxes currently payable to or receivable from a taxing authority plus amounts accrued for income tax contingencies (including tax, penalty and interest). Deferred tax expense generally represents the net change in the deferred tax asset or liability balance during the year plus any change in the valuation allowance, excluding any changes in amounts recorded in Additional paid-in capital or Accumulated other comprehensive income (loss). Income tax expense excludes the tax effects related to adjustments recorded to Accumulated other comprehensive income (loss) as well as the tax effects of cumulative effects of changes in accounting principles. Interest and penalties related to income tax contingencies are recognized in Income tax expense (benefit) in the Consolidated Statements of Operations.

Deferred income taxes are determined using the balance sheet method. This method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets or liabilities for book and tax purposes. Deferred tax assets and liabilities are regularly reviewed to assess their potential realization and to establish a valuation allowance when it is “more likely than not” that some portion will not be realized. Generally, any change in the valuation allowance is recorded in Income tax expense (benefit); however, if the valuation allowance is adjusted in connection with an acquisition, such adjustment is recorded concurrently through Goodwill rather than Income tax expense (benefit).

The Company must presume that an uncertain income tax position will be examined by the relevant taxing authority and must determine whether it is more likely than not that the position will be sustained upon examination based on its technical merit. An uncertain income tax position that meets the “more likely than not” recognition threshold is then measured to determine the amount of the benefit to recognize in the financial statements. A liability is recorded for the amount of the unrecognized income tax benefit included in: (i) previously filed income tax returns and (ii) financial results expected to be included in income tax returns to be filed for periods through the date of the Consolidated Financial Statements.

Cash and Cash Equivalents

Marketable securities with original maturities of three months or less are included in Cash and cash equivalents.

Restricted Cash, Cash Equivalents and Investments

Restricted cash, cash equivalents and investments primarily relates to: (i) amounts specifically designated to purchase assets, repay debt, to support letters of credit and/or provide over-collateralization within asset-backed debt arrangements; (ii) funds collected and held for pending mortgage closings; and (iii) in 2012, accounts held in trust for the capital fund requirements of and potential claims related to mortgage reinsurance activities. In 2013, the Company terminated its remaining reinsurance agreement.

Restricted cash and cash equivalents include marketable securities with original maturities of three months or less. Restricted investments are recorded at fair value and classified as available-for-sale. As of December 31, 2013, the Company no longer had any restricted investments classified as available-for-sale securities.

Mortgage Loans Held for Sale

Mortgage loans held for sale represent loans originated or purchased and held until sold to secondary market investors. Mortgage loans are typically warehoused for a period after origination or purchase before sale into the secondary market. The servicing rights and servicing obligations of mortgage loans are generally retained upon sale in the secondary market.

Mortgage loans held for sale are measured at fair value on a recurring basis.

Net Investment in Fleet Leases

Net investment in fleet leases includes vehicles under operating leases and direct financing lease receivables, as well as vehicles that are in transit awaiting delivery to clients or sale. Vehicles under operating leases are stated at cost, net of accumulated depreciation. The initial cost of the vehicles is recorded net of incentives and allowances from vehicle manufacturers. Leased vehicles are depreciated on a straight-line basis over a term that generally ranges from 3 to 6 years. Direct finance leases are stated at the net present value of future expected cash flows.

An allowance for uncollectible lease receivables is recorded as a reduction to Net investment in fleet leases when it is determined that the past due lease receivables will not be recoverable upon sale of the underlying asset. The exposure to losses typically arises from clients that file for bankruptcy protection, as pre-petition receivables are fully reserved and post-petition balances are reserved if the leases are rejected from the bankruptcy petition or if the client enters into liquidation. Charge-offs are recorded after the leased vehicles have been disposed and final shortfall has been determined.

Mortgage Servicing Rights

A mortgage servicing right is the right to receive a portion of the interest coupon and fees collected from the mortgagor for performing specified mortgage servicing activities, which consist of collecting loan payments, remitting principal and interest payments to investors, managing escrow funds for the payment of mortgage-related expenses such as taxes and insurance and otherwise administering the mortgage loan servicing portfolio. Mortgage servicing rights are created through either the direct purchase of servicing from a third party or through the sale of an originated mortgage loan. Residential mortgage loans represent the single class of servicing rights which are measured at fair value on a recurring basis.

The initial value of capitalized mortgage servicing rights is recorded as an addition to Mortgage servicing rights in the Consolidated Balance Sheets and within Gain on mortgage loans, net in the Consolidated Statements of Operations. Valuation changes adjust the carrying amount of Mortgage servicing rights in the Consolidated Balance Sheets and are recognized in Change in fair value of mortgage servicing rights in the Consolidated Statements of Operations.

Property and Equipment

Property and equipment (including leasehold improvements) are recorded at cost, net of accumulated depreciation and amortization. Depreciation, recorded as a component of Other depreciation and amortization in the Consolidated Statements of Operations, is computed utilizing the straight-line method over the estimated useful lives of the related assets. Amortization of leasehold improvements and capital leases is computed utilizing the straight-line method over the estimated benefit period of the related assets or the lease term, if shorter. Estimated useful lives are 30 years for buildings and range from 3 to 5 years for capitalized software, lesser of the remaining lease term or 20 years for leasehold improvements, lesser of the remaining lease term or 5 years for capital leases and 3 to 7 years for furniture, fixtures and equipment.

Internal software development costs are capitalized during the application development stage. The costs capitalized relate to external direct costs of materials and services and employee costs related to the time spent on the project during the capitalization period. Capitalized software is evaluated for impairment annually or when changing circumstances indicate that amounts capitalized may be impaired. Impaired items are written down to their estimated fair values at the date of evaluation.

Goodwill and Other Intangible Assets

The carrying value of Goodwill and indefinite-lived intangible assets is assessed for impairment annually, or more frequently if circumstances indicate impairment may have occurred. Goodwill is assessed for impairment by first performing a qualitative assessment before calculating the fair value of the reporting unit. The Company's reporting units are the Fleet Management Services segment, PHH Home Loans, the Mortgage Production segment excluding PHH Home Loans and the Mortgage Servicing segment. If it is determined, based upon the qualitative factors noted above, that it is more likely than not that the fair value of the reporting units are less than their carrying amounts, the fair value of the reporting units will be estimated and compared to the carrying amounts. The fair value of reporting units may be determined using an income approach, using discounted cash flows, or a combination of an income approach and a market approach, wherein comparative market multiples are used.

Indefinite-lived intangible assets are comprised entirely of trademarks for all periods presented. Fair value of trademarks is determined by discounting cash flows determined from applying a hypothetical royalty rate to projected revenues associated with these trademarks.

Intangible assets subject to amortization are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Amortizable intangible assets included on the Consolidated Balance Sheets consist primarily of customer lists that are amortized on a straight-line basis over a 20-year period.

Costs to renew or extend recognized intangible assets are expensed as the costs are incurred.

Derivative Instruments

Derivative instruments are used as part of the overall strategy to manage exposure to market risks primarily associated with fluctuations in interest rates. As a matter of policy, derivatives are not used for speculative purposes. Derivative instruments are measured at fair value on a recurring basis and are included in Other assets or Other liabilities in the Consolidated Balance Sheets. The Company does not have any derivative instruments designated as hedging instruments.

Fair Value

A three-level valuation hierarchy is used to classify inputs into the measurement of assets and liabilities at fair value. The valuation hierarchy is based upon the relative reliability and availability to market participants of inputs for the valuation of an asset or liability as of the measurement date. When the valuation technique used in determining fair value of an asset or liability utilizes inputs from different levels of the hierarchy, the level within which the measurement in its entirety is categorized is based upon the lowest level input that is significant to the measurement in its entirety. The valuation hierarchy consists of the following levels:

Level One. Level One inputs are unadjusted, quoted prices in active markets for identical assets or liabilities which the Company has the ability to access at the measurement date.

Level Two. Level Two inputs are observable for that asset or liability, either directly or indirectly, and include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, observable inputs for the asset or liability other than quoted prices and inputs derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified contractual term, the inputs must be observable for substantially the full term of the asset or liability.

Level Three. Level Three inputs are unobservable inputs for the asset or liability that reflect the Company's assessment of the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, and are developed based on the best information available.

Fair value is based on quoted market prices, where available. If quoted prices are not available, fair value is estimated based upon other observable inputs. Unobservable inputs are used when observable inputs are not available and are based upon judgments and assumptions, which are the Company's assessment of the assumptions market participants would use in pricing the asset or liability. These inputs may include assumptions about risk, counterparty credit quality, the Company's creditworthiness and liquidity and are developed based on the best information available.

When a determination is made to classify an asset or liability within Level Three of the valuation hierarchy, the determination is based upon the significance of the unobservable factors to the overall fair value measurement of the asset or liability. The fair value of assets and liabilities classified within Level Three of the valuation hierarchy also typically includes observable factors and the realized or unrealized gain or loss recorded from the valuation of these instruments would also include amounts determined by observable factors.

Changes in the availability of observable inputs may result in the reclassification of certain assets or liabilities. Such reclassifications are reported as transfers in or out of Level Three as of the beginning of the period that the change occurs.

Mortgage Loan Repurchase and Indemnification Liability

The Company has exposure to potential mortgage loan repurchase and indemnifications in its capacity as a loan originator and servicer. The estimation of the liability for probable losses related to repurchase and indemnification obligations considers both (i) specific, non-performing loans currently in foreclosure where the Company believes it will be required to indemnify the investor for any losses and (ii) an estimate of probable future repurchase or indemnification obligations from breaches of representation and warranties. The liability related to specific non-performing loans is based on a loan-level analysis considering the current collateral value, estimated sales proceeds and selling cost. The liability related to probable future repurchase or indemnification obligations is segregated by year of origination and considers the amount of unresolved repurchase and indemnification requests and includes an estimate for future repurchase demands based upon recent and historical repurchase and indemnification experience, as well as the success rate in appealing repurchase requests and an estimated loss severity, based on current loss rates for similar loans. The liability for mortgage loan repurchases and indemnifications is included within Other liabilities in the Consolidated Balance Sheets.

Liability for Reinsurance Losses

In 2013, the Company terminated its remaining inactive reinsurance contract which settled the liability and exposure to loss under that contract. See Note 15, "Credit Risk", for further information. The liability for reinsurance losses was included within Other liabilities in 2012 in the Consolidated Balance Sheets. The liability for reinsurance losses was determined based upon the incurred and incurred but not reported losses provided by the primary mortgage insurance company for loans subject to reinsurance.

Custodial Accounts

The Company has a fiduciary responsibility for servicing accounts related to customer escrow funds and custodial funds due to investors aggregating \$3.3 billion and \$3.8 billion as of December 31, 2013 and 2012, respectively. These funds are maintained in segregated bank accounts, and these amounts are not included in the assets and liabilities presented in the Consolidated Balance Sheets. The Company receives certain benefits from these deposits, as allowable under federal and state laws and regulations. Income earned on these escrow accounts is recorded in the Consolidated Statements of Operations either as Mortgage interest income or as a reduction of Mortgage interest expense.

Subsequent Events

Subsequent events are evaluated through the date of filing with the Securities and Exchange Commission.

2. Earnings Per Share

Basic earnings or loss per share attributable to PHH Corporation was computed by dividing Net income or loss attributable to PHH Corporation for the period by the weighted-average number of shares outstanding during the period. Diluted earnings or loss per share attributable to PHH Corporation was computed by dividing Net income or loss attributable to PHH Corporation for the period by the weighted-average number of shares outstanding during the period, assuming all potentially dilutive common shares were issued.

The weighted-average computation of the dilutive effect of potentially issuable shares of Common stock under the treasury stock method excludes the effect of any contingently issuable securities where the contingency has not been met and the effect of securities that would be anti-dilutive. Anti-dilutive securities may include:

- outstanding stock-based compensation awards representing shares from restricted stock units and stock options;
- stock assumed to be issued related to convertible notes; and
- sold warrants related to the Company's Convertible notes due 2014.

The computation also excludes shares related to the assumed issuance of the Convertible notes due 2014 and related purchased options as they are currently to be settled only in cash. Shares associated with anti-dilutive securities are outlined in the table below.

The following table summarizes the calculations of basic and diluted earnings or loss per share attributable to PHH Corporation for the periods indicated:

	Year Ended December 31,		
	2013	2012	2011
	(In millions, except share and per share data)		
Net income (loss) attributable to PHH Corporation	$ 135	$ 34	$ (127)
Weighted-average common shares outstanding — basic	57,357,339	56,815,473	56,349,478
Effect of potentially dilutive securities:			
Share-based payment arrangements[1]	230,584	188,340	—
Conversion of debt securities	8,271,597	4,597,188	—
Weighted-average common shares outstanding — diluted	65,859,520	61,601,001	56,349,478
Basic earnings (loss) per share attributable to PHH Corporation	$ 2.36	$ 0.60	$ (2.26)
Diluted earnings (loss) per share attributable to PHH Corporation	$ 2.06	$ 0.56	$ (2.26)
Anti-dilutive securities excluded from the computation of dilutive securities:			
Outstanding stock-based compensation awards	732,186	1,359,595	2,383,390
Assumed conversion of debt securities	—	—	444,935

(1) Represents incremental shares from restricted stock units and stock options. For the year ended December 31, 2013, excludes 792,594 shares that are contingently issuable for which the contingency has not been met.

3. Restricted Cash, Cash Equivalents and Investments

The following table summarizes Restricted cash, cash equivalents and investment balances:

	December 31, 2013	December 31, 2012
	(In millions)	
Restricted cash and cash equivalents	$ 234	$ 304
Restricted investments, at fair value	—	121
Total	$ 234	$ 425

In 2013, the Company terminated its remaining reinsurance agreement. As a result, the restricted cash and investments held in trust to pay future losses were released and the remaining liability was settled with the primary mortgage insurer. As of December 31, 2013, the Company no longer had any restricted investments classified as available-for-sale securities since the investments were sold in order to distribute unrestricted cash to the Company and primary mortgage insurer pursuant to the termination agreement. See Note 15, "Credit Risk" for information regarding the termination.

The following table summarizes Restricted investments, at fair value as of December 31, 2012:

	Amortized Cost	Fair Value	Unrealized Gains	Unrealized Losses	Weighted-average remaining maturity
			(In millions)		
Corporate securities	$ 30	$ 31	$ 1	$ —	25 mos.
Agency securities [1]	39	39	—	—	21 mos.
Government securities	51	51	—	—	19 mos.
Total	$ 120	$ 121	$ 1	$ —	21 mos.

[1] Represents bonds and notes issued by various agencies including, but not limited to, Fannie Mae, Freddie Mac and Federal Home Loan Banks.

During the year ended December 31, 2013, $1 million of realized gains and $1 million of realized losses from the sale of available-for-sale securities were recorded. During the years ended December 31, 2012 and 2011, realized gains of $1 million from the sale of available-for-sale securities were recorded and realized losses were not significant.

4. Goodwill and Other Intangible Assets

Goodwill and intangible assets are recorded within the Fleet Management Services segment and consisted of:

	December 31, 2013			December 31, 2012		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(In millions)					
Amortized intangible assets:						
Other Assets:						
Customer lists	$ 40	$ 26	$ 14	$ 40	$ 24	$ 16
Other	13	13	—	13	13	—
Total	$ 53	$ 39	$ 14	$ 53	$ 37	$ 16
Unamortized intangible assets:						
Goodwill	$ 25			$ 25		
Other Assets:						
Trademarks	15			15		
Total	$ 40			$ 40		

Amortization expense included within Other depreciation and amortization relating to intangible assets was as follows:

	Year Ended December 31,		
	2013	2012	2011
	(In millions)		
Customer lists	$ 2	$ 1	$ 3
Other	—	1	—
Total	$ 2	$ 2	$ 3

Based on the amortizable intangible assets as of December 31, 2013, estimated future amortization expense is expected to approximate $2 million for each of the next five fiscal years.

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5. Transfers and Servicing of Mortgage Loans

Residential mortgage loans are sold through one of the following methods: (i) sales to or pursuant to programs sponsored by Fannie Mae, Freddie Mac and Ginnie Mae, or (ii) sales to private investors. During the year ended December 31, 2013, 80% of mortgage loan sales were to, or pursuant to programs sponsored by, the GSEs and the remaining 20% were sold to private investors.

The Company may have continuing involvement in mortgage loans sold by retaining one or more of the following: servicing rights and servicing obligations, recourse obligations and/or beneficial interests (such as interest-only strips, principal-only strips, or subordinated interests). The Company is exposed to interest rate risk through its continuing involvement with mortgage loans sold, including mortgage servicing and other retained interests, as the value of those instruments fluctuate as changes in interest rates impact borrower prepayments on the underlying mortgage loans. See Note 6, “Derivatives” for additional information regarding interest rate risk. During the years ended December 31, 2013 and 2012, the Company did not retain any interests from sales or securitizations other than mortgage servicing rights.

During the year ended December 31, 2013, Mortgage servicing rights (“MSRs”) were retained on 81% of mortgage loans sold. Conforming conventional loans serviced are sold or securitized through Fannie Mae or Freddie Mac programs. Such servicing is generally performed on a non-recourse basis, whereby foreclosure losses are the responsibility of Fannie Mae or Freddie Mac. Government loans serviced are generally sold or securitized through Ginnie Mae programs and are either insured against loss by the Federal Housing Administration or partially guaranteed against loss by the Department of Veteran Affairs. Additionally, non-conforming mortgage loans are serviced for various private investors on a non-recourse basis.

During the year ended December 31, 2013, the Company entered into an agreement and has agreed to sell a portion of its newly-created Mortgage servicing rights to a third party, and the Company will have continuing involvement as subservicer. During the year ended December 31, 2013, no sales were completed under the terms of this arrangement. As of December 31, 2013, the Company had commitments to sell servicing rights related to $171 million of the unpaid principal balance of Mortgage loans held for sale and Interest rate lock commitments that are expected to result in closed loans.

A majority of mortgage loans are sold on a non-recourse basis; however, representations and warranties have been made that are customary for loan sale transactions, including eligibility characteristics of the mortgage loans and underwriting responsibilities, in connection with the sales of these assets. See Note 15, “Credit Risk” for a further description of representation and warranty obligations.

The total servicing portfolio consists of loans associated with capitalized mortgage servicing rights, loans held for sale, and the servicing portfolio associated with loans subserviced for others. The total servicing portfolio, including loans subserviced for others was $226.8 billion, $183.7 billion, and $182.4 billion as of December 31, 2013, 2012 and 2011, respectively. Mortgage servicing rights recorded in the Consolidated Balance Sheets are related to the capitalized servicing portfolio and are created either through the direct purchase of servicing from a third party or through the sale of an originated loan.

The activity in the loan servicing portfolio associated with capitalized servicing rights consisted of:

	Year Ended December 31,		
	2013	2012	2011
		(In millions)	
Balance, beginning of period	$ 140,381	$ 147,088	$ 134,753
Additions	22,132	31,607	37,503
Payoffs, sales and curtailments	(33,368)	(38,314)	(25,168)
Balance, end of period	$ 129,145	$ 140,381	$ 147,088

The activity in capitalized MSRs consisted of:

	Year Ended December 31,		
	2013	2012	2011
		(In millions)	
Balance, beginning of period	$ 1,022	$ 1,209	$ 1,442
Additions	244	310	500
Changes in fair value due to:			
Realization of expected cash flows	(263)	(274)	(223)
Changes in market inputs or assumptions used in the valuation model	276	(223)	(510)
Balance, end of period	$ 1,279	$ 1,022	$ 1,209

The value of MSRs is driven by the net positive cash flows associated with servicing activities. These cash flows include contractually specified servicing fees, late fees and other ancillary servicing revenue and were recorded within Loan servicing income as follows:

	Year Ended December 31,		
	2013	2012	2011
		(In millions)	
Servicing fees from capitalized portfolio	$ 395	$ 437	$ 426
Late fees	18	20	20
Other ancillary servicing revenue	39	42	41

As of December 31, 2013 and 2012, the MSRs had a weighted-average life of 6.5 years and 4.3 years, respectively. As of December 31, 2013 and 2012, 51% and 56%, respectively, of the MSRs associated with the loan servicing portfolio were restricted from sale without prior approval from private-label clients or investors. See Note 20, "Fair Value Measurements" for additional information regarding the valuation of MSRs.

The following table sets forth information regarding cash flows relating to loan sales in which the Company has continuing involvement:

	Year Ended December 31,		
	2013	2012	2011
		(In millions)	
Proceeds from new loan sales or securitizations	$ 22,618	$ 33,061	$ 38,308
Servicing fees from capitalized portfolio (1)	395	437	426
Other cash flows on retained interests (2)	—	5	—
Purchases of delinquent or foreclosed loans (3)	(56)	(99)	(46)
Servicing advances (4)	(1,460)	(1,319)	(1,678)
Repayment of servicing advances	1,361	1,270	1,616

(1) Excludes late fees and other ancillary servicing revenue.

(2) Represents cash flows received on retained interests other than servicing fees.

(3) Excludes indemnification payments to investors and insurers of the related mortgage loans.

(4) As of December 31, 2013 and 2012, outstanding servicing advance receivables of $565 million and $293 million, respectively, were included in Accounts receivable, net.

During the years ended December 31, 2013, 2012, and 2011, pre-tax gains of $720 million, $920 million and $605 million, respectively, related to the sale or securitization of residential mortgage loans were recognized in Gain on mortgage loans, net in the Consolidated Statements of Operations.

6. Derivatives

The following is a description of the risk management policies related to market and foreign exchange risks.

Market Risk

The Company's principal market exposure is to interest rate risk, specifically long-term U.S. Treasury and mortgage interest rates, due to their impact on mortgage-related assets and commitments. The Company also has exposure to LIBOR due to its impact on variable-rate borrowings, other interest rate sensitive liabilities and net investment in variable-rate lease assets. From time to time various financial instruments are used to manage and reduce this risk, including swap contracts, forward delivery commitments on mortgage-backed securities or whole loans, futures and options contracts.

