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

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2020**

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR TRANSITION PERIOD FROM __________ TO __________**

COMMISSION FILE NUMBER: 001-35657

Front Yard Residential Corporation
(Exact name of registrant as specified in its charter)

MARYLAND	**46-0633510**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

c/o Altisource Asset Management Corporation
5100 Tamarind Reef
Christiansted, United States Virgin Islands 00820
(Address of principal executive office)

(340) 692-0525
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.01 per share	RESI	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer	o	Accelerated Filer	x
Non-Accelerated Filer	o	Smaller Reporting Company	o
		Emerging Growth Company	o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

As of May 4, 2020, 54,112,374 shares of our common stock were outstanding.

Front Yard Residential Corporation
March 31, 2020
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References in this report to “we,” “our,” “us” or the “Company” refer to Front Yard Residential Corporation and its consolidated subsidiaries, unless otherwise indicated. References in this report to “AAMC” refer to Altisource Asset Management Corporation and its consolidated subsidiaries, unless otherwise indicated.

Special note on forward-looking statements

Our disclosure and analysis in this Quarterly Report on Form 10-Q contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). In some cases, you can identify forward-looking statements by the use of forward-looking terminology such as “may,” “will,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts” or “potential” or the negative of these words and phrases or similar words or phrases that are predictions of or indicate future events or trends and that do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

The forward-looking statements contained in this report reflect our current views about future events and are subject to numerous known and unknown risks, uncertainties, assumptions and changes in circumstances that may cause our actual results to differ significantly from those expressed in any forward-looking statement. Factors that may materially affect such forward-looking statements include, but are not limited to:

- our ability to implement our business strategy;
- our ability to make distributions to our stockholders;
- the potential for the COVID-19 pandemic to adversely affect our business, financial position, operations, business prospects, customers, employees and third-party service providers;
- the effect of the termination of the Agreement and Plan of Merger (the “Merger Agreement”) with BAF Holdings, LLC, a Delaware limited liability company (“Parent”), and BAF Sub, LLC, a Maryland limited liability company (“Merger Sub”) on our relationships with our customers, financing sources, third-party service providers, operating results and business generally;
- the impact of the costs of the merger transaction that will be borne by the Company despite the merger transaction being terminated;
- the effect of management’s attention being diverted from our ongoing business operations prior to the merger transaction being terminated;
- the impact of defending any litigation associated with the termination of the merger transaction;
- our ability to successfully implement our strategic initiatives and achieve their anticipated impact;
- our ability to acquire single-family rental assets for our portfolio, including difficulties in identifying assets to acquire;
- the impact of changes to the supply of, value of and the returns on single-family rental assets;
- our ability to successfully integrate newly acquired properties into our portfolio of single-family rental properties;
- our ability to successfully operate HavenBrook Partners, LLC (“HavenBrook”) as a property manager and perform property management services for our single-family rental assets at the standard and/or the cost that we anticipate;
- our ability to predict our costs;
- our ability to effectively compete with our competitors;
- our ability to apply the proceeds from financing activities or non-rental real estate owned asset sales to target single-family rental assets in a timely manner;
- our ability to sell non-rental real estate owned properties on favorable terms and on a timely basis or at all;
- the failure to identify unforeseen expenses or material liabilities associated with asset acquisitions through the due diligence process prior to such acquisitions;
- changes in the market value of our single-family rental properties and real estate owned;
- changes in interest rates;
- our ability to obtain and access financing arrangements on favorable terms or at all;
- our ability to maintain adequate liquidity;
- our ability to retain our engagement of AAMC;
- the failure of our third party vendors to effectively perform their obligations under their respective agreements with us;
- our failure to maintain our qualification as a REIT;
- our failure to maintain our exemption from registration under the Investment Company Act;
- the impact of adverse real estate, mortgage or housing markets;

- the impact of adverse legislative, regulatory or tax changes; and
- general economic and market conditions.

While forward-looking statements reflect our good faith beliefs, assumptions and expectations, they are not guarantees of future performance. Such forward-looking statements speak only as of their respective dates, and we assume no obligation to update them to reflect changes in underlying assumptions or factors, new information or otherwise. For a further discussion of these and other factors that could cause our future results to differ materially from any forward-looking statements, please see Part II, Item 1A in this Quarterly Report on Form 10-Q and “Item 1A. Risk factors” in our Annual Report on Form 10-K for the year ended December 31, 2019.

Part I

Item 1. Financial Statements (Unaudited)

Front Yard Residential Corporation
Condensed Consolidated Balance Sheets
(In thousands, except share and per share amounts)

	March 31, 2020	December 31, 2019
	(unaudited)	
Assets:		
Real estate held for use:		
Land	$ 398,643	$ 398,840
Rental residential properties	1,713,406	1,707,043
Real estate owned	12,147	16,328
Total real estate held for use	2,124,196	2,122,211
Less: accumulated depreciation	(224,985)	(206,464)
Total real estate held for use, net	1,899,211	1,915,747
Real estate assets held for sale	8,298	14,395
Cash and cash equivalents	32,299	43,727
Restricted cash	31,796	34,282
Accounts receivable	7,025	9,235
Goodwill	13,376	13,376
Prepaid expenses and other assets	21,485	22,360
Total assets	$ 2,013,490	$ 2,053,122
Liabilities:		
Repurchase and loan agreements	$ 1,637,466	$ 1,644,230
Accounts payable and accrued liabilities	60,766	64,619
Payable to AAMC	4,140	5,014
Total liabilities	1,702,372	1,713,863
Commitments and contingencies (Note 7)	—	—
Equity:		
Common stock, $0.01 par value, 200,000,000 authorized shares; 54,112,374 shares issued and outstanding as of March 31, 2020 and 53,933,575 shares issued and outstanding as of December 31, 2019	541	539
Additional paid-in capital	1,190,018	1,189,236
Accumulated deficit	(859,080)	(830,602)
Accumulated other comprehensive loss	(20,361)	(19,914)
Total equity	311,118	339,259
Total liabilities and equity	$ 2,013,490	$ 2,053,122

See accompanying notes to condensed consolidated financial statements.

Front Yard Residential Corporation
Condensed Consolidated Statements of Operations
(In thousands, except share and per share amounts)
(Unaudited)

	Three months ended March 31,	
	2020	**2019**
Revenues:		
Rental revenues	$ 54,328	$ 52,625
Total revenues	54,328	52,625
Expenses:		
Residential property operating expenses	18,861	18,437
Property management expenses	4,171	3,675
Depreciation and amortization	20,366	22,385
Acquisition and integration costs	69	2,211
Impairment	235	1,020
Mortgage loan servicing costs	—	387
Interest expense	19,496	21,510
Share-based compensation	1,487	1,119
General and administrative	7,591	5,766
Management fees to AAMC	3,584	3,575
Total expenses	75,860	80,085
Net gain on real estate and mortgage loans	1,533	8,777
Operating loss	(19,999)	(18,683)
Casualty losses	(287)	(393)
Insurance recoveries	63	527
Other income	8	49
Loss before income taxes	(20,215)	(18,500)
Income tax expense	—	8
Net loss	$ (20,215)	$ (18,508)
Loss per share of common stock - basic:		
Loss per basic share	$ (0.37)	$ (0.35)
Weighted average common stock outstanding - basic	53,943,434	53,630,204
Loss per share of common stock - diluted:		
Loss per diluted share	$ (0.37)	$ (0.35)
Weighted average common stock outstanding - diluted	53,943,434	53,630,204
Dividends declared per common share	$ 0.15	$ 0.15

See accompanying notes to condensed consolidated financial statements.

Front Yard Residential Corporation
Condensed Consolidated Statements of Comprehensive Loss
(In thousands)
(Unaudited)

	Three months ended March 31,	
	2020	**2019**
Net loss	$ (20,215)	$ (18,508)
Other comprehensive loss:		
Change in fair value of interest rate caps	(1,815)	(7,609)
Losses from interest rate caps reclassified into earnings from accumulated other comprehensive loss	1,368	987
Net other comprehensive loss	(447)	(6,622)
Comprehensive loss	$ (20,662)	$ (25,130)

See accompanying notes to condensed consolidated financial statements.

Front Yard Residential Corporation
Condensed Consolidated Statements of Stockholders' Equity
(In thousands, except share and per share amounts)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Comprehensive Loss	Total Equity
	Number of Shares	Amount				
December 31, 2019	53,933,575	$ 539	$ 1,189,236	$ (830,602)	$ (19,914)	$ 339,259
Common shares issued under share-based compensation plans	243,089	3	62	—	—	65
Shares withheld for taxes upon vesting of restricted stock	(64,290)	(1)	(767)	—	—	(768)
Dividends on common stock ($0.15 per share)	—	—	—	(8,263)	—	(8,263)
Share-based compensation	—	—	1,487	—	—	1,487
Change in fair value of cash flow hedging derivatives in other comprehensive loss	—	—	—	—	(447)	(447)
Net loss	—	—	—	(20,215)	—	(20,215)
March 31, 2020	54,112,374	$ 541	$ 1,190,018	$ (859,080)	$ (20,361)	$ 311,118

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Comprehensive Loss	Total Equity
	Number of Shares	Amount				
December 31, 2018	53,630,204	$ 536	$ 1,184,132	$ (700,623)	$ (12,653)	$ 471,392
Adoption of ASC 842	—	—	—	96	—	96
Dividends on common stock ($0.15 per share)	—	—	—	(8,158)	—	(8,158)
Share-based compensation	—	—	1,119	—	—	1,119
Change in fair value of cash flow hedging derivatives in other comprehensive loss	—	—	—	—	(6,622)	(6,622)
Net loss	—	—	—	(18,508)	—	(18,508)
March 31, 2019	53,630,204	$ 536	$ 1,185,251	$ (727,193)	$ (19,275)	$ 439,319

See accompanying notes to condensed consolidated financial statements.