Interest Rate Lock Commitments. Interest rate lock commitments ("IRLCs") represent an agreement to extend credit to a mortgage loan applicant, or an agreement to purchase a loan from a third-party originator, whereby the interest rate on the loan is set prior to funding. The loan commitment binds the Company (subject to the loan approval process) to fund the loan at the specified rate, regardless of whether interest rates have changed between the commitment date and the loan funding date. As such, outstanding IRLCs are subject to interest rate risk and related price risk during the period from the date of the commitment through the loan funding date or expiration date. The loan commitments generally range between 30 and 90 days; however, the borrower is not obligated to obtain the loan. The Company is subject to fallout risk related to IRLCs, which is realized if approved borrowers choose not to close on the loans within the terms of the IRLCs. Forward delivery commitments on mortgage-backed securities or whole loans and options on forward contracts are used to manage the interest rate and price risk. Historical commitment-to-closing ratios are considered to estimate the quantity of mortgage loans that will fund within the terms of the IRLCs. See Note 20, "Fair Value Measurements" for further discussion regarding IRLCs.

Mortgage Loans Held for Sale. The Company is subject to interest rate and price risk on Mortgage loans held for sale from the loan funding date until the date the loan is sold into the secondary market. Forward delivery commitments on mortgage-backed securities or whole loans are primarily used to fix the forward sales price that will be realized upon the sale of mortgage loans into the secondary market. Forward delivery commitments may not be available for all products that the Company originates; therefore, a combination of derivative instruments, including forward delivery commitments for similar products, may be used to minimize the interest rate and price risk. See Note 20, "Fair Value Measurements" for additional information regarding mortgage loans and related forward delivery commitments.

Mortgage Servicing Rights. Mortgage servicing rights ("MSRs") are subject to substantial interest rate risk as the mortgage notes underlying the servicing rights permit the borrowers to prepay the loans. Therefore, the value of MSRs generally tend to diminish in periods of declining interest rates (as prepayments increase) and increase in periods of rising interest rates (as prepayments decrease). Although the level of interest rates is a key driver of prepayment activity, there are other factors that influence prepayments, including home prices, underwriting standards and product characteristics. The amount and composition of derivatives used to hedge the value of MSRs, if any, will depend on the exposure to loss of value on the MSRs, the expected cost of the derivatives, expected liquidity needs, and the expected increase to earnings generated by the origination of new loans resulting from the decline in interest rates. This serves as an economic hedge of the MSRs, which provides a benefit when increased borrower refinancing activity results in higher production volumes, which would partially offset declines in the value of the MSRs thereby reducing the need to use derivatives. The benefit of this economic hedge depends on the decline in interest rates required to create an incentive for borrowers to refinance their mortgage loans and lower their interest rates; however, this benefit may not be realized under certain circumstances regardless of the change in interest rates.

Debt. The Company may use various hedging strategies and derivative financial instruments to create a desired mix of fixed- and variable-rate assets and liabilities. Derivative instruments used in these hedging strategies may include swaps and interest rate contracts. To more closely match the characteristics of the related assets, including the net investment in variable-rate lease assets, either variable-rate debt or fixed-rate debt is issued, which may be swapped to variable LIBOR-based rates.

The conversion option (a derivative liability) and purchased options (a derivative asset) were issued in connection with the Convertible notes due 2014. The conversion option and purchased options are recognized in Other liabilities and Other assets, respectively, with the offsetting changes in their fair value recognized in Mortgage interest expense. The conversion option allowed the Company to reduce the coupon rate of the Convertible notes due 2014 and the associated semiannual interest payments. The purchased options and sold warrants are intended to reduce the potential dilution to the Company's Common stock upon conversion of the Convertible notes due 2014 and generally have the effect of increasing the conversion price from $25.805 to $34.74 per share. See Note 12, "Debt and Borrowing Arrangements" for further discussion regarding the Convertible notes due 2014 and the related conversion option, purchased options and sold warrants.

Foreign Exchange Risk

The Company has exposure to foreign exchange risk through: (i) our investment in our Canadian operations; (ii) any U.S. dollar borrowing arrangements we may enter into to fund Canadian dollar denominated leases and operations; and (iii) any foreign exchange forward contracts that we may enter into. Currency swap agreements are used to manage such risk. The Company does not hold any foreign exchange-related derivatives as of December 31, 2013 and 2012, however such contracts were held during the respective years.

Derivative Activity

The following table summarizes the gross notional amount of derivatives:

	December 31,	
	2013	2012
	(In millions)	
Notional amounts:		
Interest rate lock commitments	$ 1,378	$ 4,993
Forward delivery commitments	4,527	12,303
Option contracts	190	1,070
Interest rate contracts	710	614
Convertible note-related agreements(1)	—	—
MSR-related agreements	860	3,915

(1) The notional of derivative instruments underlying the Convertible-note related agreements is 9.6881 million shares of the Company's Common stock. These instruments relate to the issuance of the Convertible notes due 2014.

The Company is exposed to risk in the event of non-performance by counterparties in our derivative contracts. In general, the Company manages such risk by evaluating the financial position and creditworthiness of counterparties, monitoring the amount of exposure and/or dispersing the risk among multiple counterparties. The Company's derivatives may also be governed by an ISDA or an MSFTA, and bilateral collateral agreements are in place with certain counterparties. When the Company has more than one outstanding derivative transaction with a single counterparty and a legally enforceable master netting agreement is in effect with that counterparty, the Company considers its exposure to be the net fair value of all positions with that counterparty including the value of any cash collateral amounts posted or received.

The Company also has collateral posting arrangements with certain counterparties that do not qualify for net presentation. As of December 31, 2013 there was no collateral that did not qualify for net presentation. As of December 31, 2012, $1 million, was recorded in Other assets in the Consolidated Balance Sheets for collateral that did not qualify for net presentation.

In addition, the Company has global netting arrangements with certain counterparties whereby the Company's outstanding derivative and cash collateral positions may be settled net against amounts outstanding under borrowing arrangements and other obligations when an event of default has occurred. These amounts are not presented net in the Consolidated Balance Sheets as the netting provisions are contingent upon an event of default.

Derivative instruments are recorded in Other assets and Other liabilities in the Consolidated Balance Sheets. The following tables presents the balances of outstanding derivative instruments on a gross basis and the application of counterparty and collateral netting:

	December 31, 2013			
	Gross Assets	Offsetting Payables	Cash Collateral Received	Net Amount
	(In millions)			
ASSETS				
Subject to master netting arrangements:				
Forward delivery commitments	$ 22	$ (13)	$ (8)	$ 1
MSR-related agreements	4	(4)	—	—
Derivative assets subject to netting	26	(17)	(8)	1
Not subject to master netting arrangements:				
Interest rate lock commitments	23	—	—	23
Forward delivery commitments	4	—	—	4
Option contracts	2	—	—	2
Interest rate contracts	2	—	—	2
Convertible note-related agreements	16	—	—	16
Derivative assets not subject to netting	47	—	—	47
Total derivative assets	$ 73	$ (17)	$ (8)	$ 48

	Gross Liabilities	Offsetting Receivables	Cash Collateral Received	Net Amount
	(In millions)			
LIABILITIES				
Subject to master netting arrangements:				
Forward delivery commitments	$ 8	$ (13)	$ 5	$ —
MSR-related agreements	—	(4)	5	1
Derivative liabilities subject to netting	8	(17)	10	1
Not subject to master netting arrangements:				
Interest rate lock commitments	1	—	—	1
Forward delivery commitments	2	—	—	2
Convertible note-related agreements	16	—	—	16
Derivative liabilities not subject to netting	19	—	—	19
Total derivative liabilities	$ 27	$ (17)	$ 10	$ 20

	December 31, 2012			
	Gross Assets	Offsetting Payables	Cash Collateral (Received) Paid	Net Amount
	(In millions)			
ASSETS				
Subject to master netting arrangements:				
Forward delivery commitments	$ 10	$ (12)	$ 5	$ 3
MSR-related agreements	5	(4)	(1)	—
Derivative assets subject to netting	15	(16)	4	3
Not subject to master netting arrangements:				
Interest rate lock commitments	140	—	—	140
Forward delivery commitments	5	—	—	5
Option contracts	2	—	—	2
Interest rate contracts	1	—	—	1
Convertible note-related agreements	27	—	—	27
Derivative assets not subject to netting	175	—	—	175
Total derivative assets	$ 190	$ (16)	$ 4	$ 178

	Gross Liabilities	Offsetting Receivables	Cash Collateral (Paid) Received	Net Amount
	(In millions)			
LIABILITIES				
Subject to master netting arrangements:				
Forward delivery commitments	$ 14	$ (12)	$ (1)	$ 1
MSR-related agreements	—	(4)	9	5
Derivative liabilities subject to netting	14	(16)	8	6
Not subject to master netting arrangements:				
Interest rate lock commitments	1	—	—	1
Forward delivery commitments	5	—	—	5
Convertible note-related agreements	27	—	—	27
Derivative liabilities not subject to netting	33	—	—	33
Total derivative liabilities	$ 47	$ (16)	$ 8	$ 39

The following table summarizes the gains (losses) recorded in the Consolidated Statements of Operations for derivative instruments:

	Year Ended December 31,		
	2013	2012	2011
	(In millions)		
Gain on mortgage loans, net:			
Interest rate lock commitments	$ 475	$ 1,461	$ 1,353
Forward delivery commitments	234	(277)	(402)
Options contracts	16	(19)	(25)
Net derivative gain (loss) related to mortgage servicing rights:			
MSR-related agreements	(19)	(5)	(3)
Fleet interest expense:			
Interest rate contracts	(1)	(1)	(3)
Foreign exchange contracts	—	(1)	(7)

7. Vehicle Leasing Activities

The following table summarizes the components of Net investment in fleet leases:

	December 31, 2013	December 31, 2012
	(In millions)	
Operating Leases:		
Vehicles under open-end operating leases	$ 7,974	$ 8,174
Vehicles under closed-end operating leases	137	154
Vehicles under operating leases	8,111	8,328
Less: Accumulated depreciation	(4,777)	(4,959)
Net investment in operating leases	3,334	3,369
Direct Financing Leases:		
Lease payments receivable	100	91
Less: Unearned income	(2)	—
Net investment in direct financing leases	98	91
Off-Lease Vehicles:		
Vehicles not yet subject to a lease	217	169
Vehicles held for sale	10	15
Less: Accumulated depreciation	(6)	(8)
Net investment in off-lease vehicles	221	176
Total	$ 3,653	$ 3,636

	December 31, 2013	December 31, 2012
Vehicles under open-end leases	98 %	98 %
Vehicles under closed-end leases	2 %	2 %
Vehicles under variable-rate leases	80 %	82 %
Vehicles under fixed-rate leases	20 %	18 %

The following table presents the future minimum lease payments to be received as of December 31, 2013. Amounts presented include the monthly payments for the unexpired portion of the minimum lease term, which is 12 months under open-end lease agreements, and the residual value guaranteed by the lessee during the minimum lease term. The interest component included in future minimum payments is based on the rate in effect at the inception of each lease.

	Future Minimum Lease Payments	
	Operating Leases	Direct Financing Leases
	(In millions)	
2014	$ 1,069	$ 42
2015	29	1
2016	18	1
2017	12	1
2018	6	—
Thereafter	9	—
Total	$ 1,143	$ 45

Contingent rentals include amounts for excess mileage, wear and tear, early termination fees, and, for variable-rate leases, changes in interest rates subsequent to lease inception. Contingent rentals are recorded in Fleet lease income in the Consolidated Statements of Operations. Contingent rentals from operating leases were not significant for the years ended December 31, 2013 and 2012 and were $1 million for the year ended December 31, 2011. Contingent rentals from direct financing leases were not significant for the years ended December 31, 2013, 2012, and 2011.

8. Property and Equipment, Net

Property and equipment, net consisted of:

	December 31, 2013	December 31, 2012
	(In millions)	
Capitalized software	$ 179	$ 161
Furniture, fixtures and equipment	81	82
Capital leases	29	22
Building and leasehold improvements	19	16
	308	281
Less: Accumulated depreciation and amortization	(233)	(202)
Total	$ 75	$ 79

9. Other Assets

Other assets consisted of:

	December 31, 2013	December 31, 2012
	(In millions)	
Mortgage loans in foreclosure, net	$ 172	$ 120
Repurchase eligible loans(1)	94	99
Real estate owned, net	51	53
Derivatives	48	178
Deferred financing costs	38	49
Equity method investments(2)	37	38
Intangible assets	29	31
Other	53	48
Total	$ 522	$ 616

(1) Repurchase eligible loans represent mortgage loans sold to the Government National Mortgage Association where the Company as servicer has the unilateral option to repurchase the loan if certain criteria are met, including if a loan is greater than 90 days delinquent. Regardless of whether the repurchase option has been exercised, the Company must recognize eligible loans within Other assets and a corresponding repurchase liability within Accounts payable and accrued expenses in the Consolidated Balance Sheets.

(2) See Note 20, "Fair Value Measurements" for a discussion of the impairment analysis for this asset.

10. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of:

	December 31, 2013	December 31, 2012
	(In millions)	
Subservicing advance liabilities[1]	$ 302	24
Accounts payable	284	331
Repurchase eligible loans	94	99
Accrued payroll and benefits	79	80
Accrued interest	29	32
Other	15	20
Total	$ 803	$ 586

(1) Amounts were reclassified from prior presentation in Other liabilities.

The Company is required under most of our mortgage servicing agreements to advance our own funds to meet contractual principal and interest payments for certain investors and to pay taxes, insurance, foreclosure costs and various other items that are required to preserve the assets being serviced. Servicing advance receivables are reduced by the collection of principal and interest or escrow payments from the respective borrowers, or upon foreclosure or liquidation. Amounts advanced as the servicer and subservicer of mortgage loans are recorded within Accounts receivable in the Consolidated Balance Sheets.

Under the terms of certain subservicing arrangements, the Company has required the subservicing counterparty to fund servicing advances for their respective portfolios of subserviced loans. A subservicing advance liability is recorded for cash received from the counterparty to fund advances, and is repaid to the counterparty upon the collection of the mortgage servicing advance receivables. Amounts received from counterparties to fund subservicing advances are recorded within Accounts payable and accrued expenses in the Consolidated Balance Sheets.

In 2013, the Company assumed the role of subservicer for a mortgage loan portfolio with an unpaid principal balance of $47 billion. As of December 31, 2013, the subservicing portfolio that was assumed had related balances of servicing advance receivables and liabilities of $271 million and $265 million, respectively.

11. Other Liabilities

Other liabilities consisted of:

	December 31, 2013	December 31, 2012
	(In millions)	
Loan repurchase and indemnification liability	$ 100	$ 140
Derivatives	20	39
Lease syndication liability	11	16
Pension and other post employment benefits liability	7	15
Capital lease obligation	7	12
Liability for reinsurance losses[1]	—	33
Other	20	24
Total	$ 165	$ 279

(1) Decrease in balance relates to the termination of the remaining inactive reinsurance contract. See Note 15, "Credit Risk" for further discussion.

12. Debt and Borrowing Arrangements

The following table summarizes the components of Debt:

	December 31, 2013 Balance	December 31, 2013 Wt. Avg-Interest Rate(1)	December 31, 2012 Balance	December 31, 2012 Wt. Avg-Interest Rate(1)
	(In millions)			
Term notes, in amortization	$ 1,406	1.0 %	$ 424	2.2 %
Term notes, in revolving period	700	0.7 %	1,593	1.0 %
Variable-funding notes	1,358	1.4 %	1,415	1.6 %
Other	17	5.0 %	25	5.1 %
Vehicle Management Asset-Backed Debt	3,481		3,457	
Secured Canadian credit facility	—	—%	—	—%
Committed warehouse facilities	709	2.1 %	1,875	2.0 %
Uncommitted warehouse facilities	—	—%	—	—%
Servicing advance facility	66	2.7 %	66	2.7 %
Mortgage Asset-Backed Debt	775		1,941	
Term notes	795	7.3 %	732	8.5 %
Convertible notes(2)	454	5.0 %	424	5.0 %
Unsecured credit facilities	—	—%	—	—%
Unsecured Debt	1,249		1,156	
Total	$ 5,505		$ 6,554	

(1) Represents the weighted-average stated interest rate of outstanding debt as of the respective date, which may be different from the effective rate due to the amortization of premiums, discounts and issuance costs. Facilities are variable-rate, except for the Unsecured Term notes and Convertible notes which are fixed-rate.

(2) Balance is net of unamortized discounts of $46 million and $76 million as of December 31, 2013 and 2012, respectively. The effective interest rate of the Convertible notes is 13.1%, which includes the accretion of the discount and issuance costs.

Assets held as collateral for asset-backed borrowing arrangements that are not available to pay the Company's general obligations as of December 31, 2013 consisted of:

	Vehicle Asset-Backed Debt	Mortgage Asset-Backed Debt
	(In millions)	
Restricted cash and cash equivalents	$ 203	$ 6
Accounts receivable	45	83
Mortgage loans held for sale (unpaid principal balance)	—	740
Net investment in fleet leases	3,603	—
Total	$ 3,851	$ 829

The following table provides the contractual debt maturities as of December 31, 2013:

	Vehicle Asset-Backed Debt[1]	Mortgage Asset-Backed Debt	Unsecured Debt[2]	Total
	(In millions)			
Within one year	$ 1,023	$ 775	$ 250	$ 2,048
Between one and two years	1,076	—	—	1,076
Between two and three years	790	—	170	960
Between three and four years	441	—	250	691
Between four and five years	141	—	—	141
Thereafter	10	—	625	635
	$ 3,481	$ 775	$ 1,295	$ 5,551

(1) Maturities of vehicle management asset-backed notes, a portion of which are amortizing in accordance with their terms, represent estimated payments based on the expected cash inflows related to the securitized vehicle leases and related assets.

(2) Maturities of convertible notes have been reflected based on the contractual maturity date. Under certain circumstances prior to the contractual maturity date, the convertible notes may be converted. If this happens, the principal portion of the notes would be due in cash and the conversion premium, if any, may be settled in cash.

Capacity under all borrowing agreements is dependent upon maintaining compliance with, or obtaining waivers of, the terms, conditions and covenants of the respective agreements. Available capacity under asset-backed funding arrangements may be further limited by asset eligibility requirements. Available capacity under committed borrowing arrangements as of December 31, 2013 consisted of:

	Maximum Capacity	Utilized Capacity	Maximum Available Capacity
	(In millions)		
Vehicle Management Asset-Backed Debt:			
Term notes, in revolving period	$ 700	$ 700	$ —
Variable-funding notes	2,069	1,358	711
Secured Canadian credit facility	118	—	118
Mortgage Asset-Backed Debt:			
Committed warehouse facilities	2,289	709	1,580
Unsecured credit facilities[1]	305	—	305

(1) Capacity amount shown reflects the contractual maximum capacity of the facility. As of December 31, 2013, the available capacity of this facility is $79 million, after applying the borrowing base coverage ratio test.

Capacity for Mortgage asset-backed debt shown above excludes $2.8 billion not drawn under uncommitted facilities. See Note 20, "Fair Value Measurements," for the measurement of the fair value of Debt.

Vehicle Management Asset-Backed Debt

Vehicle management asset-backed debt primarily represents variable-rate debt issued by a wholly owned subsidiary, Chesapeake Funding LLC ("Chesapeake"), to support the acquisition of vehicles by the Fleet Management Services segment's U.S. leasing operations and variable-rate debt issued by the consolidated special purpose trust, Fleet Leasing Receivables Trust ("FLRT"), the Canadian special purpose trust, used to finance leases originated by the Canadian fleet operation. Vehicle-management asset-backed debt structures may provide creditors an interest in: (i) a pool of master leases or a pool of specific leases; (ii) the related vehicles under lease; and/or (iii) the related receivables billed to clients for the monthly collection of lease payments and ancillary service revenues (such as fuel and maintenance services). This interest is generally granted to a specific series of note holders either on a pro-rata basis relative to their share of the total outstanding debt issued through the facility or through a direct interest in a specific pool of leases. Repayment of the obligations of the facilities is non-recourse to the Company and is sourced from the monthly cash flow generated by lease payments and ancillary service payments made under the terms of the related master lease contracts.

Vehicle management asset-backed debt includes Term notes and Variable-funding notes. **Term notes** provide a fixed funding amount at the time of issuance, and may be classified as:

> **Term notes, in amortization:** the monthly collection of lease payments allocable to the series is used in repayment of principal until the notes are paid in full. The amortization period will continue through the earlier of: (i) 125 months following the commencement of the amortization period; or (ii) when the respective series of notes are paid in full.
>
> **Term notes, in revolving period:** contain provisions that allow the outstanding debt to revolve for a specified period of time. During the revolving period, the monthly collection of lease payments allocable to each outstanding series creates availability to fund the acquisition of vehicles and/or equipment to be leased to customers. Upon expiration of the revolving period, notes begin amortizing.

Variable-funding notes provide a committed capacity which may be drawn upon as needed during a commitment period, which is primarily 364 days in duration, but may extend to a two-year duration for some facilities. Similar to revolving term notes, the monthly collection of lease payments creates availability to fund the acquisition of vehicles and/or equipment to be leased to customers. Available committed capacity under Variable-funding notes may be used to fund growth in Net investment in fleet leases during the term of the commitment.

Term Notes

As of December 31, 2013, Term notes outstanding that are revolving in accordance with their terms are the Chesapeake Series 2013-1. The expiration date of the revolving period is May 22, 2014.

As of December 31, 2013, Term notes outstanding that are amortizing in accordance with their terms are the Chesapeake Series 2009-3, 2011-2, 2012-1, and 2012-2. Final repayment dates of Term notes in amortization range from September 7, 2014 to April 7, 2017.

On June 13, 2013, Chesapeake issued $700 million of Series 2013-1 Term notes. Proceeds from the notes were used to repay a portion of the Series 2010-1 notes and Series 2011-1 notes.

On August 15, 2013, Chesapeake fully repaid the Series 2009-2 Term notes with available cash.

Variable-funding Notes

As of December 31, 2013, Variable-funding notes outstanding are the FLRT Series 2010-2 and the Chesapeake Series 2013-2 and 2013-3. Expiration dates of the revolving periods range from July 9, 2014 to July 10, 2015.

On July 10, 2013, Chesapeake issued Series 2013-2 and Series 2013-3 Variable-funding notes with available commitments of $780 million and $520 million, respectively. The revolving periods of the Series 2013-2 and Series 2013-3 notes end July 9, 2014 and July 10, 2015, respectively. Proceeds of the issuance were used to fully repay the existing Chesapeake Series 2010-1 and Series 2011-1 Variable-funding notes.

On August 30, 2013, the FLRT 2010-2 Series was amended to extend the maturity date to August 29, 2014.