Front Yard Residential Corporation
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three months ended March 31,	
	2020	2019
Operating activities:		
Net loss	$ (20,215)	$ (18,508)
Adjustments to reconcile net loss to net cash used in operating activities:		
Net gain on real estate and mortgage loans	(1,533)	(8,777)
Depreciation and amortization	20,366	22,385
Impairment	235	1,020
Share-based compensation	1,487	1,119
Amortization of deferred financing costs	1,375	1,242
Casualty losses	287	393
Insurance recoveries	(63)	(527)
Change in fair value of interest rate cap derivatives in profit or loss	1,368	987
Changes in operating assets and liabilities:		
Accounts receivable	88	2,131
Deferred leasing costs	(806)	(682)
Prepaid expenses and other assets	(1,000)	438
Accounts payable and accrued liabilities	(3,656)	(8,951)
Payable to AAMC	(874)	(257)
Net cash used in operating activities	(2,941)	(7,987)
Investing activities:		
Investment in real estate	(543)	(1,830)
Investment in renovations	(8,263)	(6,615)
Payment of real estate tax advances	—	(26)
Proceeds from mortgage loan resolutions and dispositions	—	451
Receipt of mortgage loan payments	—	77
Proceeds from dispositions of real estate	15,025	114,905
Proceeds from casualty insurance	63	1,539
Net cash provided by investing activities	6,282	108,501
Financing activities:		
Proceeds from exercise of stock options	86	—
Payment of tax withholdings on share-based compensation plan awards	(21)	—
Shares withheld for taxes upon vesting of restricted stock	(768)	—
Dividends on common stock	(8,148)	(8,045)
Proceeds from repurchase and loan agreements	8,102	21,788
Repayments of repurchase and loan agreements	(15,867)	(112,856)
Payment of financing costs	(374)	(414)
Principal repayments of finance leases	(265)	(175)
Net cash (used in) provided by financing activities	(17,255)	(99,702)
Net change in cash, cash equivalents and restricted cash	(13,914)	812
Cash, cash equivalents and restricted cash as of beginning of the period	78,009	81,160
Cash, cash equivalents and restricted cash as of end of the period	$ 64,095	$ 81,972

See accompanying notes to condensed consolidated financial statements.

Front Yard Residential Corporation
Condensed Consolidated Statements of Cash Flows (continued)
(In thousands)
(Unaudited)

	Three months ended March 31,	
	2020	**2019**
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	$ 17,266	$ 19,939
Non-cash transactions:		
Transfer of mortgage loans to real estate owned, net	$ —	$ 3,376
Changes in accrued capital expenditures	(273)	(2,025)
Changes in receivables from mortgage loan resolutions and dispositions, payments and real estate tax advances to borrowers, net	—	586
Changes in receivables from real estate owned dispositions	(2,144)	10,364
Change in other comprehensive loss from cash flow hedges	(447)	(6,622)
Right-of-use lease assets recognized - operating leases	—	1,365
Right-of-use lease assets recognized - finance leases	226	893
Operating lease liabilities incurred	—	1,365
Finance lease liabilities incurred	226	893
Dividends declared but not paid	814	8,158

See accompanying notes to condensed consolidated financial statements.

Front Yard Residential Corporation
Notes to Condensed Consolidated Financial Statements
March 31, 2020
(Unaudited)

1. Organization and Basis of Presentation

Front Yard Residential Corporation ("we," "our," "us," or the "Company") is a Maryland real estate investment trust ("REIT") focused on acquiring, owning and managing single-family rental ("SFR") properties throughout the United States. We conduct substantially all of our activities through our wholly owned subsidiary, Front Yard Residential, L.P., and its subsidiaries.

On August 8, 2018, we acquired a property management firm and commenced the internalization of our property management function. During the first quarter of 2019, we completed the transition of property management for our SFR properties that were previously externally managed to our internal property management platform. We anticipate that all SFR properties acquired in the future will also be managed internally.

As of March 31, 2020, we had a core rental portfolio of 14,533 homes. In addition, we had 124 rental homes that are identified for future sale, and we had a small portfolio of non-rental real estate owned ("REO") properties remaining from our previous mortgage loan portfolio acquisitions. We have engaged third-party service providers to manage REO and certain other properties. We are currently preparing these non-core assets for future disposition in order to create additional liquidity and purchasing power to continue building our core rental portfolio.

We are managed by Altisource Asset Management Corporation ("AAMC" or our "Manager"). AAMC provides us with dedicated personnel to administer certain aspects of our business and perform certain of our corporate governance functions. AAMC also provides oversight of our acquisition and management of SFR properties and the ongoing management of our remaining REO properties. See Note 8 for a description of this related-party relationship.

On February 17, 2020, we entered into an Agreement and Plan of Merger (the "Merger Agreement") with BAF Holdings, LLC, a Delaware limited liability company ("Parent"), and BAF Sub, LLC, a Maryland limited liability company ("Merger Sub"), each affiliates of Amherst Single Family Residential Partners VI, LP (collectively, "Amherst"), providing for the acquisition of the Company by Parent. The Front Yard Board of Directors unanimously approved the merger agreement and recommended that Front Yard shareholders vote in favor of it at a Special Meeting of Stockholders scheduled for April 27, 2020. The parties ultimately determined that it was not feasible to proceed with the transaction, and on May 4, 2020, we entered into a Termination and Settlement Agreement to terminate the Merger Agreement. Pursuant to the Termination and Settlement Agreement, Amherst agreed to pay the Company a $25 million cash termination fee, purchase from the Company 4.4 million shares of Front Yard common stock for an aggregate cash purchase price of $55 million ($12.50 per share) pursuant to an Investment Agreement, and provide the Company with a $20 million committed Non-Negotiable Promissory Note. For further details of the Termination and Settlement Agreement, the Investment Agreement and the Non-Negotiable Promissory Note, please refer to Note 14, "Subsequent Events" of these interim condensed consolidated financial statements.

Basis of presentation and use of estimates

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). All wholly owned subsidiaries are included, and all intercompany accounts and transactions have been eliminated.

The unaudited interim condensed consolidated financial statements and accompanying unaudited condensed consolidated financial information, in our opinion, contain all adjustments that are of a normal recurring nature and are necessary for a fair presentation of our financial position, results of operations and cash flows for the interim periods. The interim results are not necessarily indicative of results for a full year. We have omitted certain notes and other information from the interim condensed consolidated financial statements presented in this Quarterly Report on Form 10-Q as permitted by Securities and Exchange Commission ("SEC") rules and regulations. These condensed consolidated financial statements should be read in conjunction with our annual consolidated financial statements included within our 2019 Annual Report on Form 10-K, which was filed with the SEC on February 28, 2020.

Use of estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ materially from those estimates.

Recently issued accounting standards

Adoption of recent accounting standards

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments, which amends the guidance on measuring credit losses on financial assets held at amortized cost. The amendment is intended to address the issue that the previous "incurred loss" methodology was restrictive for an entity's ability to record credit losses based on not yet meeting the "probable" threshold. The new language requires these assets to be valued at amortized cost presented at the net amount expected to be collected with a valuation provision. This ASU is effective for fiscal years beginning after December 15, 2019. The amendments in ASU 2016-13 should be applied on a modified retrospective transition basis. We adopted this standard on January 1, 2020, and our adoption of this standard did not have a material impact on our consolidated financial statements because the standard, as amended, excludes receivables arising from operating leases, which represent the majority of our receivables.

Recently issued accounting standards not yet adopted

In December 2019, the FASB issued ASU 2019-12, Income Taxes - Simplifying the Accounting for Income Taxes (Topic 740), which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 is effective for fiscal years beginning after December 15, 2021. While are currently evaluating the impact of the adoption of this standard, we do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

2. Asset Acquisitions and Dispositions

Real estate assets

Real estate acquisitions

During the three months ended March 31, 2020 and 2019, we acquired 4 and 14 SFR properties, respectively, for an aggregate purchase price of $0.5 million and $1.8 million, respectively.

Real estate dispositions

During the three months ended March 31, 2020 and 2019, we sold 82 and 576 properties, respectively. Net proceeds of these sales were $12.9 million and $125.3 million, respectively.

Mortgage loans

Mortgage loan dispositions and resolutions

On October 7, 2019, we sold the last of our remaining mortgage loans. During the three months ended March 31, 2019, we resolved 8 mortgage loans, primarily through short sales, refinancing and foreclosure sales. Net proceeds of these resolutions were $1.1 million.

Net gain (loss) on real estate and mortgage loans

The following table presents the components of net gain (loss) on real estate and mortgage loans during the three months ended March 31, 2020 and 2019 ($ in thousands):

	Three months ended March 31,	
	2020	2019
Conversion of mortgage loans to REO, net	$ —	$ 615
Change in fair value of mortgage loans, net	—	116
Net realized gain on mortgage loans	—	523
Net realized gain on sales of real estate	1,533	7,523
Net gain on real estate and mortgage loans	$ 1,533	$ 8,777

3. Real Estate Assets, Net

The following table presents the number of real estate assets held by the Company by status as of the dates indicated:

March 31, 2020	**Held for Use**	**Held for Sale**	**Total Portfolio**
Rental Properties:			
Leased	14,010	—	14,010
Listed and ready for rent	234	—	234
Unit turn	205	—	205
Renovation	84	—	84
Total rental properties	14,533		
Previous rentals identified for sale	76	48	124
Legacy REO	7	6	13
	14,616	54	14,670
December 31, 2019			
Rental Properties:			
Leased	13,711	—	13,711
Listed and ready for rent	371	—	371
Unit turn	369	—	369
Renovation	94	—	94
Total rental properties	14,545		
Previous rentals identified for sale	94	87	181
Legacy REO	10	12	22
	14,649	99	14,748

For properties held for sale or identified for future sale, management has determined to divest these properties because they do not meet our residential rental property investment criteria.

Impairment of real estate

During the three months ended March 31, 2020 and 2019, we recognized $0.2 million and $1.0 million, respectively, of impairment on our real estate assets held for sale.

4. Fair Value of Financial Instruments

The following table sets forth the carrying value and fair value of our financial assets and liabilities by level within the fair value hierarchy as of March 31, 2020 and December 31, 2019 ($ in thousands):

	Carrying Value	Level 1 Quoted Prices in Active Markets	Level 2 Observable Inputs Other Than Level 1 Prices	Level 3 Unobservable Inputs
March 31, 2020				
Recurring basis (assets)				
Interest rate cap derivatives (1)	$ 254	$ —	$ 254	$ —
Not recognized on condensed consolidated balance sheets at fair value (liabilities)				
Repurchase and loan agreements	1,637,466	—	1,646,272	—
December 31, 2019				
Recurring basis (assets)				
Interest rate cap derivatives (1)	$ 2,070	$ —	$ 2,070	$ —
Not recognized on consolidated balance sheets at fair value (liabilities)				
Repurchase and loan agreements	1,644,230	—	1,653,720	—

(1) Included within prepaid expenses and other assets in the condensed consolidated balance sheets.

We have not transferred any assets from one level to another level during the three months ended March 31, 2020 or during the year ended December 31, 2019.

The fair value of our interest rate cap derivatives are estimated using a discounted cash flow analysis based on the contractual terms of the derivatives.

On October 7, 2019, we sold the last of our remaining mortgage loans. The following table sets forth the changes in our Level 3 assets, which consisted solely of mortgage loans at fair value, during the period indicated ($ in thousands):

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Three months ended March 31, 2019
Mortgage loans at fair value based on Level 3 inputs, beginning balance	$ 8,072
Net gain on mortgage loans	1,240
Mortgage loan dispositions, resolutions and payments	(1,100)
Real estate tax advances to borrowers	12
Transfer of mortgage loans to real estate owned, net	(3,376)
Mortgage loans at fair value based on Level 3 inputs, ending balance	$ 4,848
Change in unrealized gain on mortgage loans at fair value based on Level 3 inputs held at the end of the period	$ 2

5. Borrowings

Our operating partnership and certain of its Delaware statutory trust and/or limited liability company subsidiaries, as applicable, have entered into master repurchase agreements and loan agreements to finance the acquisition and ownership of the SFR properties and other REO properties in our portfolio. We have effective control of the assets associated with these agreements and therefore have concluded these are financing arrangements.

We pay interest on all of our borrowings as well as certain other customary fees, administrative costs and expenses each month. As of March 31, 2020, the average annualized interest rate on borrowings under our repurchase and loan agreements was 3.67%, excluding amortization of deferred debt issuance costs and loan discounts.

The following table sets forth data with respect to our repurchase and loan agreements as of March 31, 2020 and December 31, 2019 ($ in thousands):

	Maturity Date		Interest Rate		Amount Outstanding	Maximum Borrowing Capacity	Amount of Available Funding	Book Value of Collateral
March 31, 2020								
CS Repurchase Agreement	5/15/2020	(1)	1-month LIBOR + 2.30%		$ 101,569	$ 250,000	$ 148,431	$ 107,139
Nomura Loan Agreement	5/3/2020	(2)	1-month LIBOR + 2.30%		33,340	250,000	216,660	37,748
HOME II Loan Agreement	11/9/2020	(3)	1-month LIBOR + 2.10%	(4)	83,270	83,270	—	97,528
HOME III Loan Agreement	11/9/2020	(3)	1-month LIBOR + 2.10%	(4)	89,150	89,150	—	108,109
HOME IV Loan Agreement (A)	12/9/2022		4.00%		114,201	114,201	—	140,922
HOME IV Loan Agreement (B)	12/9/2022		4.00%		114,590	114,590	—	141,707
Term Loan Agreement	4/6/2022		5.00%		99,782	99,782	—	110,325
FYR SFR Loan Agreement	9/1/2028		4.65%		508,700	508,700	—	570,918
MS Loan Agreement	12/7/2023		1-month LIBOR + 1.80%	(5)	504,986	504,986	—	591,928
					1,649,588	$ 2,014,679	$ 365,091	$ 1,906,324
Less: unamortized loan discounts					(3,316)			
Less: deferred debt issuance costs					(8,806)			
					$ 1,637,466			
December 31, 2019								
CS Repurchase Agreement	2/15/2020		1-month LIBOR + 2.30%		$ 109,002	$ 250,000	$ 140,998	$ 111,593
Nomura Loan Agreement	4/5/2020		1-month LIBOR + 2.30%		33,671	250,000	216,329	38,423
HOME II Loan Agreement	11/9/2020		1-month LIBOR + 2.10%		83,270	83,270	—	98,150
HOME III Loan Agreement	11/9/2020		1-month LIBOR + 2.10%		89,150	89,150	—	108,860
HOME IV Loan Agreement (A)	12/9/2022		4.00%		114,201	114,201	—	141,787
HOME IV Loan Agreement (B)	12/9/2022		4.00%		114,590	114,590	—	142,620
Term Loan Agreement	4/6/2022		5.00%		99,782	99,782	—	111,061
FYR SFR Loan Agreement	9/1/2028		4.65%		508,700	508,700	—	573,961
MS Loan Agreement	12/7/2023		1-month LIBOR + 1.80%		504,986	504,986	—	595,650
					1,657,352	$ 2,014,679	$ 357,327	$ 1,922,105
Less: unamortized loan discounts					(3,632)			
Less: deferred debt issuance costs					(9,490)			
					$ 1,644,230			

(1) On April 30, 2020, we renewed the CS Repurchase Agreement until June 30, 2020 with an interest rate of 5.00% plus 1-Month LIBOR.
(2) On May 1, 2020, we refinanced the assets serving as collateral under the Nomura Loan Agreement under the CS Repurchase Agreement, and the Nomura Loan Agreement was terminated and repaid in full.
(3) Represents initial maturity date. We have the option to extend the maturity date for up to three successive one-year extensions, the first of which we exercised on October 17, 2019.
(4) The interest rate is capped at 4.40% under an interest rate cap derivative. See Note 10.
(5) The interest rate is capped at 4.30% under an interest rate cap derivative. See Note 10.

Additional details regarding the above repurchase and loan agreements are as follows:

CS Repurchase Agreement

Credit Suisse AG ("CS") is the lender on the repurchase agreement entered into on March 22, 2013, (the "CS Repurchase Agreement"), which has been amended on several occasions. Under the terms of the CS Repurchase Agreement, as collateral for the funds drawn thereunder, subject to certain conditions, our operating partnership and/or one or more of our limited liability company subsidiaries will sell to the lender equity interests in the Delaware statutory trust subsidiary that owns the applicable underlying REO assets on our behalf. We may be required to repay a portion of the amounts outstanding under the CS Repurchase Agreement should the loan-to-value ratio of the funded collateral decline. The price paid by the lender for each REO asset we finance under the CS Repurchase Agreement is based on a percentage of the market value of the REO asset. With respect to funds drawn under the CS Repurchase Agreement, our applicable subsidiary is required to pay the lender interest monthly and certain other customary fees, administrative costs and expenses to maintain and administer the CS Repurchase Agreement. We do not collateralize any of our repurchase facilities with cash. The CS Repurchase Agreement contains customary events of default and is fully guaranteed by us.

Nomura Loan Agreement

Nomura Corporate Funding Americas, LLC ("Nomura") is the lender under a loan agreement dated April 10, 2015 (the "Nomura Loan Agreement"), which has been amended on several occasions. Under the terms of the Nomura Loan Agreement, subject to certain conditions, Nomura may advance funds to us from time to time, with such advances collateralized by SFR properties and other REO properties. The advances paid under the Nomura Loan Agreement with respect to the applicable properties from time to time will be based on a percentage of the market value of the properties. We may be required to repay a portion of the amounts outstanding under the Nomura Loan Agreement should the loan-to-value ratio of the funded collateral decline.

The Nomura Loan Agreement contains events of default (subject to certain materiality thresholds and grace periods), including payment defaults, breaches of covenants and/or certain representations and warranties, cross-defaults, certain material adverse changes, bankruptcy or insolvency proceedings and other events of default customary for this type of transaction. The remedies for such events of default are also customary for this type of transaction and include the acceleration of the principal amount outstanding under the Nomura Loan Agreement and the liquidation by Nomura of the SFR and REO properties then subject thereto. The Nomura Loan Agreement is fully guaranteed by us. On May 1, 2020, we refinanced the assets serving as collateral under the Nomura Loan Agreement under the CS Repurchase Agreement and the Nomura Loan Agreement was terminated and repaid in full.

Seller Financing Arrangements

We have entered into the following facilities, each of which were initially seller financing arrangements:

- In connection with the seller financing related to an acquisition of SFR properties on March 30, 2017, our wholly owned subsidiary, HOME SFR Borrower II, LLC ("HOME Borrower II"), entered into the HOME II Loan Agreement with entities sponsored by Amherst Holdings, LLC ("Amherst"). On November 13, 2017, HOME Borrower II entered into an amended and restated loan agreement, which was acquired by Metropolitan Life Insurance Company ("MetLife"). HOME Borrower II has the option to extend the HOME II Loan Agreement beyond the initial maturity date for three successive one-year extensions, provided, among other things, that there is no event of default under the HOME II Loan Agreement on each maturity date. The HOME II Loan Agreement is cross-defaulted and cross-collateralized with the HOME III Loan Agreement.

- In connection with the seller financing related to an acquisition of SFR properties on June 29, 2017, our wholly owned subsidiary, HOME SFR Borrower III, LLC ("HOME Borrower III"), entered into the HOME III Loan Agreement with entities sponsored by Amherst. On November 13, 2017, HOME Borrower III entered into an amended and restated loan agreement, which was acquired by MetLife. HOME Borrower III has the option to extend the HOME III Loan Agreement beyond the initial maturity date for three successive one-year extensions, provided, among other things, that there is no event of default under the HOME III Loan Agreement on each maturity date. The HOME III Loan Agreement is also cross-defaulted and cross-collateralized with the HOME II Loan Agreement.