Secured Canadian Credit Facility

PHH Vehicle Management Services Inc. ("PHH VMS Canada"), an indirect wholly-owned subsidiary, has a secured revolving credit facility with a group of lenders providing up to C$125 million ($118 million USD as of December 31, 2013) of committed revolving capacity. Borrowings under the facility bear interest at a variable-rate, and the facility fee and interest rate margin are dependent on the Company's senior unsecured long-term debt ratings issued by certain credit rating agencies. The facility is scheduled to expire on August 2, 2015.

Available borrowing capacity under the facility is based on a borrowing base calculation which considers eligible unencumbered vehicle leases, vehicles not yet subject to lease, and account receivables for ancillary services. PHH VMS Canada's obligations under the facility are guaranteed by PHH Corporation and are secured by a first-priority lien on all of PHH VMS Canada's present and future assets and property (and corresponding security in any jurisdiction), subject to certain eligibility exceptions.

Mortgage Asset-Backed Debt

Mortgage asset-backed debt primarily represents variable-rate warehouse facilities to support the origination of mortgage loans, which provide creditors a collateralized interest in specific mortgage loans that meet the eligibility requirements under the terms of the facility. The source of repayment of the facilities is typically from the sale or securitization of the underlying loans into the secondary mortgage market.

Committed Facilities

Committed repurchase facilities typically have a 364-day term. As of December 31, 2013, the Company has outstanding committed mortgage repurchase facilities with the Royal Bank of Scotland, plc, Credit Suisse First Boston Mortgage Capital LLC, Bank of America, N.A., Wells Fargo Bank, N.A., and Fannie Mae and the range of maturity dates is February 4, 2014 to December 30, 2014.

On May 22, 2013, $675 million of commitments under the variable-rate mortgage repurchase facilities with Credit Suisse First Boston Mortgage Capital LLC were extended. The expiration of the facility is based on a 364-day rolling term and may continue, at CSFB's option, until the stated expiration of May 22, 2015.

On June 21, 2013, the Company extended the term of $250 million of commitments with The Royal Bank of Scotland plc to June 20, 2014, and entered into terms for $250 million of uncommitted capacity with the lender.

On December 6, 2013, the Company extended the terms of the $450 million committed mortgage repurchase facilities with Wells Fargo Bank to February 4, 2014. In February 2014, a portion of the commitments of the facility were extended to February 3, 2015.

On December 11, 2013, the Company extended the terms of the Fannie Mae committed mortgage repurchase facility to December 13, 2014 and reduced the available capacity from $1.0 billion to $500 million.

Uncommitted Facilities

As of December 31, 2013, the Company has outstanding uncommitted mortgage repurchase facilities with Fannie Mae and the Royal Bank of Scotland plc.

The Fannie Mae uncommitted facility has total capacity of up to $3.0 billion as of as of December 31, 2013, less certain amounts outstanding under the $500 million committed Fannie Mae facility. The Royal Bank of Scotland plc uncommitted facility has a total capacity of up to $250 million.

Servicing Advance Facility

The Company has a facility with Fannie Mae that provided for the early reimbursement of certain servicing advances made on behalf of Fannie Mae. On December 31, 2013, the commitment period of this facility ended and the facility entered a repayment period, whereby Fannie Mae will receive reimbursement of amounts due through advance collections or through additional payments made by the Company. The repayment period ends on June 30, 2015, and the Company is required to pay the outstanding balance by that date.

Unsecured Debt

The Company's unsecured debt obligations include series of Term notes and Convertible notes, each of which are senior unsecured and unsubordinated obligations that rank equally with all existing and future senior unsecured debt. Unsecured capacity also includes commitments available under Credit facilities.

Term Notes

Term Notes include:

Senior notes due 2016. The 9.25% 2016 Senior note series has $170 million of principal due March 1, 2016 as of December 31, 2013. During 2013, a portion of the issuance of the Senior notes due 2021 was used to repay $280 million of aggregate principal of the Senior notes due 2016 and to pay the $50 million tender premium plus related fees and expenses. A pre-tax loss of $54 million was recorded in Other operating expenses in the Consolidated Statements of Operations related to the early repayment of the notes.

Senior notes due 2019. The 7.375% 2019 Senior note series has $275 million of principal due September 1, 2019 as of December 31, 2013. Senior notes due 2019 are governed by an existing indenture dated January 17, 2012 with The Bank of New York Mellon Trust Company, N.A. as trustee.

Senior notes due 2021. The 6.375% 2021 Senior note series has $350 million of principal due August 15, 2021 as of December 31, 2013. On August 20, 2013, the Company completed the offering of this series under an existing indenture, dated January 17, 2012 with The Bank of New York Mellon Trust Company, N.A. as trustee. The Company realized net proceeds of $342 million from the issuance after deducting underwriting fees. The notes are senior unsecured and unsubordinated obligations of the Company and rank equally with all existing and future senior unsecured debt. The notes are redeemable by the Company at any time after August 15, 2017 and in accordance with the optional redemption clause in the indenture. Interest on the notes is payable semi-annually in arrears on February 15 and August 15 of each year, beginning February 15, 2014. The notes will mature on August 15, 2021, unless previously redeemed in accordance with their terms. Proceeds from the offering were used to repay a portion of the Senior notes due 2016, as discussed above.

Convertible Notes

As of December 31, 2013, Convertible notes included: (i) $250 million of 4.0% Convertible notes with a maturity date of September 1, 2014; and (ii) $250 million of 6.0% Convertible notes with a maturity date of June 15, 2017.

2014 Convertible Notes. The Convertible notes due 2014 are governed by an indenture dated September 29, 2009 with The Bank of New York Mellon, as trustee. As of December 31, 2013 and 2012, the carrying amount of the Convertible notes due 2014 is net of an unamortized discount of $3 million and $22 million, respectively. The stated interest rate is 4.0%, and the effective interest rate, which includes the accretion of the discount and issuance costs, is 13.1%. The Convertible notes due 2014 are not redeemable by the Company prior to the maturity date. There have been no conversions since issuance.

Conversion Features:
Holders may convert all or any portion of the notes at any time (i) in the event of the occurrence of certain triggering events related to the price of the notes, the price of the Company's Common stock or certain corporate events or (ii) from, and including, March 1, 2014 through the third business day immediately preceding their maturity on September 1, 2014. The conversion price is $25.805 per share.

Subject to certain exceptions, the holders may require the Company to repurchase all or a portion of their notes upon a fundamental change, as defined under the respective indentures. The Company will generally be required to increase the conversion rate for holders that elect to convert their notes in connection with a make-whole fundamental change, or upon the occurrence of certain events.

The Convertible notes due 2014 currently may only be settled in cash upon conversion because the Company has not sought shareholder approval, as required by the New York Stock Exchange, to allow for the issuance of shares of common stock or securities convertible into common stock that will, or will upon issuance, equal or exceed 20% of outstanding shares.

Related derivatives:
The Company entered into hedging transactions in connection with the issuance of the Convertible notes due 2014, including transactions with respect to the Conversion Premium (or, purchased options) and warrant transactions whereby the Company sold warrants to acquire, subject to certain anti-dilution adjustments, shares of its Common stock. The purchased options and sold warrants are intended to reduce the potential dilution of the Company's Common stock upon conversion. The initial conversion rates were 38.7522 shares per $1,000 principal amount for the notes. Based on the initial conversion rates, these transactions generally have the effect of increasing the conversion price to $34.74 per share.

The Company determined that at the time of issuance that the conversion option and purchased options did not meet all the criteria for equity classification based on the settlement terms of the notes. The conversion option and purchased options are recognized as derivatives and are presented in Other liabilities and Other assets, respectively, with the offsetting changes in their fair value recognized in Mortgage interest expense in the Consolidated Financial Statements. See Note 6, "Derivatives" for additional information regarding the conversion option and purchased options.

The sold warrants meet all the criteria for equity classification because they are indexed to the Company's stock. As such, these derivative instruments are recorded within Additional paid-in capital and have no impact on the Consolidated Statements of Operations.

As of December 31, 2013, the Convertible notes due 2014 do not meet the requirements for conversion and there have been no conversions of the notes since issuance.

2017 Convertible Notes. The Convertible notes due 2017 are governed by an indenture dated January 17, 2012 with The Bank of New York Mellon Trust Company, N.A., as trustee. As of December 31, 2013 and 2012, the carrying amount of the Convertible notes due 2017 is net of an unamortized discount of $43 million and $54 million, respectively. The stated interest rate is 6.0% and the effective interest rate, which includes the accretion of the discount and issuance costs, is 13.0%. The Convertible notes due 2017 mature on June 15, 2017, and are not redeemable by the Company prior to the maturity date. There have been no conversions since issuance.

At the time of issuance, the liability and equity components of the Convertible notes due 2017 were separately accounted for based on estimates of the Company's non-convertible debt borrowing rate. The Company determined that the conversion option was indexed to the Company's own stock and met all of the criteria for equity classification. The initial valuation of the equity component was $33 million, net of $22 million of deferred taxes, recorded within Additional paid-in capital in the Consolidated Balance Sheets during the year ended December 31, 2012. Since the conversion option met all of the criteria for equity classification, there have been no changes in value recorded from the date of issuance.

Conversion Features:
Holders may convert all or any portion of the notes, at their option, prior to December 15, 2016 only upon the occurrence of certain triggering events related to (i) the price of the notes, (ii) the price of the Company's Common stock, or (iii) upon the occurrence of specified corporate events. Holders may also convert all or any portion of the notes at any time, at their option from, and including, December 15, 2016 through the third scheduled trading day immediately preceding the maturity date.

Conversion Based on Note Price. Prior to the close of business on the scheduled trading day immediately preceding December 15, 2016, the notes may be converted during the five business day period after any five consecutive trading day period (the "Measurement Period") in which the trading price per $1,000 in principal amount of the notes for each day of the Measurement Period was less than 98% of the product of the last reported sale price of the Company's Common stock and the applicable conversion rate for the notes of such date.

Conversion Based on Stock Price. Prior to the close of business on the scheduled trading day immediately preceding December 15, 2016, the notes may be converted during any calendar quarter after the calendar quarter ending March 31, 2012 and only during such calendar quarter, if the last reported sale price of the Company's Common stock for 20 or more trading days in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter exceeds 130% of the applicable conversion price in effect for the notes on each such trading day.

The conversion price is $12.79 per share (based on an initial conversion rate of 78.2014 shares per $1,000 principal amount of notes). Upon conversion, the principal amount of the converted notes is payable in cash and the Company will pay or deliver (at its election): (i) cash; (ii) shares of the Company's Common stock; or (iii) a combination of cash and shares of the Company's Common stock; to settle amounts due if the conversion value exceeds the principal of the converted notes. As of December 31, 2013, the if-converted value exceeded the principal amount of the notes by $226 million, and the notes met the requirements for conversion.

Subject to certain exceptions, the holders of the Convertible notes due 2017 may require the Company to repurchase all or a portion of their notes upon a fundamental change, as defined under the indenture. The Company will generally be required to increase the conversion rate for holders that elect to convert their notes in connection with a make-whole fundamental change, as defined under the indenture. The conversion rate and the conversion price will be subject to adjustment upon the occurrence of certain events as specified in the indenture; however, in no circumstance will the conversion rate exceed 97.7517 shares per $1,000 in principal amount of notes, subject to certain anti-dilution adjustments.

Credit Facilities

As of December 31, 2013, unsecured borrowing arrangements include a Revolving Credit Facility with $300 million of aggregate commitments and other minor facilities with $5 million of aggregate commitments.

Revolving Credit Facility. The Company has an unsecured Revolving Credit Facility that is operating under an Amended and Restated Credit Agreement dated August 2, 2012 among PHH, a group of lenders and JPMorgan Chase Bank, N.A., as administrative agent. The facility has $300 million of aggregate commitments (scheduled to expire between July 1, 2014 and August 2, 2015), as discussed further below.

The Amended Credit Facility consists of two tranches: (i) a $250 million revolving credit tranche ("Tranche A") that is scheduled to expire on August 2, 2015 and (ii) a $50 million revolving credit tranche ("Tranche B") that is scheduled to expire on July 1, 2014. No borrowing may be made under Tranche B if there is unused availability under Tranche A. Borrowings under the facility are subject to satisfaction of certain conditions, including compliance with a borrowing base coverage ratio test of unencumbered assets (less any balance held in escrow for the 2014 Convertible Notes) to unsecured debt of at least 1.2 to 1.

The Company's obligations under Tranche A are guaranteed by each of its direct, indirect, existing and future domestic subsidiaries, subject to exceptions for (i) securitization subsidiaries, (ii) subsidiaries which are not substantially wholly-owned by the Company and (iii) certain other subsidiaries. The Company's obligations under Tranche B are not guaranteed by any of its existing subsidiaries.

The Revolving Credit Facility is variable-rate and the facility fee and interest rate margin under the facility are subject to change if the Company's senior unsecured long-term debt ratings are changed by certain credit rating agencies.

Debt Covenants

Certain debt arrangements require the maintenance of certain financial ratios and contain other affirmative and negative covenants, termination events, and other restrictions, including, but not limited to, covenants relating to material adverse changes, consolidated net worth, liquidity, profitability, and available borrowing capacity maintenance, restrictions on indebtedness of the Company and its material subsidiaries, mergers, liens, liquidations, sale and leaseback transactions, and restrictions on certain types of payments, including dividends and stock repurchases. Certain other debt arrangements, including the Fannie Mae committed facility, contain provisions that permit the Company or our counterparty to terminate the arrangement upon the occurrence of certain events, including those described below.

Among other covenants, the Revolving Credit Facility and certain mortgage repurchase facilities require that the Company maintain: (i) on the last day of each fiscal quarter, net worth of at least $1.0 billion; (ii) a ratio of indebtedness to tangible net worth no greater than 5.75 to 1; (iii) a minimum of $1.0 billion in committed mortgage warehouse financing capacity excluding any mortgage warehouse capacity provided by GSEs and certain mortgage gestation facilities; and (iv) a minimum of $750 million in committed third party fleet vehicle lease financing capacity. These covenants represent the most restrictive net worth and debt to equity covenants; however, certain other outstanding debt agreements contain debt to equity covenants that are less restrictive.

During 2013, the termination events for the Fannie Mae committed facility were amended to require the Company to maintain (i) on the last day of each fiscal quarter, consolidated net worth of at least $1.0 billion; (ii) on the last day of each fiscal quarter, a ratio of indebtedness to tangible net worth no greater than 6.0 to 1; (iii) a minimum of $1.0 billion in committed mortgage warehouse or gestation facilities, with no more than $500 million of gestation facilities included towards the minimum, but excluding committed or uncommitted loan purchase arrangements or other funding arrangements from Fannie Mae and any mortgage warehouse capacity provided by government sponsored enterprises; and (iv) compliance with certain loan repurchase trigger event criteria related to the aging of outstanding loan repurchase demands by Fannie Mae.

As of December 31, 2013, the Company was in compliance with all financial covenants related to its debt arrangements.

Under certain of the Company's financing, servicing, hedging and related agreements and instruments, the lenders or trustees have the right to notify the Company if they believe it has breached a covenant under the operative documents and may declare an event of default. If one or more notices of default were to be given, the Company believes it would have various periods in which to cure certain of such events of default. If the Company does not cure the events of default or obtain necessary waivers within the required time periods, the maturity of certain debt agreements could be accelerated and the ability to incur additional indebtedness could be restricted. In addition, an event of default or acceleration under certain agreements and instruments would trigger cross-default provisions under certain of the Company's other agreements and instruments.

See Note 17, "Stock-Related Matters" for information regarding restrictions on the Company's ability to pay dividends pursuant to certain debt arrangements.

13. Pension and Other Post Employment Benefits

Defined Contribution Savings Plans. The Company and PHH Home Loans sponsor separate defined contribution savings plans that provide certain eligible employees an opportunity to accumulate funds for retirement. Contributions of participating employees are matched on the basis specified by these plans. The costs for contributions to these plans are included in Salaries and related expenses in the Consolidated Statements of Operations and were $11 million, $10 million, and $9 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Defined Benefit Pension Plan and Other Employee Benefit Plan. The Company sponsors a domestic non-contributory defined benefit pension plan, which covers certain eligible employees. Benefits are based on an employee's years of credited service and a percentage of final average compensation, or as otherwise described by the plan. In addition, a post employment benefits plan is maintained for retiree health and welfare costs of certain eligible employees. Both the defined benefit pension plan and the other post employment benefits plan are frozen, wherein the plans only accrue additional benefits for a very limited number of employees.

The measurement date for all benefit obligations and plan assets is December 31. The following table provides benefit obligations, plan assets and the funded status of the plans:

	Pension Benefits		Other Post Employment Benefits	
	2013	2012	2013	2012
	(In millions)			
Benefit obligation	$ 44	$ 48	$ 2	$ 1
Fair value of plan assets	39	34	—	—
Unfunded status	(5)	(14)	(2)	(1)
Unfunded pension liability recorded in Accumulated other comprehensive income (loss):				
Net loss	10	19	—	—
Net amount recognized	$ 5	$ 5	$ (2)	$ (1)

During both the years ended December 31, 2013 and 2012 the net periodic benefit cost related to the defined benefit pension plan was $1 million and the expense recorded for the other post employment benefits plan was not significant. During the year ended December 31, 2011, both the net periodic benefit cost related to the defined benefit pension plan and the expense recorded for the other post employment benefits plan were not significant.

As of December 31, 2013, future expected benefit payments to be made from the defined benefit pension plan's assets, which reflect expected future service, are $2 million in the years ending December 31, 2014 through 2018 and $13 million for the five years ending December 31, 2023.

The Company's policy is to contribute amounts to the defined benefit pension plan sufficient to meet minimum funding requirements as set forth in employee benefit and tax laws and additional amounts at the discretion of the Company. Contributions made to the plan during the year ended December 31, 2013 were $1 million and contributions made during the year ended December 31, 2012 were not significant. An estimate of the expected contributions to the defined benefit pension plan is $1 million for the year ending December 31, 2014.

14. Income Taxes

The following table summarizes Income tax expense (benefit):

	Year Ended December 31, 2013	2012	2011
	(In millions)		
Current:			
Federal	$ —	$ —	$ —
State	5	11	(1)
Foreign	8	5	10
Income tax contingencies:			
Change in income tax contingencies	—	1	(6)
Interest and penalties	—	—	(1)
Total current income tax expense	13	17	2
Deferred:			
Federal	63	(4)	(90)
State	2	(20)	(9)
Foreign	(1)	1	(3)
Total deferred income tax expense (benefit)	64	(23)	(102)
Income tax expense (benefit)	$ 77	$ (6)	$ (100)

The following table summarizes Income (loss) before income taxes:

	Year Ended December 31, 2013	2012	2011
	(In millions)		
Domestic operations	$ 217	$ 61	$ (220)
Foreign operations	24	26	18
Income (loss) before income taxes	$ 241	$ 87	$ (202)

No provision has been made for federal deferred taxes on $150 million of accumulated and undistributed earnings of foreign subsidiaries at December 31, 2013 since it is the present intention of management to reinvest the undistributed earnings indefinitely in those foreign operations. The determination of the amount of unrecognized federal deferred tax liability for unremitted earnings is not practicable.

Deferred tax assets and liabilities represent the basis differences between assets and liabilities measured for financial reporting versus for income-tax returns purposes. The following table summarizes the significant components of deferred tax assets and liabilities:

	December 31, 2013	December 31, 2012
	(In millions)	
Deferred tax assets:		
Accrued liabilities, provisions for losses and deferred income	$ 72	$ 98
Federal loss carryforwards and credits	415	376
State loss carryforwards and credits	46	49
Alternative minimum tax credit carryforward	22	22
Other	2	4
Gross deferred tax assets	557	549
Valuation allowance	(26)	(30)
Deferred tax assets, net of valuation allowance	531	519
Deferred tax liabilities:		
Originated mortgage servicing rights	311	231
Purchased mortgage servicing rights	107	99
Depreciation and amortization	798	811
Deferred tax liabilities	1,216	1,141
Net deferred tax liability	$ 685	$ 622

The deferred tax assets valuation allowance primarily relates to state loss carryforwards. The valuation allowance will be reduced when and if it is determined that it is more likely than not that all or a portion of the deferred tax assets will be realized. The federal and state loss carryforwards will expire from 2017 to 2033 and from 2014 to 2033, respectively.

The total alternative minimum tax credit is not subject to limitations, and primarily consists of credits existing at the time of the spin-off from Cendant Corporation (now known as Avis Budget Group, Inc.) that are available to the Company. As of December 31, 2013, it has been determined that all alternative minimum tax carryforwards can be utilized in future years; therefore, no reserve or valuation allowance has been recorded.

The deferred tax liabilities represent the future tax liability generated upon reversal of the differences between the tax basis and book basis of certain of our assets. Deferred liabilities related to our mortgage servicing rights arise due to differences in the timing of income recognition for accounting and tax purposes for certain servicing rights, which generate an associated basis difference between book and tax. Deferred liabilities related to depreciation and amortization result primarily from differences in the net book value and tax basis of vehicles in our fleet business due to differences in depreciation methods.

Total income taxes differ from the amount that would be computed by applying the U.S. federal statutory rate as follows:

	Year Ended December 31,		
	2013	2012	2011
		(In millions)	
Income (loss) before income taxes	$ 241	$ 87	$ (202)
Statutory federal income tax rate	(35)%	(35)%	(35)%
Income taxes computed at statutory federal rate	$ 84	$ 30	$ (71)
State and local income taxes, net of federal tax benefits	9	3	(12)
Liabilities for income tax contingencies	—	1	(7)
Changes in rate and apportionment factors	(6)	(10)	(5)
Changes in valuation allowance	2	(2)	6
Noncontrolling interest	(11)	(22)	(10)
Other	(1)	(6)	(1)
Income tax expense (benefit)	$ 77	$ (6)	$ (100)
Effective tax rate	31.8 %	(7.0)%	(49.7)%

State and local income taxes, net of federal tax benefits. Represents the impact to the effective tax rate from the pre-tax income or loss as well as the mix of income and loss from the operations by entity and state income tax jurisdiction. The effective state tax rate was higher for the year ended December 31, 2013 as compared to 2012.

Liabilities for income tax contingencies. Represents the impact to the effective tax rate from changes in the liabilities for income tax contingencies associated with new uncertain tax positions taken during the period or the resolution and settlement of prior uncertain tax positions with various taxing authorities. During the year ended December 31, 2011, the change was the result of the IRS concluding its examination and review of the Company's taxable years 2006 through 2009.

Changes in rate and apportionment factors. Represents the impact to the effective tax rate from deferred tax items for changes in apportionment factors and tax rate. For the years ended December 31, 2013 and 2012, the amounts represent the impact of applying statutory changes to apportionment weight, apportionment sourcing and corporate income tax rates that were enacted by various states, primarily New Jersey.

Changes in valuation allowance. Represents the impact to the effective tax rate from state loss carryforwards generated during the year for which the Company believes it is more likely than not that the amounts will not be realized. For the year ended December 31, 2011, the change was primarily driven by state tax losses generated by our mortgage business.

Noncontrolling interest. Represents the impact to the effective tax rate from Realogy Corporation's portion of income taxes related to the income or loss attributable to PHH Home Loans. The impact is driven by PHH Home Loans' election to report as a partnership for federal and state income tax purposes, whereby, the tax expense is reported by the individual LLC members. Accordingly, the Company's Income tax expense or benefit includes only its proportionate share of the income tax related to the income or loss generated by PHH Home Loans.

The activity in the liability for unrecognized income tax benefits (including the liability for potential payment of interest and penalties) consisted of:

	Year Ended December 31,		
	2013	2012	2011
		(In millions)	
Balance, beginning of period	$ 4	$ 3	$ 9
Activity related to tax positions taken during the current year	—	1	2
Activity related to tax positions taken during prior years	—	—	(8)
Balance, end of period	$ 4	$ 4	$ 3

The effective income tax rate would be positively impacted by $4 million in the event of a favorable resolution of income tax contingencies or reductions in valuation allowances as of both December 31, 2013 and 2012 and $3 million as of December 31, 2011.

The amount of unrecognized income tax benefits may change in the next twelve months primarily due to activity in future reporting periods related to income tax positions taken during prior years. This change may be material; however, the impact of these unrecognized income tax benefits cannot be projected on the results of operations or financial position for future reporting periods due to the volatility of market and other factors.

The estimated liability for the potential payment of interest and penalties included in the liability for unrecognized income tax benefits was $1 million as of both December 31, 2013 and 2012.

The Company and its subsidiaries remain subject to examination by the IRS for the tax years ended December 31, 2010 through 2013. As of December 31, 2013, foreign and state income tax filings were subject to examination for periods including and subsequent to 2006, dependent upon jurisdiction.

15. Credit Risk

The Company is subject to the following forms of credit risk:

- **Consumer credit risk**—through mortgage banking activities as a result of originating and servicing residential mortgage loans
- **Commercial credit risk**—through fleet management and leasing activities
- **Counterparty credit risk**—through derivative transactions, sales agreements and various mortgage loan origination and servicing agreements

Accounts Receivable

Accounts receivable is primarily related to advances on mortgage loans serviced, trade accounts receivable from fleet management and leasing activities and receivables from loan production activities. The following table summarizes Accounts receivable, net:

	December 31,	
	2013	2012
	(In millions)	
Mortgage servicing advances	$ 565	$ 293
Fleet management trade receivables	345	426
Other	77	82
Accounts receivable, gross	987	801
Allowance for doubtful accounts	(6)	(4)
Accounts receivable, net	$ 981	$ 797

Mortgage servicing advance receivables represent funds that were advanced by the Company, in accordance with the requirements of mortgage servicing relationships, to meet contractual principal and interest payments for certain investors and to pay taxes, insurance, foreclosure costs and various other items that are required to preserve the assets being serviced. Under the terms of servicing arrangements, the Company is entitled to receive repayment of such advances from borrowers (through collection of principal, interest and escrow payments), investors, or insurance proceeds, and the Company is exposed to losses from the receivables only to the extent that the respective servicing guidelines are not followed. Under certain subservicing arrangements, the Company has required the subservicing counterparty to fund advances for their respective portfolios of subserviced loans. Amounts received to fund subservicing advances are recorded within Accounts payable and accrued expenses in the Consolidated Balance Sheets. See further information in Note 10, “Accounts Payable and Accrued Expenses”.

Fleet management trade receivables represent amounts receivable from fleet lease agreements and from revenue for other fleet management services.

An allowance for uncollectible receivables is recorded when it becomes probable, based on the age of outstanding receivables, that the receivables will not be collected. As of December 31, 2013, the allowance for doubtful accounts primarily relates to Mortgage servicing advance receivables.

Consumer Credit Risk

The Company is not subject to the majority of the risks inherent in maintaining a mortgage loan portfolio because loans are not held for investment purposes and are generally sold to investors within 30 days of origination. The majority of mortgage loan sales are on a non-recourse basis; however, the Company has exposure in certain circumstances in its capacity as a loan originator and servicer to loan repurchases and indemnifications through representation and warranty provisions.

The following tables summarize certain information regarding the total loan servicing portfolio, which includes loans associated with the capitalized Mortgage servicing rights as well as loans subserviced for others:

	December 31,	
	2013	2012
	(In millions)	
Loan Servicing Portfolio Composition		
Owned	$ 130,494	$ 142,930
Subserviced[2]	96,343	40,800
Total	$ 226,837	$ 183,730
Conventional loans	$ 191,916	$ 149,432
Government loans	29,200	29,842
Home equity lines of credit	5,721	4,456
Total	$ 226,837	$ 183,730
Weighted-average interest rate	4.0 %	4.3 %

	December 31,			
	2013		2012	
	Number of Loans	Unpaid Balance	Number of Loans	Unpaid Balance
Portfolio Delinquency[1]				
30 days	2.43 %	1.82 %	2.45 %	1.93 %
60 days	0.83 %	0.62 %	0.64 %	0.52 %
90 or more days	1.08 %	0.90 %	0.80 %	0.70 %
Total[2]	4.34 %	3.34 %	3.89 %	3.15 %
Foreclosure/real estate owned[3]	2.46 %	2.36 %	2.05 %	1.92 %

(1) Represents portfolio delinquencies as a percentage of the total number of loans and the total unpaid balance of the portfolio.

(2) The total servicing portfolio increased during 2013 due to the assumption of a new subservicing portfolio. Excluding the subservicing portfolio assumed during 2013, the Company's total portfolio delinquency and foreclosure/real estate owned based on the number of loans were 3.90% and 1.89%, respectively, and based on the unpaid principal balance were 2.86% and 1.64%, respectively.

(3) As of December 31, 2013 and 2012, the total servicing portfolio included 24,892 and 17,329 of loans in foreclosure with an unpaid principal balance of $4.7 billion and $3.0 billion, respectively. Excluding the subservicing portfolio assumed during 2013, the Company's total servicing portfolio included 14,650 of loans in foreclosure with an unpaid principal balance of $2.6 billion.

Repurchase and Foreclosure-Related Reserves

Representations and warranties are provided to investors and insurers on a significant portion of loans sold and are also assumed on purchased mortgage servicing rights. In the event of a breach of these representations and warranties, the Company may be required to repurchase the mortgage loan or indemnify the investor against loss. If there is no breach of a representation and warranty provision, there is no obligation to repurchase the loan or indemnify the investor against loss. In limited circumstances, the full risk of loss on loans sold is retained to the extent the liquidation of the underlying collateral is insufficient. In some instances where the Company has purchased loans from third parties, it may have the ability to recover the loss from the third party originator. Repurchase and foreclosure-related reserves are maintained for probable losses related to repurchase and indemnification obligations and for on-balance sheet loans in foreclosure and real estate owned.

A summary of the activity in repurchase and foreclosure-related reserves is as follows:

	Year Ended December 31, 2013	Year Ended December 31, 2012
	(In millions)	
Balance, beginning of period	$ 191	$ 127
Realized losses	(73)	(136)
Increase in reserves due to:		
Changes in assumptions	7	182
New loan sales	17	18
Balance, end of period	$ 142	$ 191

Repurchase and foreclosure-related reserves consist of the following:

Loan Repurchases and Indemnifications

The maximum exposure to representation and warranty provisions exceeds the amount of loans in the capitalized portfolio of $129.1 billion; however, the maximum amount of losses cannot be estimated because the Company does not service all of the loans for which it has provided representations or warranties. As of December 31, 2013, $214 million of loans have been identified in which the Company has full risk of loss or has identified a breach of representation and warranty provisions; 15% of which were at least 90 days delinquent (calculated based upon the unpaid principal balance of the loans).

As of December 31, 2013 and 2012, liabilities for probable losses related to repurchase and indemnification obligations of $100 million and $140 million, respectively, are included in Other liabilities in the Consolidated Balance Sheets. The liability for loan repurchases and indemnifications represents management's estimate of probable losses based on the best information available and requires the application of a significant level of judgment and the use of a number of assumptions. These assumptions include the estimated amount and timing of repurchase and indemnification requests, the expected success rate in defending against requests, estimated insurance claim proceeds and denials and estimated loss severities on repurchases and indemnifications. The liability for loan repurchases and indemnifications does not reflect losses from litigation or governmental and regulatory examinations, investigations or inquiries. While the Company uses the best information available in estimating the liability, actual experience can vary significantly from the assumptions as the estimation process is inherently uncertain.

Given the inherent uncertainties involved in estimating losses associated with future repurchase and indemnification requests, there is a reasonable possibility that future losses may be in excess of the recorded liability. As of December 31, 2013, the estimated amount of reasonably possible losses in excess of the recorded liability was approximately $30 million which relates to our estimate of repurchase and foreclosure-related charges that may not be reimbursed pursuant to government mortgage insurance programs in the event we do not file insurance claims. The estimate is based on our expectation of future defaults and the historical defect rate for government insured loans. The Company's estimate of reasonably possible losses does not represent probable losses and is based upon significant judgments and assumptions which can be influenced by many factors, including: (i) home prices and the levels of home equity; (ii) the quality of our underwriting procedures; (iii) borrower delinquency and default patterns; and (iv) general economic conditions.

Mortgage Loans in Foreclosure and Real Estate Owned

Mortgage loans in foreclosure represent the unpaid principal balance of mortgage loans for which foreclosure proceedings have been initiated, plus recoverable advances made on those loans. These amounts are recorded net of an allowance for probable losses on such mortgage loans and related advances.

Real estate owned, which are acquired from mortgagors in default, are recorded at the lower of the adjusted carrying amount at the time the property is acquired or fair value. Fair value is determined based upon the estimated net realizable value of the underlying collateral less the estimated costs to sell.

The carrying values of the mortgage loans in foreclosure and real estate owned were recorded within Other assets in the Consolidated Balance Sheets as follows:

	December 31, 2013	December 31, 2012
	(In millions)	
Mortgage loans in foreclosure[(1)]	$ 192	$ 148
Allowance for probable foreclosure losses	(20)	(28)
Mortgage loans in foreclosure, net	$ 172	$ 120
Real estate owned	$ 73	$ 76
Adjustment to value for real estate owned	(22)	(23)
Real estate owned, net	$ 51	$ 53

(1) Includes $118 million and $65 million of recoverable advances as of December 31, 2013 and 2012, respectively.

Mortgage Reinsurance

In 2013, the Company terminated its remaining inactive reinsurance contract which settled the liability and exposure to loss under that contract and released the $118 million restricted cash and investments held in trust to pay future losses. The primary mortgage insurer received a $49 million termination payment from the trust account and the Company received the remaining $69 million unrestricted cash balance. During the year ended December 31, 2013, the termination resulted in a pre-tax loss of $21 million which was recorded in Loan servicing income in the Consolidated Statements of Operations.

In 2012, the Company terminated one of its inactive reinsurance contracts. During the year ended December 31, 2012, this termination resulted in a pre-tax loss of $16 million which was recorded in Loan servicing income in the Consolidated Statements of Operations.

A summary of the activity in the liability for reinsurance losses is as follows:

	Year Ended December 31, 2013	Year Ended December 31, 2012
	(In millions)	
Balance, beginning of period	$ 33	$ 84
Realized losses[(1)]	(35)	(65)
Increase in liability for reinsurance losses	2	14
Balance, end of period	$ —	$ 33

(1) Realized losses for the year ended December 31, 2013 and 2012 includes $28 million and $21 million, respectively, related to the release of reserves associated with the termination of inactive reinsurance agreements.

Commercial Credit Risk

The Company is exposed to commercial credit risk for its clients under the vehicle lease and fleet management service agreements. Such risk is managed through an evaluation of the financial position and creditworthiness of the client, which is performed on at least an annual basis. The lease agreements generally allow the Company to refuse any additional orders upon the occurrence of certain credit events; however, the obligation remains for all leased vehicle units under contract at that time. The fleet management service agreements can generally be terminated upon 30 days written notice. As of December 31, 2013 and 2012, there were no significant client concentrations related to vehicle leases.

Vehicle leases are primarily classified as operating leases; however, certain leases are classified as direct financing leases and recorded within Net investment in fleet leases in the Consolidated Balance Sheets. During the years ended December 31, 2013 and 2012, the amount of direct financing leases sold were $41 million and $58 million, respectively.

The following table summarizes the status of direct financing leases:

	December 31,	
	2013	2012
	(In millions)	
Current amount	$ 87	$ 73
30-59 days	11	12
60-89 days	—	1
Greater than 90 days(1)	—	5
Direct financing lease receivables, gross(2)	98	91
Allowance for credit losses	—	—
Direct financing lease receivables, net	$ 98	$ 91

(1) As of December 31, 2013, the amount of leases that were still accruing interest was not significant. As of December 31, 2012, there were $5 million of leases that were still accruing interest.

(2) There were no direct financing leases on non-accrual status as of December 31, 2013 and 2012, respectively.

The status of direct financing leases presented in the table above is based on the most aged monthly lease billing of each lessee. Historical credit losses for receivables related to vehicle leasing and fleet management services have not been significant. Receivables are charged-off after leased vehicles have been disposed and final shortfall has been determined.

Counterparty Credit Risk

Counterparty credit risk exposure includes risk of non-performance by counterparties to various agreements and sales transactions. Such risk is managed by evaluating the financial position and creditworthiness of such counterparties and/or requiring collateral, typically cash, in derivative and financing transactions. The Company attempts to mitigate counterparty credit risk associated with derivative contracts by monitoring the amount for which it is at risk with each counterparty to such contracts, requiring collateral posting, typically cash, above established credit limits, periodically evaluating counterparty creditworthiness and financial position, and where possible, dispersing the risk among multiple counterparties.

As of December 31, 2013, there were no significant concentrations of credit risk with any individual counterparty or groups of counterparties with respect to derivative transactions. Concentrations of credit risk associated with receivables are considered minimal due to a diverse client base.

During the year ended December 31, 2013, 21% of mortgage loan originations were derived from our relationships with Realogy and its affiliates, 29% were derived from Merrill Lynch Home Loans, a division of Bank of America, National Association and 12% were derived from Morgan Stanley Private Bank, N.A.

16. Commitments and Contingencies

Legal Contingencies

The Company and its subsidiaries are defendants in various legal proceedings, which include private and civil litigation as well as government and regulatory examinations, investigations and inquiries or other requests for information. These matters are at varying procedural stages and primarily relate to contractual disputes and other commercial, employment and tax claims. The resolution of these various matters may result in adverse judgments, fines, penalties, injunctions and other relief against the Company as well as monetary payments or other agreements and obligations. Alternately, the Company may engage in settlement discussions on certain matters in order to avoid the additional costs of engaging in litigation.

Reserves are established for pending or threatened litigation, claims or assessments when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated. In light of the inherent uncertainties involved in litigation and other legal proceedings, it is not always possible to determine a reasonable estimate of the amount of a probable loss, and the Company may estimate a range of possible loss for consideration in its estimates. The estimates are based upon currently available information and involve significant judgment taking into account the varying stages and inherent uncertainties of such matters. Accordingly, the Company's estimates may change from time to time and such changes may be material to the consolidated financial results. Given the inherent uncertainties and status of the Company's outstanding legal proceedings, the range of reasonably possible loss cannot be estimated for all matters. For matters where the Company can estimate the range of losses, the aggregate estimated amount of reasonably possible losses in excess of the recorded liability was $10 million as of December 31, 2013.

As of December 31, 2013, the Company's recorded reserves associated with legal and regulatory contingencies were not material. However, there can be no assurance that the ultimate resolution of the Company's pending or threatened litigation, claims or assessments will not result in losses in excess of the Company's recorded reserves. As a result, the ultimate resolution of any particular legal matter, or matters, could be material to the Company's results of operations or cash flows for the period in which such matter is resolved.

The following are descriptions of the Company's significant legal and regulatory matters, which may involve loss contingencies.

Contingencies Involving Mortgage Origination and Servicing Practices

The Company has received inquiries and requests for information from, and is subject to investigations by, regulators and attorneys general of certain states, the U.S. Department of Housing and Urban Development, the U.S. Attorney's Office for the Southern District of New York, the Committee on Oversight and Government Reform of the U.S. House of Representatives and the U.S. Senate Judiciary Committee, requesting information as to the Company's mortgage origination and servicing practices, including its foreclosure processes and procedures.

During the second quarter of 2013, the Company received document subpoenas from the Office of Inspector General of the U.S. Department of Housing and Urban Development ("HUD") and the U.S. Attorney's Office for the Southern District of New York. The HUD subpoenas request production of certain documents related to, among other things, our origination and underwriting process for loans insured by the Federal Housing Administration ("FHA"). The U.S. Attorney's Office subpoena requests production of certain documents related to, among other things, foreclosure expenses that we incurred in connection with the foreclosure of loans insured or guaranteed by FHA, Fannie Mae or Freddie Mac. The Company has also undergone a regulatory examination by a multistate coalition of certain mortgage banking regulators and such regulators have alleged various violations of federal and state laws related to the Company's mortgage servicing practices prior to July 2011.

The Company believes it has meritorious defenses to these various allegations. However, there can be no assurance that claims or litigation will not arise from these inquiries, or similar inquiries by other governmental authorities, or that fines, penalties or increased legal costs will not be incurred in connection with these matters.

In addition to the increased regulatory focus on origination and servicing practices described above, Fannie Mae and Freddie Mac have also had a continued focus on foreclosure practices. They have assessed compensatory fees against the Company for failing to meet certain foreclosure timelines specified in their respective servicing guides. Although such compensatory fees have not been material to date, there can be no assurance that the assessment of any such compensatory fees will not be material to the Company's results in the future.

CFPB Investigation

In January 2012, the Company was notified that the Bureau of Consumer Financial Protection (the "CFPB") had opened an investigation to determine whether the Company's mortgage insurance premium ceding practices to captive reinsurers comply with the Real Estate Settlement Procedures Act and other laws enforced by the CFPB . Through its reinsurance subsidiaries, the Company assumed risk in exchange for premiums ceded from primary mortgage insurance companies. The Company did not provide reinsurance on loans originated after 2009. In January 2014, the CFPB initiated an administrative proceeding alleging that the Company's reinsurance activities violated certain provisions of the Real Estate Settlement Procedures Act. The Company believes that it has complied with the Real Estate Settlement Procedures Act and other laws applicable to its former mortgage reinsurance activities, and intends to vigorously defend against the CFPB's allegations. Given the nature of this investigation and the related allegations, the Company cannot estimate the amount of loss or a range of possible losses, if any, and there can be no assurance that the ultimate resolution of this matter will not result in losses, which could be material to the Company's results of operations, cash flows or financial position.

Lease and Purchase Commitments

The Company is committed to making rental payments under noncancelable operating and capital leases related to various facilities and equipment. In addition, during the normal course of business, various commitments are made to purchase goods or services from specific suppliers, including those related to capital expenditures.

During the years ended December 31, 2013, 2012, and 2011, rental expense of $26 million, $25 million, and $24 million, respectively, was recorded in Occupancy and other office expenses in the Consolidated Statements of Operations.

The following table summarizes the Company's commitments as of December 31, 2013:

	Future Minimum Operating Lease Payments	Future Minimum Capital Lease Payments	Purchase Commitments
		(In millions)	
2014	$ 21	$ 6	$ 124
2015	21	1	5
2016	20	—	2
2017	17	—	—
2018	16	—	—
Thereafter	63	—	—
Total	$ 158	$ 7	$ 131

Off-Balance Sheet Arrangements and Guarantees

In the ordinary course of business, numerous agreements are entered into that contain guarantees and indemnities where a third-party is indemnified for breaches of representations and warranties. Such guarantees or indemnifications are granted under various agreements, including those governing leases of real estate, access to credit facilities, use of derivatives and issuances of debt or equity securities. The guarantees or indemnifications issued are for the benefit of the buyers in sale agreements and sellers in purchase agreements, landlords in lease contracts, financial institutions in credit facility arrangements and derivative contracts and underwriters in debt or equity security issuances.

While some guarantees extend only for the duration of the underlying agreement, many survive the expiration of the term of the agreement or extend into perpetuity (unless subject to a legal statute of limitations). There are no specific limitations on the maximum potential amount of future payments that the Company could be required to make under these guarantees, and the maximum potential amount of future payments cannot be estimated. With respect to certain guarantees, such as indemnifications of landlords against third-party claims, insurance coverage is maintained that mitigates any potential payments.

Representations and warranties are provided to purchasers and insurers on a significant portion of loans sold and are assumed on purchased mortgage servicing rights. See further discussion in Note 15, "Credit Risk".

In connection with certain of Mortgage-asset-backed borrowing arrangements, we have entered into agreements to unconditionally and irrevocably guarantee payment on the obligations of our subsidiaries.

Committed mortgage gestation facilities are a component of the Company's financing arrangements. Certain gestation agreements are accounted for as sale transactions and result in mortgage loans and related debt that are not included in the Consolidated Balance Sheets. As of December 31, 2013, there were $179 million of commitments available under off-balance sheet gestation facilities.

17. Stock-Related Matters

Restrictions on Paying Dividends

The Company's ability to declare and pay of dividends in the future is contingent upon many factors, including capital requirements of our operating subsidiaries and provisions of our debt arrangements, as well as other legal requirements and regulatory constraints.

Many of the Company's subsidiaries (including certain consolidated partnerships, trusts and other non-corporate entities) are subject to restrictions on their ability to pay dividends or otherwise transfer funds to other consolidated subsidiaries and, ultimately, to PHH Corporation (the parent company). These restrictions include, but are not limited to, those are pursuant to the Revolving Credit facility, certain asset-backed debt agreements, unrestricted cash available for use by variable interest entities and unrestricted cash held for use in Canada by subsidiaries of the Fleet Management Services segment. The aggregate restricted net assets of these subsidiaries totaled $748 million as of December 31, 2013; however, these restrictions on net assets of certain subsidiaries do not directly limit the ability to pay dividends from consolidated Retained earnings.