- In connection with the seller financing related to an acquisition of SFR properties on November 29, 2017, our wholly owned subsidiary, HOME SFR Borrower IV, LLC ("HOME Borrower IV"), entered into two separate loan agreements with entities sponsored by Amherst (collectively, the "HOME IV Loan Agreements"). The HOME IV Loan Agreements were acquired by MetLife on November 29, 2017.

Under the terms of the HOME II Loan Agreement, the HOME III Loan Agreement and the HOME IV Loan Agreements, each of the facilities are non-recourse to us and are secured by a lien on the membership interests of HOME Borrower II, HOME Borrower III, HOME Borrower IV and the acquired properties and other assets of each entity, respectively. The assets of each entity are the primary source of repayment and interest on their respective loan agreements, thereby making the cash proceeds of rent payments and any sales of the acquired properties the primary sources of the payment of interest and principal by each entity to the respective lenders.

Each loan agreement also includes customary events of default, the occurrence of which would allow the respective lenders to accelerate payment of all amounts outstanding thereunder. We have limited indemnification obligations for wrongful acts taken by HOME Borrower II, HOME Borrower III or HOME Borrower IV under their respective loan agreements in connection with the secured collateral. Even though the HOME II Loan Agreement, the HOME III Loan Agreement and the HOME IV Loan Agreements are non-recourse to us and all of our subsidiaries other than the entities party to the respective loan agreements, we have agreed to limited bad act indemnification obligations to the respective lenders for the payment of (i) certain losses arising out of certain bad or wrongful acts of our subsidiaries that are party to the respective loan agreements and (ii) the principal amount of each of the facilities and all other obligations thereunder in the event we cause certain voluntary bankruptcy events of the respective subsidiaries party to the loan agreements. Any of such liabilities could have a material adverse effect on our results of operations and/or our financial condition.

Term Loan Agreement

On April 6, 2017, RESI TL1 Borrower, LLC ("TL1 Borrower"), our wholly owned subsidiary, entered into a credit and security agreement (the "Term Loan Agreement") with American Money Management Corporation, as agent, on behalf of Great American Life Insurance Company and Great American Insurance Company as initial lenders, and each other lender added from time to time as a party to the Term Loan Agreement. We may be required to make prepayments of a portion of the amounts outstanding under the Term Loan Agreement under certain circumstances, including certain levels of declines in collateral value.

The Term Loan Agreement includes customary events of default, the occurrence of which would allow the lenders to accelerate payment of all amounts outstanding thereunder. The Term Loan Agreement is non-recourse to us and is secured by a lien on the membership interests of TL1 Borrower and the properties and other assets of TL1 Borrower. The assets of TL1 Borrower are the primary source of repayment and interest on the Term Loan Agreement, thereby making the cash proceeds received by TL1 Borrower from rent payments and any sales of the underlying properties the primary sources of the payment of interest and principal by TL1 Borrower to the lenders. We have limited indemnification obligations for wrongful acts taken by TL1 Borrower and RESI TL1 Pledgor, LLC, the sole member of TL1 Borrower, in connection with the secured collateral for the Term Loan Agreement.

FYR SFR Loan Agreement

On August 8, 2018, FYR SFR Borrower, LLC ("FYR SFR Borrower"), our wholly owned subsidiary, entered into loan agreement (the "FYR SFR Loan Agreement") with Berkadia Commercial Mortgage LLC, as lender ("Berkadia") secured by 2,798 properties acquired on August 8, 2018 (the "RHA Acquired Properties") as well as 2,015 other properties already owned by us and previously financed on our existing warehouse facilities with other lenders (together, the "FYR SFR Collateral Properties"). The FYR SFR Loan Agreement was originated as part of the Federal Home Loan Mortgage Corporation's ("Freddie Mac") single-family rental pilot program and has been purchased from Berkadia by Freddie Mac. The FYR SFR Loan Agreement contains customary events of default and is secured by the equity interests of FYR SFR Borrower and mortgages on the collateral properties. In connection with the FYR SFR Loan Agreement, we maintained $1.1 million and $0.6 million in escrow for future payments of property taxes and repairs and maintenance as of March 31, 2020 and December 31, 2019, respectively.

MS Loan Agreement

On December 7, 2018, our wholly owned subsidiary, HOME SFR Borrower, LLC ("HOME Borrower"), entered into a loan agreement (the "MS Loan Agreement") with Morgan Stanley Bank, N.A. ("Morgan Stanley") and such other persons that may from time to time become a party to the MS Loan as lenders. The MS Loan Agreement can be prepaid without penalty at any time after December 7, 2021. The MS Loan Agreement contains customary events of default and is secured by the equity interests in HOME Borrower and mortgages on its 4,262 SFR properties. In connection with the MS Loan Agreement, we maintained $6.4 million and $4.9 million in escrow for future payments of property taxes, insurance, HOA dues and repairs and maintenance as of March 31, 2020 and December 31, 2019, respectively.

Compliance with covenants

Our repurchase and loan agreements require us and certain of our subsidiaries to maintain various financial and other covenants customary to these types of indebtedness. The covenants of each facility may include, without limitation, the following:

- reporting requirements to the agent or lender,
- minimum adjusted tangible net worth requirements,
- minimum net asset requirements,
- limitations on the indebtedness,
- minimum levels of liquidity, including specified levels of unrestricted cash,
- limitations on sales and dispositions of properties collateralizing certain of the loan agreements,
- various restrictions on the use of cash generated by the operations of properties, and
- a minimum fixed charge coverage ratio.

We are currently in compliance with the covenants and other requirements with respect to the repurchase and loan agreements.

Counterparty risk

We monitor our lending partners' ability to perform under the repurchase and loan agreements, including the obligation of lenders under repurchase agreements to resell the same assets back to us at the end of the term of the transaction, and have concluded there is currently no reason to doubt that they will continue to perform under the repurchase and loan agreements as contractually obligated.

Reliance on financing arrangements

Our business model relies to a significant degree on both short-term financing and longer duration asset-backed financing arrangements, and we generally do not carry sufficient liquid funds to retire any of our short-term obligations upon their maturity. Prior to or upon such short-term maturities, management generally expects to (1) refinance the remaining outstanding short-term facilities, obtain additional financing or replace the short-term facilities with longer-term facilities and (2) continue to liquidate certain non-core real estate assets, which will generate cash to reduce the related financing. We are in continuous dialogue with our lenders, and we are currently not aware of any circumstances that would adversely affect our ability to complete such refinancings. We believe we will be successful in our efforts to refinance or obtain additional financing based on our recent success in renewing our outstanding facilities and obtaining additional financing with new counterparties and our ongoing relationships with lenders.

6. Leases

Front Yard as Lessor

Our primary business is to lease single-family homes to families throughout the United States. Our leases to tenants generally have a term of one year with potential extensions, including month-to-month leases after the initial term. These leases are classified as operating leases.

Future contractual rents for the 14,010 properties that were leased as of March 31, 2020 are as follows ($ in thousands):

2020 (1)	$	97,459
2021		13,498
2022		563
2023		12
2024		—
Thereafter		—
	$	111,532

(1) Excludes the three months ended March 31, 2020.

Front Yard as Lessee

We lease office space and automobiles throughout the United States to support our property management function. We include lease right-of-use assets as a component of prepaid assets and other expenses, and we include lease liabilities as a component of accounts payable and accrued liabilities.

Operating Leases

We lease office space under various operating leases. As of March 31, 2020 and December 31, 2019, we applied a weighted average discount rate of 4.72% and 4.70%, respectively, to our office leases. We determine the discount rate for each lease to be either the discount rate stated in the lease agreement or the rate that we would be charged to finance real estate assets. Our weighted average remaining lease term was 1.7 years and 1.9 years as of March 31, 2020 and December 31, 2019, respectively.

During the three months ended March 31, 2020 and 2019, our operating leases resulted in rent expense related to long-term leases of $0.2 million and $0.1 million, respectively, which is allocated amongst residential property operating expenses, property management expenses and general and administrative expenses. At March 31, 2020 and December 31, 2019, we had operating lease right-of-use assets of $0.8 million and $0.9 million, respectively.

The following table presents our future lease obligations under our operating leases as of March 31, 2020 ($ in thousands):

	Operating Lease Liabilities	
2020 (1)	$	519
2021		218
2022		80
2023		—
2024		—
Thereafter		—
Total lease payments		817
Less: interest		31
Lease liabilities	$	786

(1) Excludes the three months ended March 31, 2020.

Finance Leases

We lease vehicles under a master finance lease arrangement. At March 31, 2020 and December 31, 2019, the weighted average discount rate applied to our vehicle leases was 7.69% and 6.87% respectively, based on the rates implied in the individual lease agreements. The weighted average remaining lease term was 3.6 years and 3.7 years as of March 31, 2020 and December 31, 2019, respectively.

During the three months ended March 31, 2020 and 2019, our finance leases resulted in $0.2 million and $0.1 million, respectively, of amortization of our lease right-of-use assets, which is allocated amongst residential property operating expense, property management expenses and general and administrative expenses. At March 31, 2020 and December 31, 2019, we had finance lease right-of-use assets of $2.8 million and $2.9 million, respectively.

The following table presents our future lease obligations under our finance leases as of March 31, 2020 ($ in thousands):

	Finance Lease Liabilities
2020 (1)	$ 995
2021	849
2022	315
2023	83
2024	13
Thereafter	—
Total lease payments	2,255
Less: interest	194
Lease liabilities	$ 2,061

(1) Excludes the three months ended March 31, 2020.

7. Commitments and Contingencies

Litigation, claims and assessments

From time to time, we may be involved in various claims and legal actions arising in the ordinary course of business. We believe the matters to which we were party as of March 31, 2020 will not have a materially adverse effect on our financial position or results of operations upon resolution.

Potential purchase adjustments of certain properties sold

In January 2020, we received notice regarding potential purchase price adjustment/indemnification claims of up to $1.2 million relating to certain real estate sold in January 2019. We are investigating these claims, and, if they are determined to be valid, we may be required to repay a portion of the sales proceeds to the purchaser, based on the terms of the purchase agreement. At this time, we are not able to predict the ultimate outcome of these claims, nor can we estimate the range of possible adjustment/indemnification obligation, if any.