Certain debt arrangements require the maintenance of financial ratios and contain restrictive covenants applicable to consolidated financial statement elements, as well as restricted payment covenants that potentially could limit the ability to pay dividends. Requirements of debt arrangements that could limit the ability to pay dividends include, but are not limited to:

- Pursuant to the Revolving Credit Facility:
    - a) the Company may declare or pay any dividend only so long as the Company's corporate ratings are equal to or better than at least two of the following: Baa3 from Moody's Investors Service, BBB- from Standard & Poor's and BBB- from Fitch Ratings (in each case on stable outlook or better);
    - b) if the provisions of (a) are not met, the Company may declare or pay any dividend only so long as:
        - the Company is not in default under the Revolving Credit Facility; and
        - (i) the Convertible Notes due in 2014 have been repaid, prefunded, extended or refinanced; (ii) the aggregate unrestricted Cash and cash equivalents is at least $50 million; and (iii) no amounts are borrowed under the Revolving Credit Facility and no more than $35 million of letters of credit are outstanding.

c) If the provisions of (a) and (b) are not met, the Company may declare or pay any dividend only with the written consent of the lenders representing more than 50% of the aggregate commitments under the Revolving Credit Facility.

- Pursuant to the Senior Note indenture, the Company is restricted from paying dividends if, after giving effect to the dividend payment, the debt to tangible equity ratio exceeds 6 to 1 on the last day of each month.

As of December 31, 2013, the Company may not pay dividends without the written consent of the lenders of the Revolving Credit facility or until the Convertible Notes due in 2014 have been repaid, prefunded, extended or refinanced, among other provisions.

18. Accumulated Other Comprehensive Income

The after-tax components of Accumulated other comprehensive income (loss) were as follows:

	December 31,	
	2013	2012
	(In millions)	
Currency translation adjustment	$ 22	$ 36
Unrealized gains on available-for-sale securities, net of income taxes of $0 and $0	—	1
Pension adjustment, net of income tax benefit of $(4) and $(8)	(6)	(11)
Total	$ 16	$ 26

All components of Accumulated other comprehensive income (loss) are net of income taxes; however, currency translation adjustment excludes income taxes on undistributed earnings of foreign subsidiaries, which are considered to be indefinitely invested.

There were no amounts of Accumulated other comprehensive income (loss) attributable to noncontrolling interests as of December 31, 2013 and 2012, or during the respective periods.

Amounts reclassified out of Accumulated other comprehensive income (loss) related to realized gains and losses from the sale of available-for-sale securities were recorded within Other income in the Consolidated Statements of Operations. During the year ended December 31, 2013, $1 million of gains and $1 million of losses from the sale of available-for-sale securities were realized.

19. Stock-Based Compensation

The PHH Corporation Amended and Restated 2005 Equity and Incentive Plan (the "Plan") governs awards of share based compensation. The plan allows awards in the form of stock options, restricted stock units ("RSUs"), stock appreciation rights, and other stock- or cash-based awards. Employees have been awarded stock options, service-based RSUs, performance-based RSUs and market-based RSUs to purchase shares of Common stock and performance-based restricted cash units and service-based restricted cash units to be settled in cash under the Plan. RSUs granted entitle employees to receive one share of PHH Common stock upon the vesting of each RSU. The aggregate number of shares of PHH Common stock issuable under the Plan is 11,050,000.

The stock option awards have a maximum contractual term of ten years from the grant date. Service-based stock awards generally vest upon the fulfillment of a service condition ratably over a period of up to five years from the grant date. Performance-based stock awards require the fulfillment of a service condition and the achievement of certain operating performance criteria and vest between two and three years from the grant date if both conditions are met. The performance criteria may also impact the number of awards that may vest. Market-based stock awards require the fulfillment of a service condition and the achievement of certain targets associated with the Company's stock price and vest three years from the grant date if both conditions are met. All outstanding and unvested stock options and RSUs have vesting conditions pursuant to a change in control.

In addition, RSUs are granted to non-employee Directors as part of their compensation for services rendered as members of the Company's Board of Directors. These RSUs vest immediately when granted. New shares of Common stock are issued to employees and Directors to satisfy the stock option exercise and RSU conversion obligations.

Compensation cost for service-based stock and cash awards is generally recognized on a straight-line basis over the requisite service period, net of estimated forfeitures. Compensation cost for performance-based stock and cash awards is recognized over the requisite service period for the portion of the award for which it is probable that the performance condition will be achieved. Compensation cost for market-based stock awards is recognized over the requisite service period, regardless if the market condition is met.

The following table summarizes expense recognized related to stock-based compensation arrangements:

	Year Ended December 31,		
	2013	2012	2011
		(In millions)	
Stock-based compensation expense	$ 9	$ 6	$ 7
Income tax benefit related to stock-based compensation expense	(4)	(2)	(3)
Stock-based compensation expense, net of income taxes	$ 5	$ 4	$ 4

As of December 31, 2013, there was $20 million of unrecognized compensation cost related to outstanding and unvested stock options and RSUs that are expected to vest and be recognized over a weighted-average period of 2.1 years. As of December 31, 2013, $6 million of unrecognized compensation cost related to outstanding and unvested stock options and RSUs would be recognized upon a change in control.

Stock Options

The following table summarizes stock option activity for the year ended December 31, 2013:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value (In millions)
Outstanding at January 1, 2013	1,818,738	$ 18.15		
Granted	351,829	21.94		
Exercised	(147,466)	18.75		
Forfeited or expired	(88,700)	20.19		
Outstanding at December 31, 2013	1,934,401	$ 18.70	7.4	$ 11
Exercisable at December 31, 2013	555,260	$ 19.61	4.5	$ 3
Stock options vested and expected to vest	1,894,986	$ 18.65	7.4	$ 11

Generally, options are granted with exercise prices at the fair market value of the Company's shares of Common stock, which is considered equal to the closing share price on the date of grant.

The weighted-average grant-date fair value per stock option for awards granted during the years ended December 31, 2013, 2012 and 2011 was $11.27, $8.68 and $7.93, respectively. The weighted-average grant-date fair value of stock options was estimated using the Black-Scholes option valuation model with the following assumptions:

	Year Ended December 31,		
	2013	2012	2011
Expected life (in years)	6.5	6.5	5.9
Risk-free interest rate	1.14 %	1.10 %	1.40 %
Expected volatility	52.3 %	51.7 %	51.3 %
Dividend yield	—	—	—

The expected life of each stock option is estimated based on their vesting and contractual terms. The risk-free interest rate reflected the yield on zero-coupon Treasury securities with a term approximating the expected life of the stock options. The expected volatility was based on the historical volatility of the Company's Common stock.

The intrinsic value of options exercised was $1 million and $2 million during the years ended December 31, 2013 and 2012, respectively. The amount was not significant during the year ended December 31, 2011.

Restricted Stock Units

The following tables summarize restricted stock unit activity for the year ended December 31, 2013:

	Number of RSUs(1)	Weighted-Average Grant-Date Fair Value
Performance-Based & Market-Based RSUs		
Outstanding at January 1, 2013	556,813	$ 7.63
Granted	299,186	14.67
Forfeited	(63,405)	15.33
Outstanding at December 31, 2013	792,594	$ 9.67
RSUs expected to be converted into shares of Common stock	772,456	$ 9.65
Service-Based RSUs		
Outstanding at January 1, 2013	432,031	$ 17.06
Granted(2)	410,009	23.18
Converted	(205,934)	16.91
Forfeited	(12,991)	16.12
Outstanding at December 31, 2013	623,115	$ 21.16
RSUs expected to be converted into shares of Common stock	623,115	$ 21.16

(1) The performance criteria impact the number of awards that may vest. The number of RSUs related to these performance-based awards represents the expected number to be earned.

(2) Includes 62,757 RSUs earned by non-employee Directors for services rendered as members of the Board of Directors.

In 2013 and 2012, certain executives were awarded RSUs with market-based vesting conditions. The weighted-average grant-date fair value per market-based RSU for awards granted during the years ended December 31, 2013 and 2012 was $12.47 and $6.69, respectively. The weighted-average grant-date fair value of these market-based RSUs was estimated using a Monte Carlo simulation valuation model with the following assumptions:

	Year Ended December 31,	
	2013	2012
Grant date stock price	$ 22.28	$ 17.09
Risk-free interest rate	0.42 %	0.40 %
Expected volatility	38.6 %	42.8 %
Dividend yield	—	—

The risk-free interest rate reflected the yield on zero-coupon Treasury securities with a term approximating the expected life of the RSUs. The expected volatility was based on historical volatility of the Company's Common stock.

The total fair value of RSUs converted into shares of Common stock was $5 million during the years ended December 31, 2013 and 2012 and $9 million during the year ended December 31, 2011.

20. Fair Value Measurements

The Company updates the valuation of each instrument recorded at fair value on a quarterly basis, evaluating all available observable information, which may include current market prices or bids, recent trade activity, changes in the levels of market activity and benchmarking of industry data. The assessment also includes consideration of identifying the valuation approach that would be used currently by market participants. If it is determined that a change in valuation technique or its application is appropriate, or if there are other changes in availability of observable data or market activity, the current methodology will be analyzed to determine if a transfer between levels of the valuation hierarchy is appropriate. Such reclassifications are reported as transfers into or out of a level as of the beginning of the quarter that the change occurs.

The incorporation of counterparty credit risk did not have a significant impact on the valuation of assets and liabilities recorded at fair value as of December 31, 2013 or 2012.

Recurring Fair Value Measurements

A discussion of the measurement of fair value for the assets and liabilities measured on a recurring basis are as follows:

Restricted Investments. Restricted investments are classified within Level Two of the valuation hierarchy. The fair value of restricted investments is estimated using current broker prices from multiple pricing sources. Significant assumptions impacting the valuation of these instruments include interest rates and the levels of credit risk. See Note 3, "Restricted Cash, Cash Equivalents and Investments" for additional information.

Mortgage Loans Held for Sale. The Company elected to record Mortgage loans held for sale ("MLHS") at fair value. This election is intended to both better reflect the underlying economics and eliminate the operational complexities of risk management activities related to MLHS and hedge accounting requirements.

For Level Two MLHS, fair value is estimated through a market approach by using either: (i) the fair value of securities backed by similar mortgage loans, adjusted for certain factors to approximate the fair value of a whole mortgage loan including the value attributable to servicing rights and credit risk; (ii) current commitments to purchase loans; or (iii) recent observable market trades for similar loans, adjusted for credit risk and other individual loan characteristics. The Agency mortgage-backed security market is a highly liquid and active secondary market for conforming conventional loans whereby quoted prices exist for securities at the pass-through level, which are published on a regular basis. The Company has the ability to access this market and it is the market into which conforming mortgage loans are typically sold.

As of December 31, 2013 and 2012, Level Three MLHS include second lien and Scratch and Dent loans. Second lien loans are valued using a discounted cash flow model.

Scratch & Dent loans represent mortgage loans with origination flaws or performance issues. During the year ended December 31, 2012, certain S&D loans were transferred from Level Two to Level Three of the valuation hierarchy based on the lack of available observable market-based inputs. Despite the consistency seen in the volume of trades of S&D loans, the type of demand for specific collateral has become more unique to investors. The S&D population is primarily valued using internally-developed collateral-based models based on characteristics of the underlying loan populations.

The following table reflects the difference between the carrying amounts of Mortgage loans held for sale measured at fair value, and the aggregate unpaid principal amount that the Company is contractually entitled to receive at maturity:

	December 31, 2013		December 31, 2012	
	Total	Loans 90 days or more past due and on non-accrual status	Total	Loans 90 days or more past due and on non-accrual status
	(In millions)			
Mortgage loans held for sale:				
Carrying amount	$ 834	$ 12	$ 2,174	$ 17
Aggregate unpaid principal balance	837	17	2,126	25
Difference	$ (3)	$ (5)	$ 48	$ (8)

The following table summarizes the components of Mortgage loans held for sale:

	December 31,	
	2013	2012
	(In millions)	
First mortgages:		
Conforming	$ 737	$ 1,966
Non-conforming	48	143
Total first mortgages	785	2,109
Second lien	5	8
Scratch and Dent	44	56
Other	—	1
Total	$ 834	$ 2,174

Mortgage Servicing Rights. Mortgage servicing rights ("MSRs") are classified within Level Three of the valuation hierarchy due to the use of significant unobservable inputs and the inactive market for such assets.

The fair value of MSRs is estimated based upon projections of expected future cash flows considering prepayment estimates (developed using a model described below), the Company's historical prepayment rates, portfolio characteristics, interest rates based on interest rate yield curves, implied volatility and other economic factors. A probability weighted option adjusted spread ("OAS") model generates and discounts cash flows for the MSR valuation. The OAS model generates numerous interest rate paths, then calculates the MSR cash flow at each monthly point for each interest rate path and discounts those cash flows back to the current period. The MSR value is determined by averaging the discounted cash flows from each of the interest rate paths. The interest rate paths are generated with a random distribution centered around implied forward interest rates, which are determined from the interest rate yield curve at any given point of time.

A key assumption in the estimate of the fair value of MSRs is forecasted prepayments. A third-party model is used as a basis to forecast prepayment rates at each monthly point for each interest rate path in the OAS model. Prepayment rates used in the development of expected future cash flows are based on historical observations of prepayment behavior in similar periods, comparing current mortgage interest rates to the mortgage interest rates in the servicing portfolio. The rates incorporate loan characteristics (e.g., loan type and note rate) and factors such as recent prepayment experience, the relative sensitivity of the capitalized loan servicing portfolio to refinance if interest rates decline and estimated levels of home equity. On a quarterly basis, assumptions used in estimating fair value are validated against a number of third-party sources, which may include peer surveys, MSR broker surveys, third-party valuations and other market-based sources.

The following summarize certain information regarding the initial and ending capitalization rate of MSRs:

	Year Ended December 31,	
	2013	2012
Initial capitalization rate of additions to MSRs	1.10 %	0.98 %

	December 31,	
	2013	2012
Capitalization servicing rate	0.99 %	0.73 %
Capitalization servicing multiple	3.4	2.4
Weighted-average servicing fee (in basis points)	29	30

The significant assumptions used in estimating the fair value of MSRs were as follows (in annual rates):

	December 31,	
	2013	2012
Weighted-average prepayment speed (CPR)	9.0 %	16.8 %
Option adjusted spread, in basis points	1,056	1,013
Weighted-average delinquency rate	5.8 %	6.8 %

The following table summarizes the estimated change in the fair value of MSRs from adverse changes in the significant assumptions:

	December 31, 2013		
	Weighted-Average Prepayment Speed	Option Adjusted Spread	Weighted-Average Delinquency Rate
		(In millions)	
Impact on fair value of 10% adverse change	$ (49)	$ (67)	$ (25)
Impact on fair value of 20% adverse change	(96)	(127)	(49)

These sensitivities are hypothetical and presented for illustrative purposes only. Changes in fair value based on a 10% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, this analysis does not assume any impact resulting from management's intervention to mitigate these variations.

The effect of a variation in a particular assumption is calculated without changing any other assumption and the assumptions used in valuing the MSRs are independently aggregated. Although there are certain inter-relationships among the various key assumptions noted above, changes in one of the significant assumptions would not independently drive changes in the others. The prepayment speed assumptions are highly dependent upon interest rates, which drive borrowers' propensity to refinance; however, there are other factors that can influence borrower refinance activity. These factors include housing prices, the levels of home equity, underwriting standards and loan product characteristics. The OAS is a component of the discount rate used to present value the cash flows of the MSR asset and represents the spread over a base interest rate that equates the present value of cash flows of an asset to the market price of that asset. The weighted average delinquency rate is based on the current and projected credit characteristics of the capitalized servicing portfolio and is dependent on economic conditions, home equity and delinquency and default patterns.

Derivative Instruments. Derivative instruments are classified within Level Two and Level Three of the valuation hierarchy. See Note 6, "Derivatives" for additional information regarding derivative instruments.

Interest Rate Lock Commitments (“IRLCs”) are classified within Level Three of the valuation hierarchy. IRLCs represent an agreement to extend credit to a mortgage loan applicant, or an agreement to purchase a loan from a third-party originator, whereby the interest rate on the loan is set prior to funding. The fair value of IRLCs is based upon the estimated fair value of the underlying mortgage loan, including the expected net future cash flows related to servicing the mortgage loan, adjusted for: (i) estimated costs to complete and originate the loan and (ii) an adjustment to reflect the estimated percentage of IRLCs that will result in a closed mortgage loan under the original terms of the agreement (or “pullthrough”).

The average pullthrough percentage used in measuring the fair value of IRLCs as of December 31, 2013 and 2012 was 77% and 74%, respectively. The pullthrough percentage is considered a significant unobservable input and is estimated based on changes in pricing and actual borrower behavior using a historical analysis of loan closing and fallout data. Actual loan pullthrough is compared to the modeled estimates in order to evaluate this assumption each period based on current trends. Generally, a change in interest rates is accompanied by a directionally opposite change in the assumption used for the pullthrough percentage, and the impact to fair value of a change in pullthrough would be partially offset by the related change in price.

Forward Delivery Commitments are classified within Level Two of the valuation hierarchy. Forward delivery commitments fix the forward sales price that will be realized upon the sale of mortgage loans into the secondary market. The fair value of forward delivery commitments is primarily based upon the current agency mortgage-backed security market to-be-announced pricing specific to the loan program, delivery coupon and delivery date of the trade. Best effort sales commitments are also executed for certain loans at the time the borrower commitment is made. These best effort sales commitments are valued using the committed price to the counterparty against the current market price of the interest rate lock commitment or mortgage loan held for sale.

Option Contracts are classified within Level Two of the valuation hierarchy. Option contracts represent the right to buy or sell mortgage-backed securities at specified prices in the future. The fair value of option contracts is based upon the underlying current to be announced pricing of the agency mortgage-backed security market, and a market-based volatility.

MSR-Related Agreements are classified within Level Two of the valuation hierarchy. MSR-related agreements represent a combination of derivatives used to offset possible adverse changes in the fair value of MSRs, which include options on swap contracts, to-be-announced securities and interest rate swap contracts, among other instruments. The fair value of MSR-related agreements is determined using quoted prices for similar instruments.

Interest Rate Contracts are classified within Level Two of the valuation hierarchy. Interest rate contracts represent interest rate cap and swap agreements which are used to mitigate the impact of increases in short-term interest rates on variable-rate debt used to fund fixed-rate leases. The fair value of interest rate contracts is based upon projected short term interest rates and a market-based volatility.

Convertible Note-Related Agreements relate to the Convertible notes due in 2014 and include conversion options and purchased options. Convertible note-related agreements are classified within Level Three of the valuation hierarchy due to the inactive, illiquid market for the agreements. The fair value of the conversion option and purchased options is determined using an option pricing model and is primarily impacted by changes in the market price and volatility of the Company’s Common stock. The convertible notes and related purchased options and conversion option are further discussed in Note 12, "Debt and Borrowing Arrangements".

Foreign Exchange Contracts are classified within Level Two of the valuation hierarchy. Foreign exchange contracts are used to mitigate the exchange risk associated with Canadian dollar denominated lease assets collateralizing U.S. dollar denominated borrowings. The fair value of foreign exchange contracts is determined using current exchange rates. As of December 31, 2013 and 2012, the Company did not hold any foreign exchange contracts.

Assets and liabilities measured at fair value on a recurring basis were included in the Consolidated Balance Sheets as follows:

	December 31, 2013				
	Level One	Level Two	Level Three	Cash Collateral and Netting	Total
	(In millions)				
ASSETS					
Mortgage loans held for sale	$ —	$ 785	$ 49	$ —	$ 834
Mortgage servicing rights	—	—	1,279	—	1,279
Other assets—Derivative assets:					
Interest rate lock commitments	—	—	23	—	23
Forward delivery commitments	—	26	—	(21)	5
Option contracts	—	2	—	—	2
MSR-related agreements	—	4	—	(4)	—
Interest rate contracts	—	2	—	—	2
Convertible note-related agreements	—	—	16	—	16
LIABILITIES					
Other liabilities—Derivative liabilities:					
Interest rate lock commitments	$ —	$ —	$ 1	$ —	$ 1
Forward delivery commitments	—	10	—	(8)	2
MSR-related agreements	—	—	—	1	1
Convertible note-related agreements	—	—	16	—	16

	December 31, 2012				
	Level One	Level Two	Level Three	Cash Collateral and Netting	Total
	(In millions)				
ASSETS					
Restricted investments	$ —	$ 121	$ —	$ —	$ 121
Mortgage loans held for sale	—	2,110	64	—	2,174
Mortgage servicing rights	—	—	1,022	—	1,022
Other assets—Derivative assets:					
Interest rate lock commitments	—	—	140	—	140
Forward delivery commitments	—	15	—	(7)	8
Option contracts	—	2	—	—	2
MSR-related agreements	—	5	—	(5)	—
Interest rate contracts	—	1	—	—	1
Convertible note-related agreements	—	—	27	—	27
LIABILITIES					
Other liabilities—Derivative liabilities:					
Interest rate lock commitments	$ —	$ —	$ 1	$ —	$ 1
Forward delivery commitments	—	19	—	(13)	6
MSR-related agreements	—	—	—	5	5
Convertible note-related agreements	—	—	27	—	27

Activity of assets and liabilities classified within Level Three of the valuation hierarchy consisted of:

	Year Ended December 31, 2013		
	Mortgage loans held for sale	Mortgage servicing rights	Interest rate lock commitments, net
		(In millions)	
Balance, beginning of period	$ 64	$ 1,022	$ 139
Realized and unrealized gains (losses)	(10)	13	475
Purchases	73	—	—
Issuances	2	244	—
Settlements	(85)	—	(592)
Transfers into Level Three	46	—	—
Transfers out of Level Three	(41)	—	—
Balance, end of period	$ 49	$ 1,279	$ 22

	Year Ended December 31, 2012					
	Mortgage loans held for sale	Mortgage servicing rights	Interest rate lock commitments, net	Investment securities	Securitized mortgage loans(1)	Mortgage loan securitization debt certificates(1)
			(In millions)			
Balance, beginning of period	$ 17	$ 1,209	$ 184	$ —	$ 28	$ 21
Realized and unrealized gains (losses)	(10)	(497)	1,461	(2)	—	—
Purchases	36	—	—	—	—	—
Issuances	8	310	—	—	—	—
Settlements	(40)	—	(1,506)	(5)	—	—
Transfers into Level Three	67	—	—	—	—	—
Transfers out of Level Three	(14)	—	—	—	—	—
Deconsolidation of entity	—	—	—	7	(28)	(21)
Balance, end of period	$ 64	$ 1,022	$ 139	$ —	$ —	$ —

(1) Represents loans securitized and the related senior securitization debt certificates payable to third-parties through a securitization trust that was consolidated as a variable interest entity. In 2012, the Company sold its investment in the subordinated debt and residual interests of the trust and the entity was deconsolidated.

Transfers into Level Three generally represent mortgage loans held for sale with performance issues, origination flaws, or other characteristics that impact their salability in active secondary market transactions. Transfers out of Level Three represent Scratch and Dent loans that were foreclosed upon and loans that have been cured. Mortgage loans in foreclosure are measured at fair value on a non-recurring basis.

Realized and unrealized gains (losses) related to assets and liabilities classified within Level Three of the valuation hierarchy were included in the Consolidated Statements of Operations as follows:

	Year Ended December 31, 2013	Year Ended December 31, 2012
	(In millions)	
Gain on mortgage loans, net:		
Mortgage loans held for sale	$ (15)	$ (13)
Interest rate lock commitments	475	1,461
Change in fair value of mortgage servicing rights:		
Mortgage servicing rights	13	(497)
Mortgage interest income:		
Mortgage loans held for sale	5	3
Other income:		
Investment securities	—	(2)

Unrealized gains (losses) included in the Consolidated Statement of Operations related to assets and liabilities classified within Level Three of the valuation hierarchy that are included in the Consolidated Balance Sheets were as follows:

	Year Ended December 31, 2013	Year Ended December 31, 2012
	(In millions)	
Gain on mortgage loans, net	$ 16	$ 124
Change in fair value of mortgage servicing rights	276	(223)

Fair Value of Other Financial Instruments

As of December 31, 2013 and 2012, all financial instruments were either recorded at fair value or the carrying value approximated fair value, with the exception of Debt and derivative instruments included in Total PHH Corporation stockholders' equity. For financial instruments that were not recorded at fair value, such as Cash and cash equivalents and Restricted cash and cash equivalents, the carrying value approximates fair value due to the short-term nature of such instruments. These financial instruments are classified within Level One of the valuation hierarchy.

Debt. As of December 31, 2013 and 2012, the total fair value of Debt was $5.9 billion and $7.0 billion, respectively, and substantially all of the debt is measured using Level Two inputs. As of December 31, 2013, the fair value of Level Two Debt was estimated using the following valuation techniques: (i) $3.8 billion was measured using a market based approach, considering the current market pricing of recent trades for similar instruments or the current expected ask price for the Company's debt instruments; (ii) $0.8 billion was measured using observable spreads and terms for recent pricing of similar instruments; and (iii) $1.3 billion was measured using a discounted cash flow model incorporating assumptions based on current market information available for similar debt instruments.

Non-Recurring Fair Value Measurements

The Company measures certain assets, including its equity method investments, intangible assets and mortgage loans in foreclosure and real estate owned ("REO") at fair value on a non-recurring basis.

Other Assets – Equity method investments and Intangible assets. Other assets that incorporate fair value measurements into impairment analyses include equity method investments and intangible assets. Fair value of equity method investments is determined by discounting cash flows of the projected financial results of the investment and the use of a market valuation approach. Fair value of intangible assets is determined by discounting cash flows determined from applying a hypothetical royalty rate to projected revenues associated with these trademarks. Due to the use of significant unobservable inputs and the inactive market for these assets, the measurements are classified within Level Three of the valuation hierarchy.

During the year ended December 31, 2013, the impairment analyses resulted in a $5 million charge to reduce the value of our equity method investments (recorded within Other income in the Consolidated Statement of Operations) and there were no adjustments to value for the intangible assets. During the years ended December 31, 2012 and 2011, the Company did not recognize any other-than-temporary impairments in the equity method investments and intangible assets.

Other Assets – Mortgage loans in foreclosure and Real estate owned. Other assets that are evaluated for impairment using fair value measurements on a non-recurring basis consist of mortgage loans in foreclosure and real estate owned ("REO"). The evaluation of impairment reflects an estimate of losses currently incurred at the balance sheet date, which will likely not be recoverable from guarantors, insurers or investors. The impairment of mortgage loans in foreclosure, which represents the unpaid principal balance of mortgage loans for which foreclosure proceedings have been initiated, plus recoverable advances on those loans, is based on the fair value of the underlying collateral, determined on a loan level basis, less costs to sell. Fair value of the collateral is estimated by considering appraisals and broker price opinions, which are updated on a periodic basis to reflect current housing market conditions. REO, which are acquired from mortgagors in default, are recorded at the lower of adjusted carrying amount at the time the property is acquired or fair value of the property, less estimated costs to sell. Fair value of REO is estimated using appraisals and broker price opinions, which are updated on a periodic basis to reflect current housing market conditions.

The allowance for probable losses associated with mortgage loans in foreclosure and the adjustment to record REO at their estimated net realizable value were based upon fair value measurements with assumptions primarily from Level Three of the valuation hierarchy. During the years ended December 31, 2013 and 2012, total repurchase and foreclosure-related charges of $7 million and $182 million, respectively, were recorded in Other operating expenses, which include changes in the estimate of losses related to off-balance sheet exposure to loan repurchases and indemnifications in addition to the provision for valuation adjustments for mortgage loans in foreclosure and REO. See Note 15, "Credit Risk" for further discussion regarding the balances of mortgage loans in foreclosure, REO, and the off-balance sheet exposure to loan repurchases and indemnifications.

21. Variable Interest Entities

The Company determines whether an entity is a variable interest entity ("VIE") and whether it is the primary beneficiary at the date of initial involvement with the entity. The Company reassesses whether it is the primary beneficiary of a VIE upon certain events that affect the VIE's equity investment at risk and upon certain changes in the VIE's activities. The purposes and activities of the VIE are considered in determining whether the Company is the primary beneficiary, including the variability and related risks the VIE incurs and transfers to other entities and their related parties. Based on these factors, a qualitative assessment is made and, if inconclusive, a quantitative assessment of whether it would absorb a majority of the VIE's expected losses or receive a majority of the VIE's expected residual returns. If the Company determines that it is the primary beneficiary of the VIE, the VIE is consolidated within the Consolidated Financial Statements.

The Company's involvement in variable interest entities primarily relate to PHH Home Loans, a joint venture with Realogy Corporation, and fleet vehicle financing activities. The activities of significant variable interest entities are more fully described below.

Assets and liabilities of significant consolidated variable interest entities are included in the Consolidated Balance Sheets as follows:

	December 31, 2013		
	PHH Home Loans	Chesapeake and D.L. Peterson Trust	FLRT and PHH Lease Receivables LP
		(In millions)	
ASSETS			
Cash	$ 91	$ 5	$ —
Restricted cash[(1)]	3	157	46
Mortgage loans held for sale	308	—	—
Accounts receivable, net	7	46	—
Net investment in fleet leases	—	2,982	599
Property and equipment, net	2	—	—
Other assets	7	12	6
Total assets	$ 418	$ 3,202	$ 651
Assets held as collateral[(2)]	$ 300	$ 3,185	$ 645
LIABILITIES			
Accounts payable and accrued expenses	$ 15	$ 2	$ 5
Debt	280	2,866	598
Other liabilities	11	—	—
Total liabilities[(3)]	$ 306	$ 2,868	$ 603

	December 31, 2012		
	PHH Home Loans	Chesapeake and D.L. Peterson Trust	FLRT and PHH Lease Receivables LP
		(In millions)	
ASSETS			
Cash	$ 59	$ 2	$ —
Restricted cash[(1)]	4	186	59
Mortgage loans held for sale	716	—	—
Accounts receivable, net	17	73	—
Net investment in fleet leases	—	2,856	675
Property and equipment, net	2	—	—
Other assets	20	12	7
Total assets	$ 818	$ 3,129	$ 741
Assets held as collateral[(2)]	$ 691	$ 3,114	$ 731
LIABILITIES			
Accounts payable and accrued expenses	$ 25	$ 2	$ 8
Debt	629	2,771	662
Other liabilities	13	—	—
Total liabilities[(3)]	$ 667	$ 2,773	$ 670

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(1) Represents amounts specifically designated to purchase assets, repay debt and/or provide over-collateralization related to vehicle management asset-backed debt arrangements.

(2) Represents amounts not available to pay the Company's general obligations. See Note 12, "Debt and Borrowing Arrangements" for further information.

(3) Excludes intercompany payables.

In addition to the assets and liabilities of significant variable interest entities that were consolidated as outlined above, the Company had the following involvement with these entities as of and for the year ended December 31:

	Net income (loss)[(1)]		
	2013	2012	2011
	(In millions)		
PHH Home Loans	$ 43	$ 111	$ 46
Chesapeake and D.L. Peterson Trust	64	58	53
FLRT and PHH Lease Receivables LP	12	11	7
Mortgage Securitization Trust [(2)]	—	—	(3)

	PHH Corporation Investment[(3)]		Intercompany receivable (payable)[(3)]	
	2013	2012	2013	2012
	(In millions)			
PHH Home Loans	$ 57	$ 57	$ 15	$ 22
Chesapeake and D.L. Peterson Trust	613	766	(273)	(238)
FLRT and PHH Lease Receivables LP	23	107	(9)	(36)

(1) Includes adjustments for the elimination of intercompany transactions.

(2) In 2012, the Company sold its investment in the subordinated debt and residual interest of a Mortgage loan securitization trust that had been consolidated as a variable interest entity.

(3) Amounts are eliminated in the Consolidated Balance Sheets.

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PHH Home Loans

Purpose and Structure. The Company owns 50.1% of PHH Home Loans and Realogy Corporation owns the remaining 49.9%. The operations of PHH Home Loans are governed by the PHH Home Loans Operating Agreement. PHH Home Loans was formed for the purpose of originating and selling mortgage loans primarily sourced through Realogy's owned real estate brokerage business, NRT, and corporate relocation business, Cartus. All loans originated by PHH Home Loans are sold to PHH Mortgage or to unaffiliated third-party investors at arm's-length terms. The PHH Home Loans Operating Agreement provides that at least 15% of the total loans originated by PHH Home Loans are sold to unaffiliated third party investors. PHH Home Loans does not hold any mortgage loans for investment purposes or retain mortgage servicing rights for any loans it originates.

During the years ended December 31, 2013, 2012 and 2011, PHH Home Loans originated residential mortgage loans of $9.3 billion, $12.1 billion and $9.6 billion, respectively, and PHH Home Loans brokered or sold $5.0 billion, $6.0 billion and $6.2 billion, respectively, of mortgage loans to the Company under the terms of a loan purchase agreement. For the year ended December 31, 2013, 21% of the mortgage loans originated by the Company were derived from Realogy Corporation's affiliates, of which 85% were originated by PHH Home Loans. As of December 31, 2013, the Company had outstanding commitments to purchase or fund $269 million of mortgage loans and lock commitments expected to result in closed mortgage loans from PHH Home Loans.

The Company manages PHH Home Loans through its subsidiary, PHH Broker Partner, with the exception of certain specified actions that are subject to approval by Realogy through PHH Home Loans' board of advisors, which consists of representatives of Realogy and the Company. The board of advisors has no managerial authority, and its primary purpose is to provide a means for Realogy to exercise its approval rights over those specified actions of PHH Home Loans for which Realogy's approval is required. PHH Mortgage operates under a Management Services Agreement with PHH Home Loans, pursuant to which PHH Mortgage provides certain mortgage origination processing and administrative services for PHH Home Loans. In exchange for such services, PHH Home Loans pays PHH Mortgage a fee per service and a fee per loan, subject to a minimum amount.

Realogy's ownership interest is presented in the Consolidated Financial Statements as a noncontrolling interest. The Company's determination of the primary beneficiary was based on both quantitative and qualitative factors, which indicated that its variable interests will absorb a majority of the expected losses and receive a majority of the expected residual returns of PHH Home Loans. The Company has maintained the most significant variable interests in the entity, which include the majority ownership of common equity interests, the outstanding Intercompany Line of Credit, PHH Home Loans Loan Purchase and Sale Agreement, and the Management Services Agreement. The Company has been the primary beneficiary of PHH Home Loans since its inception, and there have been no current period events that would change the decision regarding whether or not to consolidate PHH Home Loans.

Contributions and Distributions. PHH Home Loans is financed through equity contributions, sales of mortgage loans to PHH Mortgage and other investors, and secured and unsecured subordinated indebtedness. The Company did not make any capital contributions to support the operations of PHH Home Loans during the years ended December 31, 2013, 2012 and 2011. The Company is not solely obligated to provide additional financial support to PHH Home Loans.

Subject to certain regulatory and financial covenant requirements, net income generated by PHH Home Loans is distributed quarterly to its members pro rata based upon their respective ownership interests. PHH Home Loans may also require additional capital contributions from the Company and Realogy under the terms of the Operating Agreement if it is required to meet minimum regulatory capital and reserve requirements imposed by any governmental authority or any creditor of PHH Home Loans or its subsidiaries. Distributions received from PHH Home Loans were $40 million, $42 million and $20 million during the years ended December 31, 2013, 2012 and 2011, respectively.

Other Support. The Company maintains an unsecured subordinated Intercompany Line of Credit with PHH Home Loans with $60 million in available capacity as of December 31, 2013. This indebtedness is not collateralized by the assets of PHH Home Loans. The Company has extended the subordinated financing to increase PHH Home Loans' capacity to fund mortgage loans and to support certain covenants of the entity. There were no borrowings outstanding under this Intercompany Line of Credit as of December 31, 2013 or 2012.

Realogy Agreements. Unless terminated earlier, the Company's relationship with Realogy continues until January 31, 2055. Realogy has the right to terminate the Strategic Relationship Agreement and terminate this venture upon the occurrence of certain events. In addition, beginning on February 1, 2015, Realogy will have the right, at any time upon two years' notice to us, to terminate its interest in PHH Home Loans. Upon Realogy's termination of the agreement, Realogy will have the option either to require that PHH purchase their interest in PHH Home Loans at fair value, plus, in certain cases, liquidated damages, or to cause the Company to sell its interest in PHH Home Loans to a third party designated by Realogy at fair value plus, in certain cases, liquidated damages. In the case of a termination by Realogy following a change in control of PHH, the Company may be required to make a cash payment to Realogy in an amount equal to PHH Home Loans' trailing 12 months net income multiplied by the greater of (i) the number of years remaining in the first 12 years of the term of the agreement or (ii) two years.

The Company has the right to terminate the Operating Agreement upon, among other things, a material breach by Realogy of a material provision of the agreement, in which case the Company has the right to purchase Realogy's interest in PHH Home Loans at a price derived from an agreed-upon formula based upon fair market value (which is determined with reference to that trailing 12 months EBITDA) for PHH Home Loans and the average market EBITDA multiple for mortgage banking companies.

Upon termination, all of PHH Home Loans agreements will terminate automatically (excluding certain privacy, non-competition, venture-related transition provisions and other general provisions), and Realogy will be released from any restrictions under the PHH Home Loans agreements that may restrict its ability to pursue a partnership, joint venture or another arrangement with any third-party mortgage operation. The termination of this joint venture and other Realogy agreements would have a significant impact on our volumes of mortgage loan originations and related Net revenues.

Chesapeake and D.L. Peterson Trust

Purpose and Structure. Vehicle acquisitions in the U.S. for the Fleet Management services segment are primarily financed through the issuance of asset-backed variable funding notes issued by the Company's wholly owned subsidiary Chesapeake Funding LLC. D.L. Peterson Trust ("DLPT"), a bankruptcy remote statutory trust, holds the title to all vehicles that collateralize the debt issued by Chesapeake Funding. DLPT also acts as a lessor under both operating and direct financing lease agreements. Chesapeake Funding's assets primarily consist of a loan made to Chesapeake Finance Holdings LLC, a wholly owned subsidiary of the Company. Chesapeake Finance owns all of the special units of beneficial interest in the leased vehicles and eligible leases and certain other assets issued by DLPT, representing all interests in DLPT.

The Company determined that each of Chesapeake Funding, Chesapeake Finance and DLPT are VIEs and that it is the primary beneficiary due to insufficient equity investment at risk. The determination was made on a qualitative basis, considering the nature and purpose of each of the entities and how risk transfers to interest holders through their variable interests. The Company holds the significant variable interests, which include equity interests, ownership of certain amounts of asset-backed debt issued by Chesapeake and interests in DLPT. There are no significant variable interests that would absorb losses prior to the Company or that hold variable interests that exceed those of the Company.

In accordance with the Amended and Restated Servicer Agreement, the Company acts as a servicer for Chesapeake Finance and DLPT and in accordance with the Administrative Agreement, the Company acts as an administrator of the entities. The Company received related fees from Chesapeake of $6 million during each of the years ended December 31, 2013, 2012 and 2011, respectively.

Contributions and Distributions. Certain capital transactions are executed between the Company and Chesapeake whereby the Company makes contributions to Chesapeake for increased escrow requirements, debt issuance costs and additional paydown of outstanding notes of Chesapeake. During the years ended December 31, 2013, 2012 and 2011, these contributions were $5 million, $5 million, and $10 million, respectively. Chesapeake may also distribute capital to the Company from the release of overcollateralization from asset-backed debt arrangements, leveraging existing series of asset-backed notes or from issuance of new note series. Distributions received from Chesapeake were $158 million, $38 million and $33 million during the years December 31, 2013, 2012 and 2011, respectively.

Other Support. The Chesapeake Finance LLC agreement and a separate Demand Note agreement require the Company to contribute up to $345 million of additional capital to Chesapeake Finance, upon the demand from Chesapeake Finance. This additional support arrangement was issued to support Chesapeake Finance in meeting certain required capitalization levels.

Fleet Leasing Receivables Trust

Purpose and Structure. Fleet Leasing Receivables Trust ("FLRT") is a Canadian special purpose trust and its primary business activities include the acquisition, disposition and administration of purchased or acquired lease assets from our other Canadian subsidiaries and the borrowing of funds or the issuance of securities to finance such acquisitions. PHH Fleet Lease Receivables LP is a bankruptcy remote special purpose entity that holds the beneficial ownership of lease assets transferred from Canadian subsidiaries.

The Company determined that FLRT and PHH Fleet Lease Receivables LP are VIEs based on a qualitative basis after considering the nature and purpose of the entities and how the risk transferred to interest holders through their variable interests.

The Company acts as initial servicer, collections agent and financial services agent of FLRT and PHH Fleet Lease Receivables LP. Related fees of $1 million were paid to the Company by FLRT during each of the years ended December 31, 2013, 2012 and 2011.

Contributions and Distributions. Certain FLRT debt transactions are structured whereby subsidiaries of the Company contribute the beneficial ownership in vehicles under lease to PHH Fleet Lease Receivables LP and receive distributions upon the issuance of the debt by FLRT. During the years ended December 31, 2013, 2012 and 2011, the Company and its subsidiaries contributed $275 million, $379 million and $349 million of vehicles to PHH Fleet Lease Receivables LP, respectively and received distributions of $333 million, $380 million and $339 million, respectively.

22. Related Party Transactions

Certain Business Relationships

Thomas P. (Todd) Gibbons, one of the Company's Directors is Vice Chairman and Chief Financial Officer of the Bank of New York Mellon Corporation, the Bank of New York Mellon, and BNY Mellon, N.A. (collectively "BNY Mellon"). The Company has certain relationships with BNY Mellon, including financial services, commercial banking and other transactions. BNY Mellon participates as a lender in several of the Company's credit facilities, functions as the custodian for loan files, and functions as the indenture trustee on the Convertible notes due in 2014 and 2017, and the Senior notes due in 2016, 2019 and 2021 as well as several of the Vehicle management asset-backed debt facilities. The Company also executes forward loan sales agreements and interest rate contracts with BNY Mellon. These transactions were entered into in the ordinary course of business upon terms, including interest rate and collateral, substantially the same as those prevailing at the time. The fees paid to BNY Mellon, including interest expense, during the years ended December 31, 2013 and 2012 were not significant.

23. Segment Information

Operations are conducted through three business segments: Mortgage Production, Mortgage Servicing and Fleet Management Services.

- **Mortgage Production** — provides mortgage loan origination services and sells mortgage loans.
- **Mortgage Servicing** — performs servicing activities for originated and purchased loans.
- **Fleet Management Services** — provides commercial fleet management services.

The heading Other includes certain income and expenses not allocated to the three reportable segments and intersegment eliminations. The operations of the Mortgage Production and Mortgage Servicing segments are located in the U.S, and the operations of the Fleet Management Services segment are located in the U.S. and Canada.

Management evaluates the operating results of each of the reportable segments based upon Net revenues and Segment profit or loss, which is presented as the Income or loss before income tax expense or benefit and after Net income or loss attributable to noncontrolling interest. The Mortgage Production segment profit or loss excludes Realogy Corporation's noncontrolling interest in the profit or loss of PHH Home Loans.

Segment results as of and for the year ended December 31, were as follows:

	Total Assets	
	2013	2012
	(In millions)	
Mortgage Production segment	$ 1,127	$ 2,587
Mortgage Servicing segment	2,244	1,791
Fleet Management Services segment	4,453	4,502
Other	1,024	723
Total	$ 8,848	$ 9,603

	Net Revenues			Segment Profit (Loss)[3]		
	2013	2012	2011	2013	2012	2011
	(In millions)					
Mortgage Production segment[1]	$ 821	$ 1,234	$ 914	$ 22	$ 416	$ 258
Mortgage Servicing segment	381	(106)	(343)	157	(462)	(557)
Fleet Management Services segment	1,642	1,617	1,646	88	87	75
Other[2]	(2)	(2)	(3)	(55)	(13)	(3)
Total	$ 2,842	$ 2,743	$ 2,214	$ 212	$ 28	$ (227)

(1) For the year ended December 31, 2011, Net revenues and segment profit for the Mortgage Production segment includes a $68 million gain on the 50.1% sale of the equity interests in the Company's appraisal services business.