COVID-19 Pandemic

Due to the current COVID-19 pandemic in the United States and globally, our employees, tenants, lenders and the economy as a whole have been, and will continue to be, adversely impacted. The magnitude and duration of the COVID-19 pandemic and its impact on our tenants, cash flows and future results of operations could be significant and will largely depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the COVID-19 pandemic, the success of actions taken to contain or treat the pandemic, and reactions by consumers, companies, governmental entities and capital markets. The prolonged duration and impact of the COVID-19 pandemic could materially disrupt our business operations and impact our financial performance.

8. Related-Party Transactions

Terms of the Amended AMA

Front Yard and AAMC entered into an amended and restated asset management agreement (the “Amended AMA”) on May 7, 2019 (the “Effective Date”). The Amended AMA amends and restates, in its entirety, the asset management agreement previously entered into on March 31, 2015, as amended on April 7, 2015. The Amended AMA has an initial term of five years and will renew automatically each year thereafter for an additional one-year term, subject in each case to the termination provisions further described below.

Management Fees

The Amended AMA provides for the following management fee structure, which is subject to certain performance thresholds and an Aggregate Fee Cap (as described below):

- **Base Management Fee.** Front Yard will pay a quarterly base management fee (the “Base Management Fee”) to AAMC as follows:
    - Initially, commencing on the Effective Date and until the Reset Date (as defined below), the quarterly Base Management Fee will be (i) $3,584,000 (the “Minimum Base Fee”) *plus* (ii) an additional amount (the “Additional Base Fee”), if any, of 50% of the amount by which Front Yard's per share Adjusted AFFO (as defined in the Amended AMA) for the quarter exceeds $0.15 per share (provided that the Base Management Fee for any calendar quarter prior to the Reset Date cannot be less than the Minimum Base Fee or greater than $5,250,000). Beginning in 2021, the Base Management Fee may be reduced, but not below the Minimum Base Fee, in the fourth quarter of each year by the amount that Front Yard's AFFO (as defined below) on a per share basis is less than an aggregate of $0.60 for the applicable calendar year (the “AFFO Adjustment Amount”); and
    - Thereafter, commencing in the first quarter after which the quarterly Base Management Fee first reaches $5,250,000 (the “Reset Date”), the Base Management Fee will be 25% of the sum of (i) the applicable Annual Base Fee Floor *plus* (ii) the amount calculated by multiplying the applicable Manager Base Fee Percentage by the amount, if any, that Front Yard's Gross Real Estate Assets (as defined below) exceeds the applicable Gross Real Estate Assets Floor (in each case of the foregoing clauses (i) and (ii), as set forth in the table below), *minus* (iii) solely in the case of the fourth quarter of a calendar year, the AFFO Adjustment Amount (if any); provided, that the Base Management Fee for any calendar quarter shall not be less than the Minimum Base Fee.

Gross Real Estate Assets (1)	Annual Base Fee Floor	Manager Base Fee Percentage	Gross Real Estate Assets Floor
Up to $2,750,000,000	$21,000,000	0.325%	$2,250,000,000
$2,750,000,000 – $3,250,000,000	$22,625,000	0.275%	$2,750,000,000
$3,250,000,000 – $4,000,000,000	$24,000,000	0.250%	$3,250,000,000
$4,000,000,000 – $5,000,000,000	$25,875,000	0.175%	$4,000,000,000
$5,000,000,000 – $6,000,000,000	$27,625,000	0.125%	$5,000,000,000
$6,000,000,000 – $7,000,000,000	$28,875,000	0.100%	$6,000,000,000
Thereafter	$29,875,000	0.050%	$7,000,000,000

(1) Gross Real Estate Assets is generally defined as the aggregate book value of all residential real estate assets owned by Front Yard and its subsidiaries before reserves for depreciation, impairment or other non-cash reserves as computed in accordance with GAAP.

In determining the Base Management Fee, “AFFO” is generally calculated as GAAP net income (or loss) adjusted for (i) gains or losses from debt restructuring and sales of property; (ii) depreciation, amortization and impairment on residential real estate assets; (iii) unconsolidated partnerships and joint ventures; (iv) acquisition and related expenses, equity based compensation expenses and other non-recurring or non-cash items; (v) recurring capital expenditures on all real estate assets and (vi) the cost of leasing commissions.

For any partial quarter during the term of the Amended AMA, the Base Management Fee is subject to proration based on the number of calendar days under the Amended AMA in such period.

- **Incentive Fee.** AAMC may earn an annual Incentive Fee to the extent that Front Yard's AFFO exceeds certain performance thresholds. The annual Incentive Fee, if any, shall be an amount equal to 20% of the amount by which Front Yard's AFFO for the calendar year (after the deduction of Base Management Fees but prior to the deduction of Incentive Fees) exceeds 5% of Gross Shareholder Equity (as defined below).

  In each calendar year, the Incentive Fee will be limited to the extent that any portion of the Incentive Fee for such calendar year (after taking into account any AFFO Adjustment Amount and the payment of the Incentive Fee) would cause the AFFO per share for such calendar year to be less than $0.60 (the “Incentive Fee Adjustment”). For any partial calendar year under the Amended AMA, the Incentive Fee amount (and Incentive Fee Adjustment, if any) for that partial calendar year is subject to proration based on the number of calendar days of the year that the Amended AMA is in effect.

  Gross Shareholder Equity for purposes of the Amended AMA is generally defined as the arithmetic average of all shareholder equity as computed in accordance with GAAP and adding back all accumulated depreciation and changes due to non-cash valuations (including those recorded as a component of accumulated other comprehensive income) and other non-cash adjustments, in each case, as of the first day of such calendar year, the first day of each of the second, third and fourth calendar quarters of such calendar year and the first day of the succeeding calendar year.

  Front Yard has the flexibility to pay up to 25% of the annual Incentive Fee to AAMC in shares of its common stock, subject to certain conditions specified in the Amended AMA.

Aggregate Fee Cap

The aggregate amount of the Base Management Fees and Incentive Fees payable to AAMC in any calendar year cannot exceed the “Aggregate Fee Cap,” which is generally defined as follows:

- For any calendar year in which average Gross Real Estate Assets is less than $2,250,000,000, the aggregate fees payable to AAMC shall not exceed $21,000,000; or

- For any calendar year in which average Gross Real Estate Assets exceeds $2,250,000,000, the aggregate fees payable to AAMC shall not exceed the sum of (i) the applicable Aggregate Fee Floor *plus* (ii) the amount calculated by multiplying the applicable Aggregate Fee Percentage by the amount, if any, by which average Gross Real Estate Assets exceed the applicable Gross Real Estate Assets Floor, in each case as set forth in the table below.

Gross Real Estate Assets	Aggregate Fee Floor	Aggregate Fee Percentage	Gross Real Estate Assets Floor
$2,250,000,000 – $2,750,000,000	$21,000,000	0.650%	$2,250,000,000
$2,750,000,000 – $3,250,000,000	$24,250,000	0.600%	$2,750,000,000
$3,250,000,000 – $4,000,000,000	$27,250,000	0.500%	$3,250,000,000
$4,000,000,000 – $5,000,000,000	$31,000,000	0.450%	$4,000,000,000
$5,000,000,000 – $6,000,000,000	$35,500,000	0.250%	$5,000,000,000
$6,000,000,000 – $7,000,000,000	$38,000,000	0.125%	$6,000,000,000
Thereafter	$39,250,000	0.100%	$7,000,000,000

Expenses and Expense Budget

AAMC is responsible for all of its own costs and expenses other than the expenses related to compensation of Front Yard’s dedicated general counsel and, beginning in January 2020, certain specified employees who provide direct property management services to Front Yard. Front Yard and its subsidiaries pay their own costs and expenses, and, to the extent such Front Yard expenses are initially paid by AAMC, Front Yard is required to reimburse AAMC for such reasonable costs and expenses.

Termination Provisions

The Amended AMA may be terminated without cause (i) by Front Yard for any reason, or no reason, or (ii) by Front Yard or AAMC in connection with the expiration of the initial term or any renewal term, in either case with 180 days' prior written notice. If the Amended AMA is terminated by Front Yard without cause or in connection with the expiration of the initial term or any renewal term, Front Yard shall pay a termination fee (the “Termination Fee”) to AAMC in an amount generally equal to three times the arithmetical mean of the aggregate fees actually paid or payable with respect to each of the three immediately preceding completed calendar years (including any such prior years that may have occurred prior to the Effective Date). Upon any such termination by Front Yard, Front Yard shall have the right, at its option, to license certain intellectual property and technology assets from AAMC.

If the Termination Fee becomes payable (except in connection with a termination by AAMC for cause, which would require the payment of the entire Termination Fee in cash), at least 50% of the Termination Fee must be paid in cash on the termination date and the remainder of the Termination Fee may be paid, at Front Yard’s option, either in cash or, subject to certain conditions specified in the Amended AMA, in Front Yard common stock in up to 3 equal quarterly installments (without interest) on each of the six-, nine- and twelve-month anniversaries of the termination date until the Termination Fee has been paid in full.

Front Yard may also terminate the Amended AMA, without the payment of a Termination Fee, upon a change of control of AAMC as described in the Amended AMA and “for cause” upon the occurrence of certain events including, without limitation, a final judgment that AAMC or any of its agents, assignees or controlled affiliates has committed a felony or materially violated securities laws; AAMC’s bankruptcy; the liquidation or dissolution of AAMC; a court determination that AAMC has committed fraud or embezzled funds from Front Yard; a failure of Front Yard to qualify as a REIT as a result of any action or inaction of AAMC; an uncured material breach of a material provision of the Amended AMA; or receipt of certain qualified opinions from AAMC or Front Yard's independent public accounting firm that (i) with respect to such opinions relating to AAMC, are reasonably expected to materially adversely affect either AAMC’s ability to perform under the Amended AMA or Front Yard, or (ii) with respect to such opinions relating to Front Yard, such opinions are a result of AAMC's actions or inaction; in each case, subject to the exceptions and conditions set forth in the Amended AMA. AAMC may terminate the Amended AMA upon an uncured default by Front Yard under the Amended AMA and receive the Termination Fee. A termination “for cause” may be effected by Front Yard with 30 days' written notice or by AAMC with 60 days' written notice. Upon any termination by Front Yard “for cause,” Front Yard shall have the right, at its option, to license certain intellectual property and technology assets from AAMC.