(2) For the years ended December 31, 2013 and 2012, Other primarily represents the pre-tax loss on the early repayment of certain unsecured debt obligations which were not allocated to the reportable segments.

(3) The following is a reconciliation of Income (loss) before income taxes to segment profit (loss):

	Year Ended December 31,		
	2013	2012	2011
	(In millions)		
Income (loss) before income taxes	$ 241	$ 87	$ (202)
Less: net income attributable to noncontrolling interest	29	59	25
Segment profit (loss)	$ 212	$ 28	$ (227)

	Interest Income			Interest Expense		
	2013	2012	2011	2013	2012	2011
	(In millions)					
Mortgage Production segment	$ 63	$ 84	$ 101	$ 127	$ 150	$ 125
Mortgage Servicing segment	9	9	15	58	62	76
Fleet Management Services segment	3	3	3	60	70	82
Other	(2)	(2)	(2)	(2)	(2)	(2)
Total	$ 73	$ 94	$ 117	$ 243	$ 280	$ 281

	Depreciation on Operating Leases			Other Depreciation and Amortization		
	2013	2012	2011	2013	2012	2011
	(In millions)					
Mortgage Production segment	$ —	$ —	$ —	$ 13	$ 7	$ 9
Mortgage Servicing segment	—	—	—	1	—	1
Fleet Management Services segment	1,211	1,212	1,223	10	10	11
Other	—	—	—	9	8	4
Total	$ 1,211	$ 1,212	$ 1,223	$ 33	$ 25	$ 25

Amounts attributable to the domestic and foreign operations of our Fleet Management Services segment as of and for the year ended December 31, were as follows:

	Total Assets		Net Revenues		
	2013	2012	2013	2012	2011
	(In millions)				
Domestic	$ 3,555	$ 3,534	$ 1,323	$ 1,295	$ 1,352
Foreign (Canada)	898	968	319	322	294
Fleet Management Services Segment	$ 4,453	$ 4,502	$ 1,642	$ 1,617	$ 1,646

24. Selected Quarterly Financial Data—(unaudited)

The following tables present selected unaudited quarterly financial data:

	Quarter Ended			
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
	(In millions, except per share data)			
Net revenues	$ 730	$ 822	$ 615	$ 675
Income (loss) before income taxes	96	158	(74)	61
Net income (loss)	64	102	(46)	44
Net income (loss) attributable to PHH Corporation	52	90	(52)	45
Basic earnings (loss) per share attributable to PHH Corporation	$ 0.90	$ 1.58	$ (0.90)	$ 0.78
Diluted earnings (loss) per share attributable to PHH Corporation	0.79	1.40	(0.90)	0.67

	Quarter Ended			
	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012
	(In millions, except per share data)			
Net revenues	$ 777	$ 559	$ 624	$ 783
Income (loss) before income taxes	124	(80)	(56)	99
Net income (loss)	85	(42)	(23)	73
Net income (loss) attributable to PHH Corporation	75	(57)	(42)	58
Basic earnings (loss) per share attributable to PHH Corporation	$ 1.32	$ (1.00)	$ (0.74)	$ 1.01
Diluted earnings (loss) per share attributable to PHH Corporation	1.30	(1.00)	(0.74)	0.89

PHH CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY FINANCIAL DATA
SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

PHH CORPORATION
CONDENSED STATEMENTS OF OPERATIONS
(In millions)

	Year Ended December 31,		
	2013	2012	2011
Revenues			
Net revenues from consolidated subsidiaries	$ 326	$ 279	$ 254
Interest income	—	1	4
Net revenues	326	280	258
Expenses			
Salaries and related expenses	73	77	71
Interest expense	126	134	128
Other depreciation and amortization	9	8	4
Other operating expenses	146	74	59
Total expenses	354	293	262
Loss before income taxes and equity in earnings (loss) of subsidiaries	(28)	(13)	(4)
Income tax benefit	(13)	(6)	(3)
Loss before equity in earnings (loss) of subsidiaries	(15)	(7)	(1)
Equity in earnings (loss) of subsidiaries	150	41	(126)
Net income (loss)	$ 135	$ 34	$ (127)
Other comprehensive (loss) income, net of tax:			
Currency translation adjustment	(14)	5	(5)
Change in unrealized gains on available-for-sale securities, net	(1)	(1)	1
Change in unfunded pension liability, net	5	1	(4)
Total other comprehensive (loss) income, net of tax:	(10)	5	(8)
Total comprehensive income (loss)	$ 125	$ 39	$ (135)

PHH CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY FINANCIAL DATA
SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

PHH CORPORATION
CONDENSED BALANCE SHEETS
(In millions)

	December 31,	
	2013	2012
ASSETS		
Cash and cash equivalents	$ 969	$ 634
Restricted cash and cash equivalents	10	23
Accounts receivable	27	4
Due from consolidated subsidiaries	309	696
Investment in consolidated subsidiaries	1,502	1,244
Property and equipment, net	15	21
Other assets	174	183
Total assets	$ 3,006	$ 2,805
LIABILITIES AND EQUITY		
Debt	$ 1,249	$ 1,156
Other liabilities	91	123
Total liabilities	1,340	1,279
Commitments and contingencies	—	—
EQUITY		
Preferred stock	—	—
Common stock	1	1
Additional paid-in capital	1,142	1,127
Retained earnings	507	372
Accumulated other comprehensive income	16	26
Total PHH Corporation stockholders' equity	1,666	1,526
Total liabilities and equity	$ 3,006	$ 2,805

PHH CORPORATION
CONDENSED STATEMENTS OF CASH FLOWS
(In millions)

	Year Ended December 31,		
	2013	2012	2011
Net cash (used in) provided by operating activities	$ (6)	$ 115	$ 62
Cash flows from investing activities:			
Purchases of property and equipment	(4)	(6)	(5)
Decrease (increase) in restricted cash	13	(23)	—
Dividends from consolidated subsidiaries	106	40	7
Net cash provided by investing activities	115	11	2
Cash flows from financing activities:			
Net cash provided by consolidated subsidiaries	175	373	50
Proceeds from unsecured borrowings	350	518	1,304
Principal payments on unsecured borrowings	(288)	(671)	(1,205)
Issuances of common stock	3	5	8
Cash paid for debt issuance costs	(9)	(19)	(2)
Other, net	(5)	(5)	(4)
Net cash provided by financing activities	226	201	151
Net increase in Cash and cash equivalents	335	327	215
Cash and cash equivalents at beginning of period	634	307	92
Cash and cash equivalents at end of period	$ 969	$ 634	$ 307

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PHH CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY FINANCIAL DATA
SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS

	PHH Corporation and Subsidiaries			PHH Corporation		
	2013	2012	2011	2013	2012	2011
	(In millions)					
Deferred tax valuation allowance:						
Balance, beginning of period	$ 30	$ 44	$ 54	$ 6	$ 7	$ 6
Additions:						
Charged to costs and expenses	2	2	6	—	—	—
Charged to other accounts	—	(8)	(16)	—	—	1
Reductions	(6)	(8)	—	(1)	(1)	—
Balance, end of period	$ 26	$ 30	$ 44	$ 5	$ 6	$ 7

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

DISCLOSURE CONTROLS AND PROCEDURES

As of the end of the period covered by this Annual Report on Form 10-K for the year ended December 31, 2013, management performed, with the participation of our Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures. Based on that evaluation, management concluded that our disclosure controls and procedures were effective as of December 31, 2013.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with accounting principles generally accepted in the United States, which is commonly referred to as GAAP. The effectiveness of any system of internal control over financial reporting is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating and evaluating our internal control over financial reporting. Because of these inherent limitations, internal control over financial reporting cannot provide absolute assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that our internal control over financial reporting may become inadequate because of changes in conditions or other factors, or that the degree of compliance with the policies or procedures may deteriorate.

Management, with the participation of our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2013 as required under Section 404 of the Sarbanes-Oxley Act of 2002. Management's assessment of the effectiveness of our internal control over financial reporting was conducted using the criteria in Internal Control—Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management concluded that our internal control over financial reporting was effective as of December 31, 2013. The effectiveness of our internal control over financial reporting as of December 31, 2013 has been audited by Deloitte & Touche LLP, our independent registered public accounting firm, as stated in their attestation report which is included in this Form 10-K.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in our internal control over financial reporting during the quarter ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of PHH Corporation:

We have audited the internal control over financial reporting of PHH Corporation and subsidiaries (the "Company") as of December 31, 2013, based on criteria established in *Internal Control — Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control — Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedules as of and for the year ended December 31, 2013 of the Company and our report dated February 26, 2014 expressed an unqualified opinion on those financial statements and financial statement schedules.

/s/ Deloitte & Touche LLP

Philadelphia, PA
February 26, 2014

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information required by this Item and not otherwise set forth below is incorporated herein by reference to the information under the headings "Board of Directors," "Section 16(a) Beneficial Ownership Reporting Compliance," "Corporate Governance" and "Committees of the Board" in our definitive Proxy Statement related to our 2014 Annual Meeting of Stockholders, which we expect to file with the Commission, pursuant to Regulation 14A, no later than 120 days after December 31, 2013 (the "2014 Proxy Statement").

EXECUTIVE OFFICERS

All executive officers are appointed by and serve at the pleasure of the Board of Directors. Executive officers as of February 19, 2014, and ages of officers at December 31, 2013, were as follows:

Glen A. Messina, age 52, ***President and Chief Executive Officer*** since January 2012. Mr. Messina served as our Chief Operating Officer from July 2011 to December 2011. Prior to joining PHH, Mr. Messina spent 17 years at General Electric Company ("GE") most recently as Chief Executive Officer of GE Chemical and Monitoring Solutions, a global water and process specialty chemicals services business from 2008 until July 2011. Previously, Mr. Messina served as Chief Financial Officer of GE Water and Process Technologies from 2007 to 2008 and Chief Financial Officer of GE Equipment Services from 2002 to 2007. Prior thereto, Mr. Messina served in various other senior level positions at GE including, at GE Capital Mortgage Corporation, Chief Executive Officer from 1998 to 2000 and Chief Financial Officer from 1996 to 1998.

Robert B. Crowl, age 50, ***Executive Vice President and Chief Financial Officer*** since May 2012. Prior to joining PHH, Mr. Crowl served as Executive Vice President and CFO at Sun Bancorp, Inc. and its wholly owned subsidiary, Sun National Bank from March 2010 to April 2012. Prior to that, Mr. Crowl spent more than 10 years at National City Corporation from November 1998 to March 2009 serving most recently as Executive Vice President and Chief Operating Officer of National City Mortgage. Additionally, during his tenure at National City, Mr. Crowl held various other senior level positions including, Senior Vice President and Corporate Comptroller and Senior Vice President of Asset/Liability.

James R. Halliday, age 42, ***Executive Vice President, Fleet*** since February 2014. Mr. Halliday also serves as President for PHH Arval North America, a position he has held since February 2014. Previously, Mr. Halliday served as Senior Vice President and Chief Business Development Officer of PHH Arval North America from January 2013 to January 2014 and Senior Vice President from May 2006 to January 2013. In addition, Mr. Halliday served in various senior level positions at PHH Canada including President from May 2009 to December 2012, Senior Vice President and General Manager from July 2006 to April 2009 and Vice President of Client Relations from July 2003 to June 2006. Prior to joining PHH, Mr. Halliday served as the Vice President and General Manager of Fundata Canada Inc. from January 2001 to July 2003.

David E. Tucker, age 53, ***Executive Vice President, Mortgage*** since May 2012. Mr. Tucker also serves as President for PHH Mortgage, a position he has held since May 2012. Prior to joining PHH, Mr. Tucker founded Tucker Group, LLC, an advisory firm, and served as Principal from June 2011 to May 2012. In addition, Mr. Tucker served as a Senior Advisor and Consulting Partner with Excelar Group, LLC, a consulting firm, from September 2010 to May 2012. Previously, Mr. Tucker spent 25 years at GE, most recently as Chief Operating Officer of GE Oil & Gas – Drilling & Productions Systems from January 2007 to May 2009. Mr. Tucker also served as General Manager of Power Services at GE Energy from January 2005 to December 2006 and General Manager of Global Business Development at GE Energy from

January 2001 to December 2004. Earlier in his career at GE, Mr. Tucker served in various other senior level positions within GE Capital Services, including Chief Financial Officer of Vendor Financial Services, the company's private label commercial finance unit, and also served on the GE Corporate Audit Staff.

Richard J. Bradfield, age 44, ***Senior Vice President and Treasurer*** since March 2012. Mr. Bradfield also serves as Senior Vice President, Capital Markets for PHH Mortgage, a position he has held since January 2005. Mr. Bradfield began his career at Cendant Mortgage (now PHH Mortgage Corporation) in July 1992 and has held numerous positions with PHH Mortgage at varying levels, including serving as Vice President of Risk Management from November 1999 to January 2005.

William F. Brown, age 56, ***Senior Vice President, General Counsel and Secretary*** since February 2005. Mr. Brown began his career at Cendant Mortgage (now PHH Mortgage Corporation) in November 1985. Mr. Brown has held numerous positions with PHH Mortgage at varying levels throughout his career, including serving most recently served as Senior Vice President and General Counsel from June 1999 to February 2011.

Kathryn M. Ruggieri, age 60, ***Senior Vice President, Chief Human Resources Officer,*** since January 2013. From June 2010 through December 2012, Ms. Ruggieri served as our Vice President of Talent Management and Organization Effectiveness. Prior to joining PHH, Ms. Ruggieri served as Vice President of Talent Management and Organizational Development at Drexel University from September 2006 through July 2009. From July 2005 through August 2006, Ms. Ruggieri served as Director of Organizational Development at MedQuist. Earlier in her career, Ms. Ruggieri served as Vice President of Executive Development and Diversity for Unisys Corporation.

Paul W. Zelissen, age 49, ***Senior Vice President, Chief Risk Officer,*** since August 2013. Prior to joining PHH, Mr. Zelissen served as the Chief Risk Officer of ING Direct, FSB from April 2010 to December 2012. Previously, Mr. Zelissen served as the Chief Risk Officer at ING Direct nv, located in the Netherlands, from January 2007 to March 2010. Prior to his role as the Chief Risk Officer, Mr. Zelissen held numerous managerial positions at ING in Treasury and Risk Management within the banking sector from September 1999 through December 2006. Earlier in his career, Mr. Zelissen served as the Corporate Treasurer at Royal Wessanen from September 1997 through August 1999.

Item 11. Executive Compensation

Information required under this Item is incorporated herein by reference to the information under the headings "Executive Compensation," "Director Compensation" and "Compensation Committee Report" in our 2014 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information required under this Item is incorporated herein by reference to the information under the headings "Equity Compensation Plan Information" and "Security Ownership of Certain Beneficial Owners and Management" in our 2014 Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information required under this Item is incorporated herein by reference to the information under the headings "Certain Relationships and Related Transactions" and "Board of Directors—Independence of the Board of Directors" in our 2014 Proxy Statement.

Item 14. Principal Accounting Fees and Services

Information required under this Item is incorporated herein by reference to the information under the heading "Principal Accountant Fees and Services" in our 2014 Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1). Financial Statements

Information in response to this Item is included in Item 8 of Part II of this Form 10-K.

(a)(2). Financial Statement Schedules

Information in response to this Item is included in Item 8 of Part II of this Form 10-K and incorporated herein by reference to Exhibit 12 attached to this Form 10-K.

(a)(3) and (b). Exhibits

Information in response to this Item is incorporated herein by reference to the Exhibit Index to this Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized on this 26th day of February, 2014.

PHH CORPORATION

By: /s/ GLEN A. MESSINA
Name: Glen A. Messina
Title: President and Chief Executive Officer

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated. The undersigned hereby constitute and appoint Glen A. Messina, Robert B. Crowl, David M. Bricker and William F. Brown, and each of them, their true and lawful agents and attorneys-in-fact with full power and authority in said agents and attorneys-in-fact, and in any one or more of them, to sign for the undersigned and in their respective names as Directors and officers of PHH Corporation, any amendment or supplement hereto. The undersigned hereby confirm all acts taken by such agents and attorneys-in-fact, or any one or more of them, as herein authorized.

Signature	Title	Date
/s/ GLEN A. MESSINA Glen A. Messina	President, Chief Executive Officer and Director (Principal Executive Officer)	February 26, 2014
/s/ ROBERT B. CROWL Robert B. Crowl	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 26, 2014
/s/ DAVID M. BRICKER David M. Bricker	Senior Vice President, Chief Accounting Officer (Principal Accounting Officer)	February 26, 2014
/s/ JAMES O. EGAN James O. Egan	Non-Executive Chairman of the Board of Directors	February 26, 2014
/s/ JON A. BOSCIA Jon A. Boscia	Director	February 26, 2014
/s/ JANE D. CARLIN Jane D. Carlin	Director	February 26, 2014
/s/ THOMAS P. GIBBONS Thomas P. Gibbons	Director	February 26, 2014
____________________ Allan Z. Loren	Director	February 26, 2014
/s/ GREGORY J. PARSEGHIAN Gregory J. Parseghian	Director	February 26, 2014
/s/ CHARLES P. PIZZI Charles P. Pizzi	Director	February 26, 2014
/s/ DEBORAH M. REIF Deborah M. Reif	Director	February 26, 2014
/s/ CARROLL R. WETZEL, JR. Carroll R. Wetzel, Jr.	Director	February 26, 2014

EXHIBIT INDEX

Exhibit No.	Description	Incorporation by Reference
3.1	Amended and Restated Articles of Incorporation.	Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on February 1, 2005.
3.2	Articles Supplementary dated March 27, 2008.	Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on March 27, 2008.
3.3	Articles of Amendment dated June 12, 2009.	Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on June 16, 2009.
3.4	Articles of Amendment dated June 12, 2013.	Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on June 18, 2013.
3.5	Amended and Restated By-Laws.	Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on November 1, 2011.
3.6	First Amendment to the Amended and Restated By-Laws, effective June 12, 2013.	Incorporated by reference to Exhibit 3.2 to our Current Report on Form 8-K filed on June 18, 2013.
3.7	Second Amendment to the Amended and Restated By-Laws, effective December 5, 2013.	Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on December 11, 2013.
4.1	Specimen common stock certificate.	Incorporated by reference to Exhibit 4.1 to our Annual Report on Form 10-K for the year ended December 31, 2004 filed on March 15, 2005.
4.2	See Exhibits 3.1, 3.2, 3.3, 3.4, 3.5, 3.6 and 3.7 for provisions of the Amended and Restated Articles of Incorporation, as amended, and Amended and Restated By-laws of the registrant defining the rights of holders of common stock of the registrant.	Incorporated by reference to Exhibit 3.1 or 3.2, as applicable, to our Current Reports on Form 8-K filed on February 1, 2005, March 27, 2008, June 16, 2009, November 1, 2011, June 18, 2013, and December 11, 2013.
4.3	Agreement to furnish to the Securities and Exchange Commission upon request a copy of instruments defining the rights of holders of certain long-term debt not being registered.	Filed herewith.
4.4‡‡	Amended and Restated Base Indenture dated as of December 17, 2008 among Chesapeake Finance Holdings LLC, as Issuer, and JP Morgan Chase Bank, N.A., as indenture trustee.	Incorporated by reference to Exhibit 10.76 to our Annual Report on Form 10-K for the year ended December 31, 2008 filed on March 2, 2009.
4.5	Trust Indenture made as of November 16, 2009, between Fleet Leasing Receivables Trust, BNY Trust Company of Canada, as issuer trustee, and ComputerShare Trust Company Of Canada, as indenture trustee.	Incorporated by reference to Exhibit 4.8 to our Annual Report on Form 10-K for the year ended December 31, 2009 filed on March 1, 2010.
4.6	Indenture dated as of September 29, 2009, by and between PHH Corporation and The Bank of New York Mellon, as Trustee.	Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on October 1, 2009.
4.6.1	Form of Global Note 4.00% Convertible Senior Note Due 2014.	Incorporated by reference to Exhibit A of Exhibit 4.1 to our Current Report on Form 8-K filed on October 1, 2009.

Exhibit No.	Description	Incorporation by Reference
4.7	Indenture dated as of August 11, 2010 between PHH Corporation, as Issuer, and The Bank of New York Mellon Trust Company, N.A., as Trustee.	Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on August 12, 2010.
4.7.1	Form of $9^{1}/_{4}$% Senior Note Due 2016.	Incorporated by reference to Exhibit A of Exhibit 4.1 to our Current Report on Form 8-K filed on August 12, 2010.
4.7.2	First Supplemental Indenture, dated as of December 12, 2011, between PHH Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee.	Incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed on December 12, 2011.
4.7.3	Second Supplemental Indenture, dated as of August 20, 2013, between PHH Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee.	Incorporated by reference to Exhibit 4.4 to our Current Report on Form 8-K filed on August 20, 2013.
4.8	Indenture, dated as of January 17, 2012, between PHH Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee.	Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on January 17, 2012.
4.8.1	First Supplemental Indenture, dated as of January 17, 2012, between PHH Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee.	Incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed on January 17, 2012.
4.8.2	Form of 6.00% Convertible Senior Note due 2017.	Incorporated by reference to Exhibit A of Exhibit 4.2 to our Current Report on Form 8-K filed on January 17, 2012.
4.8.3	Second Supplemental Indenture, dated as of August 23, 2012, between PHH Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee.	Incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed on August 23, 2012.
4.8.4	Form of 7.375% Senior Note due 2019.	Incorporated by reference to Exhibit A of Exhibit 4.2 to our Current Report on Form 8-K filed on August 23, 2012.
4.8.5	Third Supplemental Indenture, dated as of August 20, 2013, between PHH Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee.	Incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed on August 20, 2013.
4.8.6	Form of 6.375% Senior Note due 2021.	Incorporated by reference to Exhibit A of Exhibit 4.2 to our Current Report on Form 8-K filed on August 20, 2013.
10.1	Amended and Restated Credit Agreement, dated as of August 2, 2012, among PHH Corporation, as borrower, the lenders referred to therein, Bank of America, N.A., Citibank, N.A., Manufacturers and Traders Trust Company, The Royal Bank of Scotland plc and Wells Fargo Bank, National Association, as syndication agents, Barclays Bank PLC, as documentation agent, and JPMorgan Chase Bank, N.A., as administrative agent.	Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on August 8, 2012.

Exhibit No.	Description	Incorporation by Reference
10.1.1	First Amendment, dated as of July 29, 2013, to the Amended and Restated Credit Agreement, dated August 2, 2012, among PHH Corporation, as borrower, the lenders referred to therein, Bank of America, N.A., Citibank, N.A., Manufacturers and Traders Trust Company, The Royal Bank of Scotland plc and Wells Fargo Bank, National Association, as syndication agents, Barclays Bank PLC, as documentation agent, and JPMorgan Chase Bank, N.A., as administrative agent.	Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on July 31, 2013.
10.1.2	Second Amendment, dated as of December 11, 2013, to the Amended and Restated Credit Agreement, dated August 2, 2012, among PHH Corporation, as borrower, the lenders referred to therein, Bank of America, N.A., Citibank, N.A., Manufacturers and Traders Trust Company, The Royal Bank of Scotland plc and Wells Fargo Bank, National Association, as syndication agents, Barclays Bank PLC, as documentation agent, and JPMorgan Chase Bank, N.A., as administrative agent.	Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on December 17, 2013.
10.2	Credit Agreement, dated as of September 25, 2012, by and between PHH Vehicle Management Services, Inc./PHH Services de Gestion de Véhicules, Inc., as Borrower, and The Bank of Nova Scotia, as Administrative Agent, Lead Arranger and Sole Bookrunner, and the subsidiaries of the borrower and the lenders from time to time party thereto.	Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on October 1, 2012.
10.2.1	Amendment to Credit Agreement, dated as of May 10, 2013, by and between PHH Vehicle Management Services, Inc., as borrower, The Bank of Nova Scotia, as agent, and each of the lenders party thereto.	Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on August 1, 2013.
10.2.2	Parent Guaranty, dated as of September 25, 2012, made by PHH Corporation, as guarantor, in favor of The Bank of Nova Scotia, in its capacity as administrative agent.	Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on October 1, 2012.
10.2.3	First Amendment to Parent Guaranty, dated as of July 31, 2013, to Parent Guaranty, dated as of September 25, 2012, made by PHH Corporation, as guarantor, in favor of The Bank of Nova Scotia, in its capacity as administrative agent.	Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on August 5, 2013.
10.2.4	Second Amendment to Parent Guaranty, dated as of December 12, 2013, Parent Guaranty, dated as of September 25, 2012, made by PHH Corporation, as guarantor, in favor of The Bank of Nova Scotia, in its capacity as administrative agent.	Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on December 17, 2013.
10.3	Purchase Agreement dated September 23, 2009, by and between PHH Corporation, Citigroup Global Markets Inc., J.P. Morgan Securities Inc. and Wells Fargo Securities, LLC, as representatives of the Initial Purchasers.	Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on September 29, 2009.
10.3.1	Master Terms and Conditions for Convertible Bond Hedging Transactions dated September 23, 2009, by and between PHH Corporation and JPMorgan Chase Bank, National Association, London Branch.	Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on September 29, 2009.

Exhibit No.	Description	Incorporation by Reference
10.3.2	Master Terms and Conditions for Warrants dated September 23, 2009, by and between PHH Corporation and JPMorgan Chase Bank, National Association, London Branch.	Incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K filed on September 29, 2009.
10.3.3	Confirmation of Convertible Bond Hedging Transactions dated September 23, 2009, by and between PHH Corporation and JPMorgan Chase Bank, National Association, London Branch.	Incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K filed on September 29, 2009.
10.3.4	Confirmation of Warrants dated September 23, 2009, by and between PHH Corporation and JPMorgan Chase Bank, National Association, London Branch.	Incorporated by reference to Exhibit 10.5 to our Current Report on Form 8-K filed on September 29, 2009.
10.3.5	Master Terms and Conditions for Convertible Bond Hedging Transactions dated September 23, 2009, by and between PHH Corporation and Wachovia Bank, National Association.	Incorporated by reference to Exhibit 10.6 to our Current Report on Form 8-K filed on September 29, 2009.
10.3.6	Master Terms and Conditions for Warrants dated September 23, 2009, by and between PHH Corporation and Wachovia Bank, National Association.	Incorporated by reference to Exhibit 10.7 to our Current Report on Form 8-K filed on September 29, 2009.
10.3.7	Confirmation of Convertible Bond Hedging Transactions dated September 23, 2009, by and between PHH Corporation and Wachovia Bank, National Association.	Incorporated by reference to Exhibit 10.8 to our Current Report on Form 8-K filed on September 29, 2009.
10.3.8	Confirmation of Warrants dated September 23, 2009, by and between PHH Corporation and Wachovia Bank, National Association.	Incorporated by reference to Exhibit 10.9 to our Current Report on Form 8-K filed on September 29, 2009.
10.3.9	Master Terms and Conditions for Convertible Bond Hedging Transactions dated September 23, 2009, by and between PHH Corporation and Citibank, N.A.	Incorporated by reference to Exhibit 10.10 to our Current Report on Form 8-K filed on September 29, 2009.
10.3.10	Master Terms and Conditions for Warrants dated September 23, 2009, by and between PHH Corporation and Citibank, N.A.	Incorporated by reference to Exhibit 10.11 to our Current Report on Form 8-K filed on September 29, 2009.
10.3.11	Confirmation of Convertible Bond Hedging Transactions dated September 23, 2009, by and between PHH Corporation and Citibank, N.A.	Incorporated by reference to Exhibit 10.12 to our Current Report on Form 8-K filed on September 29, 2009.
10.3.12	Confirmation of Warrants dated September 23, 2009, by and between PHH Corporation and Citibank, N.A.	Incorporated by reference to Exhibit 10.13 to our Current Report on Form 8-K filed on September 29, 2009.
10.3.13	Amendment to Convertible Bond Hedging Transaction Confirmation dated September 29, 2009, by and between PHH Corporation and JPMorgan Chase Bank, National Association, London Branch.	Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on October 1, 2009.
10.3.14	Confirmation of Additional Warrants dated September 29, 2009, by and between PHH Corporation and JPMorgan Chase Bank, National Association, London Branch.	Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on October 1, 2009.

Exhibit No.	Description	Incorporation by Reference
10.3.15	Amendment to Convertible Bond Hedging Transaction Confirmation dated September 29, 2009, by and between PHH Corporation and Wachovia Bank, National Association.	Incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K filed on October 1, 2009.
10.3.16	Confirmation of Additional Warrants dated September 29, 2009, by and between PHH Corporation and Wachovia Bank, National Association.	Incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K filed on October 1, 2009.
10.3.17	Amendment to Convertible Bond Hedging Transaction Confirmation dated September 29, 2009, by and between PHH Corporation and Citibank, N.A.	Incorporated by reference to Exhibit 10.5 to our Current Report on Form 8-K filed on October 1, 2009.
10.3.18	Confirmation of Additional Warrants dated September 29, 2009, by and between PHH Corporation and Citibank, N.A.	Incorporated by reference to Exhibit 10.6 to our Current Report on Form 8-K filed on October 1, 2009.
10.4	Form of Amended and Restated Indemnification Agreement for Directors.	Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on December 13, 2012.
10.4.1	Form of Indemnification Agreement for Officers.	Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on June 18, 2013.
10.5†	PHH Corporation Unanimous Written Consent of the Board of Directors effective August 18, 2010.	Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on August 20, 2010.
10.6†	PHH Corporation Management Incentive Plan.	Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on April 6, 2010.
10.6.1†	Form of PHH Corporation Management Incentive Plan Award Notice.	Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on April 6, 2010.
10.7†	Amended and Restated 2005 Equity and Incentive Plan (as amended and restated through June 17, 2009).	Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on June 22, 2009.
10.7.1†	First Amendment to the PHH Corporation Amended and Restated 2005 Equity and Incentive Plan, effective August 18, 2010.	Incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K filed on August 20, 2010.
10.7.2†	Form of PHH Corporation 2005 Equity and Incentive Plan Non-Qualified Stock Option Agreement, as amended.	Incorporated by reference to Exhibit 10.28 to our Quarterly Report on Form 10-Q for the period ended March 31, 2005 filed on May 16, 2005.
10.7.3†	Form of PHH Corporation 2005 Equity and Incentive Plan Non-Qualified Stock Option Conversion Award Agreement.	Incorporated by reference to Exhibit 10.29 to our Quarterly Report on Form 10-Q for the period ended March 31, 2005 filed on May 16, 2005.
10.7.4†	Form of PHH Corporation 2005 Equity and Incentive Plan Non-Qualified Stock Option Award Agreement, as revised June 28, 2005.	Incorporated by reference to Exhibit 10.36 to our Quarterly Report on Form 10-Q for the period ended June 30, 2005 filed on August 12, 2005.
10.7.5†	Form of PHH Corporation 2005 Equity and Incentive Plan Restricted Stock Unit Award Agreement, as revised June 28, 2005.	Incorporated by reference to Exhibit 10.37 to our Quarterly Report on Form 10-Q for the period ended June 30, 2005 filed on August 12, 2005.
10.7.6†	Form of 2011 Non-Qualified Stock Option Award Notice and Agreement.	Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on November 18, 2011.

Exhibit No.	Description	Incorporation by Reference
10.7.7†‡‡	Form of 2011 Performance Restricted Stock Unit Award Notice and Agreement.	Incorporated by reference to Exhibit 10.6.16 to our Annual Report on Form 10-K filed on February 28, 2012.
10.7.8†	Form of February 2012 Non-Qualified Stock Option Award Notice and Agreement.	Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on February 24, 2012.
10.7.9†	Form of February 2012 Restricted Stock Unit Award Notice and Agreement.	Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on February 24, 2012.
10.7.10†	Form of September 2012 Performance Restricted Stock Unit Award Notice and Agreement.	Incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K filed on October 3, 2012.
10. 7.11†	Form of September 2012 Non-Qualified Stock Option Award Notice and Agreement.	Incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K filed on October 3, 2012.
10.7.12†	Form of 2014 Performance Restricted Stock Unit Award Notice and Agreement.	Filed herewith.
10.7.13†	Form of 2014 Restricted Stock Unit Award Notice and Agreement.	Filed herewith.
10.8†	Form of 2011 Restrictive Covenant Agreement.	Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on November 18, 2011.
10.8.1†	Form of 2012 Restrictive Covenant Agreement.	Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on October 3, 2012.
10.9†	PHH Corporation Tier I Severance Pay Plan.	Incorporated by reference to Exhibit 10.5 to our Current Report on Form 8-K filed on October 3, 2012.
10.10†	Separation Agreement between PHH Corporation and Jerome J. Selitto dated as of April 30, 2012.	Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on May 1, 2012.
10.11†	Separation Agreement between PHH Corporation and Luke Hayden dated as of June 25, 2012.	Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on June 28, 2012.
10.12	Letter Agreement between Fannie Mae and PHH Mortgage Corporation dated December 11, 2013.	Incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K filed on December 17, 2013.
10.13	Underwriting Agreement, dated August 9, 2012, by and between PHH Corporation and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the several Underwriters.	Incorporated by reference to Exhibit 1.1 to our Current Report on Form 8-K filed on August 14, 2012.
10.13.1	Underwriting Agreement, dated August 6, 2013, by and between PHH Corporation and J.P. Morgan Securities LLC, as representative of the several Underwriters.	Incorporated by reference to Exhibit 1.1 to our Current Report on Form 8-K filed on August 12, 2013.
12	Computation of Ratio of Earnings to Fixed Charges.	Filed herewith.
21	Subsidiaries of the Registrant.	Filed herewith.
23	Consent of Independent Registered Public Accounting Firm.	Filed herewith.
24	Powers of Attorney	Incorporated by reference to the signature page to this Annual Report on Form 10-K.

Exhibit No.	Description	Incorporation by Reference
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith.
101.INS	XBRL Instance Document	Filed herewith.
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith.
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document	Filed herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith.

‡ Confidential treatment has been requested for certain portions of this Exhibit pursuant to Rule 24b-2 of the Exchange Act which portions have been omitted and filed separately with the Commission.

‡‡ Confidential treatment has been granted for certain portions of this Exhibit pursuant to an order under the Exchange Act which portions have been omitted and filed separately with the Commission.

† Management or compensatory plan or arrangement required to be filed pursuant to Item 601(b)(10) of Regulation S-K.

Exhibit 4.3

Richard J. Bradfield
Senior Vice President and Treasurer
PHH Corporation
3000 Leadenhall Road
Mt. Laurel, NJ 08054

Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

February 26, 2014

Subject: PHH Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2013 – File No. 001-07797

To whom it may concern:

Neither PHH Corporation (the "Company") nor any of its consolidated subsidiaries has outstanding any instrument with respect to long-term debt not being registered under which the total amount of securities authorized thereunder exceeds 10% of the total assets of the Company and its subsidiaries on a consolidated basis other than those instruments filed or incorporated by reference as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013. In accordance with paragraph (b)(4)(iii) of Item 601 of Regulation S-K (17 CFR Sec. 229.601), the Company hereby agrees to furnish to the Securities and Exchange Commission, upon request, a copy of each instrument that defines the rights of holders of such long term debt and that is not filed or incorporated by reference as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Very truly yours,

PHH Corporation

/s/ Richard J. Bradfield
Richard J. Bradfield
Senior Vice President and Treasurer

Exhibit 12

PHH CORPORATION AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
($ in millions, except ratios)

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Earnings available to cover fixed charges:					
Income (loss) before income taxes	$ 241	$ 87	$ (202)	$ 115	$ 280
Plus: fixed charges	252	288	289	282	243
Total	$ 493	$ 375	$ 87	$ 397	$ 523
Fixed charges:					
Interest expense[(1)]	$ 243	$ 280	$ 281	$ 274	$ 236
Estimated interest portion of net rental expense[(2)]	9	8	8	8	7
Total	$ 252	$ 288	$ 289	$ 282	$ 243
Ratio of earnings to fixed charges	1.96	1.30	0.30 [(3)]	1.41	2.15

(1) Consists of interest expense on all indebtedness including amortization of deferred financing costs.

(2) One-third of rental expense net of income from subleases is deemed an appropriate representative of the interest rate factor.

(3) The ratio of earnings to fixed charges was less than 1:1. Earnings were deficient to cover fixed charges by $202 million for the year ended December 31, 2011 which was primarily due to unfavorable Valuation adjustments related to mortgage servicing rights, net.

Exhibit 21

SUBSIDIARIES OF REGISTRANT
As of December 31, 2013

Name of Subsidiary	Jurisdiction of Incorporation or Formation
Atrium Insurance Corporation	NY
Atrium Reinsurance Corporation	VT
Axiom Financial, LLC	UT
Canadian Lease Management Ltd.	Canada
Cartus Home Loans, LLC	DE
Center for Transportation Safety, LLC	DE
Century 21 Mortgage Corporation	MA
Chesapeake Finance Holdings LLC	DE
Chesapeake Funding LLC	DE
Coldwell Banker Home Loans, LLC	DE
Coldwell Banker Mortgage Corporation	MA
Commercial Truck Center of Virginia, LLC	NC
D. L. Peterson Trust	DE
Dealers Holding, Inc.	MD
Domain Distinctive Property Finance Corporation	MA
Driversshield.com FS Corp.	NY
Edenton Motors, Inc.	MD
ERA Home Loans, LLC	DE
ERA Mortgage Corporation	MA
First Fleet Corporation	MA
First Fleet Master Titling Trust	DE
Fleet Leasing Receivables Trust	Canada
FLR GP1 Inc.	Canada
FLR GP2 Inc.	Canada
FLR LP Inc.	Canada
Haddonfield Holding Corporation	DE
Instamortgage.com Corporation	MD
J.W. Geckle Trust	MD
JHH Partnership	MD
Landover Mortgage, LLC	WA
Long Island Mortgage Group, Inc.	NY
MortgageSave.com Corporation	MA
NE Moves Mortgage, LLC	MA
Pacific Access Mortgage, LLC	HI
PHH (Bermuda) Holdings Ltd.	Bermuda

Name of Subsidiary	Jurisdiction of Incorporation or Formation
PHH Auto Finance LLC	MD
PHH Broker Partner Corporation	MD
PHH Canadian Holdings, Inc.	DE
PHH Caribbean Leasing, Inc.	MD
PHH Centre for Transportation Safety Inc.	Canada
PHH Charitable Trust	U.K.
PHH Continental Leasing, LLC	MD
PHH Corner Leasing, Inc.	MD
PHH Corporate Services, Inc.	DE
PHH de Brasil Paricopaceos Ltda.	Brazil
PHH Financial Services LLC	MD
PHH Fleet Lease Receivables L.P.	Canada
PHH Foundation, Inc	MD
PHH Home Loans, LLC (dba Sunbelt Lending Services; ERA Home Loans; Burnet Home Loans; Coldwell Banker Home Loans; Cartus Home Loans; First Capital; Preferred Mortgage Group)	DE
PHH Market Leasing, Inc.	MD
PHH Milford Leasing, Inc.	MD
PHH Mortgage Capital LLC	DE
PHH Mortgage Corporation (dba Burnet Mortgage Services; Century 21 Mortgage; Coldwell Banker Mortgage; Domain Distinctive Property Finance; ERA Mortgage; Instamortage.com; Mortgage Service Center; Mortgagequestions.com; Mortgagesave.com; PHH Mortgage Services)	NJ
PHH Mortgage Services Corporation	MD
PHH Servicer Advance Funding Depositor, LLC	DE
PHH Servicer Advance Receivables Trust 2013-1	DE
PHH Services B.V.	Netherlands
PHH St. Paul Leasing, Inc.	MD
PHH Sub 1 Inc.	DE
PHH Sub 2 Inc.	DE
PHH Vehicle Management Services Group LLC	DE
PHH Vehicle Management Services, Inc.	Canada
PHH Vehicle Management Services, LLC (dba PHH Arval)	DE
Raven Funding LLC	DE
RMR Financial, LLC (dba Princeton Capital; Mortgage California)	CA
Speedy Title & Appraisal Review Services LLC	DE
VMS Holdings LLC	DE
Williamsburg Motors, Inc.	MD

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-177723 on Form S-3 and Registration Statement Nos. 333-161020 and 333-122477 on Form S-8 of our reports dated February 26, 2014, relating to the consolidated financial statements and financial statement schedules of PHH Corporation and the effectiveness of PHH Corporation's internal control over financial reporting, appearing in this Annual Report on Form 10-K of PHH Corporation and subsidiaries for the year ended December 31, 2013.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania
February 26, 2014

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Glen A. Messina, certify that:

1. I have reviewed this Annual Report on Form 10-K of PHH Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Glen A. Messina
Glen A. Messina
President and Chief Executive Officer

Date: February 26, 2014

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert B. Crowl, certify that:

1. I have reviewed this Annual Report on Form 10-K of PHH Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Robert B. Crowl
Robert B. Crowl
Executive Vice President and Chief Financial Officer

Date: February 26, 2014

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

Pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of PHH Corporation (the "Company") hereby certifies, to such officer's knowledge, that:

(i) the Annual Report on Form 10-K of the Company for the period ended December 31, 2013 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Glen A. Messina
Glen A. Messina
President and Chief Executive Officer

Date: February 26, 2014

A signed original of this written statement required by Section 906 has been provided to PHH Corporation and will be retained by PHH Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of PHH Corporation, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

Pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of PHH Corporation (the "Company") hereby certifies, to such officer's knowledge, that:

(i) the Annual Report on Form 10-K of the Company for the period ended December 31, 2013 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Robert B. Crowl
Robert B. Crowl
Executive Vice President and Chief Financial Officer

Date: February 26, 2014

A signed original of this written statement required by Section 906 has been provided to PHH Corporation and will be retained by PHH Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of PHH Corporation, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

PHH® CORPORATION

EXECUTIVE OFFICERS

Glen A. Messina
President and Chief Executive Officer

Robert B. Crowl
Executive Vice President and Chief Financial Officer

James R. Halliday
Executive Vice President, Fleet

David E. Tucker
Executive Vice President, Mortgage

Richard J. Bradfield
Senior Vice President and Treasurer

William F. Brown
Senior Vice President, General Counsel and Secretary

Kathryn M. Ruggieri
Senior Vice President, Chief Human Resources Officer

Paul W. Zelissen
Senior Vice President, Chief Risk Officer

BOARD OF DIRECTORS

Jon A. Boscia [1,5]
Independent Director
Chair, Audit Committee

Jane D. Carlin [1,3,5]
Independent Director
Chair, Regulatory Oversight Committee

James O. Egan [2,4]
Independent Director
Non-Executive Chairman of the Board

Thomas P. Gibbons [1,3]
Independent Director

Allan Z. Loren [2]
Independent Director

Glen A. Messina
Director

Gregory J. Parseghian [1,3,5]
Independent Director
Chair, Finance and Risk Management Committee

Charles P. Pizzi [2,3,4]
Independent Director

Deborah M. Reif [3,4]
Independent Director
Chair, Human Capital and Compensation Committee

Carroll R. Wetzel, Jr. [2,3,4]
Independent Director
Chair, Corporate Governance Committee

Committee Assignments:
[1]Audit, [2]Corporate Governance, [3]Finance and Risk Management, [4]Human Capital and Compensation, [5]Regulatory Oversight

CORPORATE HEADQUARTERS

PHH Corporation
3000 Leadenhall Road
Mount Laurel, NJ 08054
(856) 917-1744

Stock Listing
New York Stock Exchange
Ticker Symbol "PHH"

Transfer Agent
Computershare
(866) 245-7559
www.computershare.com/investor

Mailing address:
Computershare
P.O. Box 30170
College Station, TX 77842-3170

Overnight delivery address:
Computershare
211 Quality Circle, Suite 210
College Station, TX 77845

Electronic Access
Please join PHH in its commitment to being an environmentally responsible corporation by electing to receive future stockholder materials electronically. Log on to www.computershare.com/investor for enrollment instructions.

Stockholders who hold PHH shares in a brokerage account may sign up for electronic delivery at www.proxyvote.com.

Investor Information
The Company's Annual Report on Form 10-K, Corporate Governance Guidelines, Code of Business Ethics and Conduct, Code of Ethics for Chief Executive Officer and Senior Financial Officers, Board committee charters and other investor information may be accessed via the Internet at www.phh.com/invest and are also available, free of charge, upon request directly to the Company as follows:

PHH Corporation
Investor Relations
3000 Leadenhall Road
Mail Stop CC
Mount Laurel, NJ 08054
(856) 917-7405

PHH®

CORPORATION

www.phh.com

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