Transition Following Termination

Following any termination of the Amended AMA, AAMC is required to cooperate in executing an orderly transition to a new manager or otherwise in accordance with Front Yard’s direction including by providing transition services as requested by Front Yard for up to one (1) year after termination or such longer period as may be mutually agreed (including by assisting Front Yard with the recruiting, hiring and/or training of new replacement employees) at cost (but not more than the Base Management Fee at the time of termination).

If the Amended AMA with AAMC were terminated, our financial position and future prospects for revenues and growth could be materially adversely affected.

Terms of the Former AMA with AAMC

On March 31, 2015, we entered into an asset management agreement (the “Former AMA”) with AAMC. The Former AMA, which became effective on April 1, 2015, provided for a management fee structure as follows:

- Base Management Fee. AAMC was entitled to a quarterly base management fee equal to 1.5% of the product of (i) our average invested capital (as defined in the Former AMA) for the quarter *multiplied by* (ii) 0.25, while we had fewer than 2,500 SFR properties actually rented ("Rental Properties"). The base management fee percentage increased to 1.75% of invested capital while we had between 2,500 and 4,499 Rental Properties and increased to 2.0% of invested capital while we had 4,500 or more Rental Properties;

- Incentive Management Fee. AAMC was entitled to a quarterly incentive management fee equal to 20% of the amount by which our return on invested capital (based on AFFO defined as our net income attributable to holders of common stock calculated in accordance with GAAP *plus* real estate depreciation expense *minus* recurring capital expenditures on all of our real estate assets owned) exceeded an annual hurdle return rate of between 7.0% and 8.25% (or 1.75% and 2.06% per quarter), depending on the 10-year treasury rate. To the extent that we had an aggregate shortfall in the return rate over the previous seven quarters, that aggregate return rate shortfall was added to the normal quarterly return hurdle for the next quarter before AAMC was entitled to an incentive management fee. The incentive management fee increased to 22.5% while we had between 2,500 and 4,499 Rental Properties and increased to 25% while we had 4,500 or more Rental Properties. No incentive management fee under the Former AMA has been payable to AAMC because our return on invested capital (as defined in the Former AMA) did not exceed the cumulative required hurdle rate; and

- Conversion Fee. AAMC was entitled to a quarterly conversion fee equal to 1.5% of the market value of the SFR homes leased by us for the first time during the applicable quarter.

Because we had more than 4,500 Rental Properties, AAMC was entitled to receive a base management fee of 2.0% of our invested capital and a potential incentive management fee percentage of 25% of the amount by which we exceeded our then-required return on invested capital threshold.

Under the Former AMA, we reimbursed AAMC for the compensation and benefits of the General Counsel dedicated to us and certain other out-of-pocket expenses incurred by AAMC on our behalf.

The Former AMA required that AAMC continue to serve as our exclusive asset manager for an initial term of 15 years from April 1, 2015, with two potential five-year extensions, subject to our achieving an average annual return on invested capital of at least 7.0%. Neither party was entitled to terminate the Former AMA prior to the end of the initial term, or each renewal term, other than termination by (a) us and/or AAMC "for cause" for certain events such as a material breach of the Former AMA and failure to cure such breach, (b) us for certain other reasons such as our failure to achieve a return on invested capital of at least 7.0% for two consecutive fiscal years after the third anniversary of the Former AMA and (c) us in connection with certain change of control events.

Summary of related-party transactions

The following table presents our significant transactions with AAMC, which is a related party, for the periods indicated ($ in thousands):

	Three months ended March 31,	
	2020	**2019**
Base management fees (1)	$ 3,584	$ 3,546
Conversion fees (1)	—	29
Expense reimbursements (2)	368	328

(1) Included in management fees to AAMC in the condensed consolidated statements of operations.
(2) Included in general and administrative expenses in the condensed consolidated statements of operations.

9. Share-Based Payments

Equity Incentive Plan

Our non-management directors each received annual grants of restricted stock units. These restricted stock units are eligible for settlement in the number of shares of our common stock having a fair market value of $80,000 for the 2019-2020 service year ($75,000 for the 2018-2019 service year) on the date of grant. Subject to accelerated vesting in limited circumstances, the restricted stock units vest on the earlier of the first anniversary of the date of grant or the next annual meeting of stockholders, with distribution mandatorily deferred for an additional two years thereafter until the third anniversary of grant (subject to earlier distribution or forfeiture upon the respective director's separation from the Board of Directors). The awards were issued together with dividend equivalent rights. In respect of dividends paid to our stockholders prior to the vesting date, dividend equivalent rights accumulate and are expected to be paid in a lump sum in cash following the vesting date, contingent on the vesting of the underlying award. During any period thereafter when the award is vested but remains subject to settlement, dividend equivalent rights are expected to be paid in cash on the same timeline as underlying dividends are paid to our stockholders.

We have also made grants of restricted stock units and stock options to certain employees of AAMC with service-based or market-based vesting criteria. Our service-based awards vest in equal annual installments on each of the first three anniversaries of the grant date, subject to acceleration or forfeiture. Our market-based awards vest in three equal annual installments on the first, second and third anniversary of the later of (i) the date of the award and (ii) the date of the satisfaction of certain performance criteria, subject to acceleration or forfeiture. The performance criteria is satisfied on the date on which the sum of (a) the average price per share for the consecutive 20-trading-day period ending on such date plus (b) the amount of all reinvested dividends, calculated on a per-share basis from the date of grant through such date, shall equal or exceed 125% of the price per share on the date of grant (the "Performance Goal"); provided however that the Performance Goal must be attained no later than the fourth anniversary of the grant date. In the event that the Performance Goal is not attained prior to the fourth anniversary of the grant date, the market-based awards shall expire.

On March 29, 2019, we granted an aggregate of 419,657 service-based restricted stock units and 280,320 market-based restricted stock units to certain of our employees and employees of AAMC with a weighted average grant date fair value of $9.27 per share and $7.39 per share, respectively.

We recorded $1.5 million and $1.1 million of share-based compensation expense for the three months ended March 31, 2020 and 2019, respectively. As of March 31, 2020 and December 31, 2019, we had $3.2 million and $4.7 million, respectively, of unrecognized share-based compensation cost remaining with respect to awards granted under the Equity Incentive Plan to be recognized over a weighted average remaining estimated term of 0.9 years and 1.0 year, respectively.

2012 Conversion Option Plan and 2012 Special Conversion Option Plan

On December 21, 2012, as part of our separation transaction from ASPS, we issued stock options under the 2012 Conversion Option Plan and 2012 Special Conversion Option Plan to holders of ASPS stock options to purchase shares of our common stock in a ratio of one share of our common stock to every three shares of ASPS common stock. The options were granted as part of our separation to employees of ASPS and/or Ocwen solely to give effect to the exchange ratio in the separation, and we do not include share-based compensation expense related to these options in our consolidated statements of operations because they are not related to our incentive compensation. As of March 31, 2020, options to purchase an aggregate of 4,583 shares of our common stock were remaining under the Conversion Option Plan and Special Conversion Option Plan.

10. Derivatives

We may enter into derivative contracts from time to time in order to mitigate the risk associated with our variable rate debt. We do not enter into such derivatives transactions for investment or trading purposes. Derivatives are carried at fair value within prepaid expenses and other assets in our condensed consolidated balance sheet. Upon execution, we may or may not designate such derivatives as accounting hedges.

Designated Hedges

We have entered into various interest rate cap agreements to mitigate potential increases in interest payments on our floating rate debt. The interest rate caps we currently hold have been designated as and are being accounted for as cash flow hedges with changes in fair value recorded in other comprehensive income or loss each reporting period. Amounts reported in accumulated other comprehensive income or loss related to derivatives will be reclassified to interest expense as interest payments are made on our variable rate debt. During the next 12 months, we estimate that $6.1 million will be reclassified to interest expense.

No gain or loss was recognized related to hedge ineffectiveness or to amounts excluded from effectiveness testing on our cash flow hedges during the three months ended March 31, 2020 or 2019.

The table below summarizes our interest rate cap instruments as of March 31, 2020 ($ in thousands):

Effective Date	Termination Date	Strike Rate	Benchmark Rate	Notional Amount
November 2, 2018	May 9, 2024	2.50%	One-month LIBOR	$ 505,000
October 16, 2018	October 15, 2022	2.30%	One-month LIBOR	83,270
October 16, 2018	October 15, 2022	2.30%	One-month LIBOR	89,149

Tabular Disclosure of Fair Values of Derivative Instruments on the Condensed Consolidated Balance Sheets ($ in thousands)

	Asset Derivatives		
		Fair Value as of	
	Balance Sheet Location	March 31, 2020	December 31, 2019
Derivatives designated as hedging instruments:			
Interest rate caps	Prepaid expenses and other assets	$ 254	$ 2,070
Total		$ 254	$ 2,070

Tabular Disclosure of the Effect of Derivative Instruments on the Condensed Consolidated Statements of Operations ($ in thousands)

	Amount of Gain (Loss) Recognized in OCI on Derivative (effective portion)		Location of Gain (Loss) Reclassified from Accumulated OCI into Net Loss	Amount of Gain (Loss) Reclassified from Accumulated OCI into Net Loss (effective portion)		Total Amount of Interest Expense Presented in the Condensed Consolidated Statements of Operations	
	Three Months ended March 31,			Three Months ended March 31,		Three Months ended March 31,	
	2020	2019		2020	2019	2020	2019
Derivatives in cash flow hedging relationships							
Interest rate caps	$ (1,815)	$ (7,609)	Interest expense	$ (1,368)	$ (987)	$ 19,496	$ 21,510

11. Income Taxes

As a REIT, we must meet certain organizational and operational requirements, including the requirement to distribute at least 90% of our annual REIT taxable income (excluding capital gains) to our stockholders. As a REIT, we generally will not be subject to federal income tax to the extent we distribute our REIT taxable income to our stockholders and provided we satisfy the REIT requirements, including certain asset, income, distribution and stock ownership tests. If we fail to qualify as a REIT, and do not qualify for certain statutory relief provisions, we will be subject to U.S. federal, state and local income taxes and may be precluded from qualifying as a REIT for the subsequent four taxable years following the year in which our REIT qualification was lost. As a REIT, we may also be subject to federal taxes if we engage in certain types of transactions.

Our condensed consolidated financial statements include the operations of our taxable REIT subsidiary ("TRS"), which is subject to federal, state and local income taxes on its taxable income. From inception through March 31, 2020, the TRS has operated at a cumulative taxable loss, which resulted in our recording a deferred tax asset with a corresponding valuation allowance.

As of March 31, 2020 and 2019, we did not accrue interest or penalties associated with any unrecognized tax benefits. We recorded nominal state and local tax expense along with nominal penalties and interest on income and property for each of the three months ended March 31, 2020 and 2019.

12. Earnings Per Share

The following table sets forth the components of diluted loss per share (in thousands, except share and per share amounts):

	Three months ended March 31,	
	2020	2019
Numerator		
Net loss	$ (20,215)	$ (18,508)
Denominator		
Weighted average common stock outstanding – basic	53,943,434	53,630,204
Weighted average common stock outstanding – diluted	53,943,434	53,630,204
Loss per basic common share	$ (0.37)	$ (0.35)
Loss per diluted common share	$ (0.37)	$ (0.35)

We excluded the items presented below from the calculation of diluted loss per share as they were antidilutive for the periods indicated:

	Three months ended March 31,	
	2020	2019
Denominator (in weighted-average shares)		
Stock options	99,377	47,949
Restricted stock	820,539	321,637

Pursuant to the Amended AMA, we have the flexibility to pay up to 25% of the Incentive Fee to AAMC in shares of our common stock. In addition, up to 50% of a Termination Fee, if payable, may be paid in shares of our common stock. Should we choose to do make any such payments in shares of our common stock, our earnings available to common stockholders would be diluted to the extent of such issuance.

13. Segment Information

Our primary business is the acquisition and ownership of SFR assets. Our primary sourcing strategy is to acquire these assets by purchasing SFR properties, either on an individual basis or in pools. As a result, we operate in a single segment focused on the acquisition and ownership of rental residential properties.

14. Subsequent Events

Management has evaluated the impact of all events subsequent to March 31, 2020 and through the issuance of these interim condensed consolidated financial statements. We have determined that there were no subsequent events other than those already disclosed that require adjustment or disclosure in the financial statements, except as follows:

As described below, on May 4, 2020, we entered into a Termination and Settlement Agreement (as described below) with certain affiliates of Amherst Residential LLC (“Amherst”) to terminate that certain Agreement and Plan of Merger, dated as of February 17, 2020 (the “Merger Agreement”), by and among the Company, BAF Holdings, LLC (“Parent”) and BAF Sub, LLC, a wholly-owned subsidiary of Parent (“Merger Sub”). As contemplated by the Termination and Settlement Agreement, Amherst agreed to pay the Company a $25 million cash termination fee, purchase from the Company 4.4 million shares of our common stock for an aggregate cash purchase price of $55 million ($12.50 per share) pursuant to an Investment Agreement (as described below), and provide the Company with a $20 million committed Non-Negotiable Promissory Note (as described below).

Termination and Settlement Agreement

On May 4, 2020, Front Yard entered into a Termination and Settlement Agreement (the “Termination and Settlement Agreement”), by and among the Company, Parent, Merger Sub, and the Purchaser, pursuant to which, among other things, Parent paid $25 million in cash (the “Settlement Payment”) to the Company on May 4, 2020, and the Merger Agreement was terminated by mutual written consent of the Company and Parent, effective upon receipt by the Company of the full amount of the Settlement Payment. Under the Termination and Settlement Agreement, the parties agreed to release each other from all claims and actions arising out of or related to the Merger Agreement, the Equity Commitment Letter, the Limited Guarantee, the Debt Commitment Letter, and the Voting Agreements (as such terms were defined in the Merger Agreement) or the transactions or payments contemplated by any of the foregoing.

Investment Agreement

On May 4, 2020, in connection with the Termination and Settlement Agreement, we entered into an Investment Agreement (the “Investment Agreement”) by and between the Company and Amherst Single Family Residential Partners VI LP (the “Purchaser”), an affiliate of Amherst, pursuant to which, among other things, the Company agreed to issue and sell to the Purchaser, and the Purchaser agreed to purchase, 4.4 million shares of Front Yard common stock (the “Acquired Shares”) from the Company at a price of $12.50 per share for an aggregate cash purchase price of $55 million (the “Purchase Price”). The closing of the transaction is scheduled to occur as promptly as practicable and no later than May 19, 2020. The Purchaser has also agreed to a customary standstill for a two-year period and a restriction on transferring the Acquired Shares for one year (other than to permitted transferees). Beginning on the first anniversary of the closing date, the Purchaser will be entitled to transfer up to 1.1 million of the Acquired Shares per quarter on a cumulative basis.

Promissory Note

On May 4, 2020, in connection with the Termination and Settlement Agreement, we also entered into a Non-Negotiable Promissory Note (the “Promissory Note”) by and between Front Yard and Amherst SFRP VI REIT, LLC (the “Amherst Noteholder”), pursuant to which, among other things, the Amherst Noteholder committed to make advances from time to time to Front Yard in an aggregate principal amount of up to $20 million.

The Promissory Note matures on May 4, 2022, and the outstanding principal balance thereof bears interest at LIBOR plus 5.00% per annum. Advances under the Promissory Note are available in multiple draws with minimum draw increments of $500,000, subject to prior written notice and absence of an event of default. Amounts under the Promissory Note can be repaid at any time and from time to time, without premium or penalty, and amounts repaid may be reborrowed.

The Promissory Note contains a limited set of customary representations and warranties, covenants and events of default, and does not contain any financial covenants.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Our Company

Front Yard Residential Corporation, ("we," "our," "us," "Front Yard" or the "Company") is an industry leader in providing quality, affordable rental homes to America's families in a variety of suburban communities that have easy accessibility to metropolitan areas. Our tenants enjoy the space and comfort that is unique to single-family housing at reasonable prices. Our mission is to provide our tenants with affordable houses they are proud to call home.

We are a Maryland real estate investment trust ("REIT"), and we conduct substantially all of our activities through our wholly owned subsidiary, Front Yard Residential, L.P., and its subsidiaries. We conduct a single-family rental ("SFR") business with the objective of becoming one of the top SFR equity REITs serving American families and their communities.

Our strategy is to build long-term stockholder value through the efficient management and continued growth of our portfolio of SFR homes, which we target to operate at an attractive yield. We believe there is a compelling opportunity in the SFR market, and we believe that we have implemented the right strategic plan to capitalize on the sustained growth in SFR demand. By being in the affordable SFR space, we provide a viable solution for the underserved affordable, working-class housing market by giving an important alternative to families who cannot afford or do not want to own their home. We target the moderately priced single-family home market that, in our view, offers attractive yield opportunities and one of the best-available avenues for growth.

In order to capitalize on this opportunity, we are focused on (i) maximizing the scale and operating efficiencies of our internal property management platform; (ii) identifying and acquiring large portfolios and smaller pools of high-yielding SFR properties; (iii) selling certain rental and non-rental real estate owned ("REO") properties that do not meet our targeted rental criteria to generate cash that we may reinvest in acquiring additional SFR properties and (iv) when deemed necessary or advisable, extending the duration of our financing arrangements to better match the long-term nature of our rental portfolio and, at times, reducing our exposure to floating interest rate fluctuations.

We are managed by Altisource Asset Management Corporation ("AAMC" or our "Manager"), on which we rely to provide us with dedicated personnel to administer our business and perform certain of our corporate governance functions. AAMC also provides portfolio management services in connection with our acquisition and management of SFR properties and the ongoing disposition and management of our remaining REO properties.

On March 31, 2015, we entered into an asset management agreement (the "Former AMA"), under which AAMC was our exclusive asset manager for an initial term of 15 years from April 1, 2015, with two potential five-year extensions. On May 7, 2019, we entered into an amended and restated asset management agreement (the "Amended AMA"), under which AAMC is our exclusive asset manager for an initial term of five years. For further details of these asset management agreements, refer to Item 1 - Financial Statements (Unaudited) - Note 8, "Related-Party Transactions."

Management Overview

On February 17, 2020, we entered into an Agreement and Plan of Merger (the "Merger Agreement") with BAF Holdings, LLC, a Delaware limited liability company ("Parent"), and BAF Sub, LLC, a Maryland limited liability company ("Merger Sub"), each affiliates of Amherst Single Family Residential Partners VI, LP (collectively, "Amherst"), providing for the acquisition of the Company by Parent. The Front Yard Board of Directors unanimously approved the merger agreement and recommended that Front Yard shareholders vote in favor of it at a Special Meeting of Stockholders scheduled for April 27, 2020. The parties ultimately determined that it was not feasible to proceed with the transaction, and on May 4, 2020, we entered into a Termination and Settlement Agreement to terminate the Merger Agreement. Pursuant to the Termination and Settlement Agreement, Amherst agreed to pay the Company a $25 million cash termination fee, purchase from the Company 4.4 million shares of Front Yard common stock for an aggregate cash purchase price of $55 million ($12.50 per share) pursuant to an Investment Agreement, and provide the Company with a $20 million committed Non-Negotiable Promissory Note. For further details of the Termination and Settlement Agreement, the Investment Agreement and the Non-Negotiable Promissory Note, please refer to Note 14, "Subsequent Events" of the interim condensed consolidated financial statements.

During the first quarter of 2020, we continued to improve the operating efficiency of our internal property management platform, and we have seen significant improvements in occupancy levels, collections of overdue rent balances and unit turn timelines, all of which has translated into improved operating metrics during the first quarter of 2020 despite the COVID-19 pandemic. During this time of crisis, we continue to be highly committed to our residents, employees and the communities which we serve.

We have also continued to target optimized performance of our SFR portfolio by marketing certain rental properties for sale that do not meet our strategic objectives. During the quarter ended March 31, 2020, we sold 73 non-core rental homes on an individual basis, and we have identified 124 non-core rental properties for sale as of March 31, 2020. We also disposed of 9 non-rental REO properties, and we had 13 non-rental REO properties remaining to be sold as of March 31, 2020. We believe these non-core asset sales will allow us to improve our operating efficiency, recycle capital that may be used to purchase pools of stabilized rental homes at attractive yields, repurchase common stock, pay down debt or utilize the proceeds for such other purposes as we determine will best serve our stockholders.

We believe the foregoing developments are critical to our strategy of building long-term stockholder value through the creation of a large portfolio of internally managed SFR homes that we target operating at an attractive yield.

COVID-19 Pandemic Update

Due to the current COVID-19 pandemic in the United States and globally, our employees, tenants, lenders and the economy as a whole could be, and could continue to be, adversely impacted. The magnitude and duration of the COVID-19 pandemic and its impact on our tenants, cash flows and future results of operations could be significant and will largely depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the COVID-19 pandemic, the success of actions taken to contain or treat the pandemic, and reactions by consumers, companies, governmental entities and capital markets. The prolonged duration and impact of the COVID-19 pandemic could materially disrupt our business operations and impact our financial performance. However, to date, we have seen little impact on our ability to operate effectively or on our expected cash flows due to COVID-19.

We are aware that the pandemic may impact our residents both financially and emotionally. We are highly committed to working with our residents to ease concerns and, where necessary, we have been proactively established mutually beneficial payment options to assist our residents through this difficult time. Our collections for April 2020 were only slightly below our previous months' average collection rates; however, the impact on future months is difficult to predict.

We remain committed to the safety of our employees across the country who are providing a quality rental experience for our families. We had previously implemented a robust technology platform to enable us to seamlessly transition to a remote workplace while providing our field employees with necessary personal protective equipment to continue to provide essential services to our residents. We continue to utilize our extensive internal maintenance team and vendor network, where appropriate, to maintain our homes while practicing social distancing and safety during visits. We are proud of the quality of service, focus and dedication our employees have demonstrated during this unprecedented time, and we appreciate the concern they have shown for our residents.

In addition, demand for a safe and clean home is at a premium to help ease the emotional stress of the pandemic. Our occupancy continues to be strong with 97.0% of stabilized properties leased as of March 31, 2020 and increased further to 97.7% as of April 30, 2020.

We believe that our business model is resilient and that we are well positioned to endure the COVID-19 pandemic.

Portfolio Overview

Real Estate Assets

The following table presents the number of real estate assets by status as of the dates indicated:

	Held for Use				
March 31, 2020	**Stabilized**	**Non-Stabilized**	**Total**	**Held for Sale**	**Total Portfolio**
Rental properties:					
Leased	14,010	—	14,010	—	14,010
Listed and ready for rent	227	7	234	—	234
Unit turn	205	—	205	—	205
Renovation	—	84	84	—	84
Total rental portfolio	14,442	91	14,533		
Previous rentals identified for sale	—	76	76	48	124
Legacy REO	—	7	7	6	13
	14,442	174	14,616	54	14,670
December 31, 2019					
Rental properties:					
Leased	13,711	—	13,711	—	13,711
Listed and ready for rent	357	14	371	—	371
Unit turn	369	—	369	—	369
Renovation	—	94	94	—	94
Total rental portfolio	14,437	108	14,545		
Previous rentals identified for sale	—	94	94	87	181
Legacy REO	—	10	10	12	22
	14,437	212	14,649	99	14,748

We define a property as stabilized once it has been renovated and then initially leased or available for rent for a period greater than 90 days. All other homes are considered non-stabilized. Homes are considered stabilized even after subsequent resident turnover. However, homes may be removed from the stabilized home portfolio and placed in the non-stabilized home portfolio due to renovation during the home lifecycle or because they are identified for sale. At March 31, 2020, 97.0% of our stabilized properties were leased.

The following table sets forth a summary of our real estate portfolio as of March 31, 2020 ($ in thousands):

State	Number of Properties	Carrying Value (1)	Average Age in Years
Georgia	4,377	$ 471,229	37
Florida	2,083	301,994	41
Texas	1,929	273,822	30
Tennessee	1,468	202,539	25
North Carolina	867	113,948	27
Alabama	720	79,644	43
Indiana	664	81,653	25
Minnesota	623	106,176	79
Missouri	484	67,665	43
Oklahoma	305	42,471	29
All other rentals	1,013	147,182	36
Total rental portfolio	14,533	1,888,323	37
Rental properties held for sale	48	6,622	54
Previous rentals identified for sale	76	8,825	49
Legacy REO	13	3,739	56
Total	14,670	$ 1,907,509	37

(1) The carrying value of an asset held for use is based on historical cost, plus renovation costs, net of any accumulated depreciation and impairment. Assets held for sale are carried at the lower of the carrying amount or estimated fair value less costs to sell.

Real Estate Acquisitions and Dispositions

The following table summarizes changes in our real estate assets for the periods indicated:

	Three months ended March 31,	
	2020	**2019**
Beginning count of real estate assets	14,748	15,445
Acquisitions	4	14
Dispositions	(82)	(576)
Other additions	—	2
Ending count of real estate assets	14,670	14,885

For further information regarding our real estate acquisition and disposition activities, refer to Item 1 - Financial Statements (Unaudited) - Note 2, “Asset Acquisitions and Dispositions.”

Mortgage Loan Assets

We liquidated the last of our remaining mortgage loans during the fourth quarter of 2019.

The following table summarizes changes in our mortgage loans at fair value for the periods indicated:

	Three months ended March 31, 2019
Mortgage Loans at Fair Value	
Beginning	74
Resolutions and dispositions	(8)
Ending	66

Metrics Affecting Our Consolidated Results

Revenues

Our revenues primarily consist of rental revenues. Minimum contractual rents from leases are recognized on a straight-line basis over the terms of the leases in residential rental revenues. Therefore, actual amounts billed in accordance with the lease during any given period may be higher or lower than the amount of rental revenue recognized for the period. We believe the key variables that will affect our rental revenues over the long term will be the size of our SFR portfolio, average occupancy levels and rental rates. The majority of our leases are for a term of one year. As these leases permit the residents to leave at the end of the lease term without penalty, we anticipate our rental revenues will be affected by declines in market rents more quickly than if our leases were for longer terms. Short-term leases may result in high turnover, which involves expenses such as additional renovation costs and leasing expenses or reduced rental revenues. Our rental properties had an average annual rental rate of $15,780 per home for the 14,010 stabilized properties that were leased at March 31, 2020.

Our investment strategy is to develop a portfolio of SFR properties in the United States that provides attractive risk-adjusted returns on invested capital. In determining which properties we retain for our rental portfolio, we consider various objective and subjective factors, including but not limited to gross and net rental yields, property values, renovation costs, location in relation to our coverage area, property type, HOA covenants, potential future appreciation and neighborhood amenities.

Expenses

Our expenses primarily consist of the following:

i. Residential property operating expenses. Residential property operating expenses are expenses associated with our ownership and operation of residential properties, including expenses towards repairs, turnover costs, utility expenses on vacant properties, property taxes, insurance, HOA dues and personnel cost for repair and maintenance employees.

ii. Property management expenses. Property management expenses include personnel costs of property management employees and other costs incurred in the oversight and management of our portfolio of homes.

iii. Depreciation and amortization. Depreciation and amortization is a non-cash expense associated with the ownership of real estate and generally remains consistent over the life of an asset since we depreciate our properties on a straight-line basis. Depreciation and amortization also includes the amortization of our in-place lease intangible assets and lease commissions, which generally are amortized for periods of one year or less. The level of amortization of in-place lease intangible assets will vary depending upon our acquisition activity.

iv. Acquisition and integration costs. Acquisition and integration costs include expenses associated with acquisitions as well as duplicative or non-recurring costs associated with the internalization of our property management function. We expect the majority of our asset acquisitions will not meet the definition of a business; therefore, we expect that the majority of acquisition costs will be capitalized into the cost basis of such assets.

v. Impairment. Impairment represents the amount by which we estimate the carrying amount of a property will not be recoverable.

vi. Mortgage loan servicing costs. Mortgage loan servicing costs were primarily for servicing fees, foreclosure fees and advances of residential property insurance. Due to our liquidation of the last of our remaining mortgage loans during the fourth quarter of 2019, we do not expect to incur mortgage loan servicing costs in future periods.

vii. Interest expense. Interest expense consists of the costs to borrow money in connection with our debt financing of our portfolios.

viii. Share-based compensation. Share-based compensation is a non-cash expense related to the restricted stock units and stock options issued pursuant to our authorized share-based compensation plans.

ix. General and administrative. General and administrative expenses consist of the costs related to the general operation and overall administration of our business, including compensation and benefits of certain employees. In addition, general administrative expenses include expense reimbursements to AAMC, which include the compensation and benefits of the General Counsel dedicated to us and, beginning in January 2020, four specified employees who provide direct property management services to Front Yard as well as certain out-of-pocket expenses incurred by AAMC on our behalf.

x. Management fees to AAMC. Under the Amended AMA, our management fees to AAMC include a quarterly Base Management Fee and a potential annual Incentive Fee, each of which are dependent upon our performance and are subject to potential downward adjustments and an aggregate fee cap. Beginning in the third quarter of 2019, the quarterly Base Management Fee under the Amended AMA is subject to a minimum of $3,584,000. Under the Former AMA, our management fees to AAMC included a base management fee and a conversion fee. The base management fee was calculated as a percentage of our average invested capital, and the conversion fee was based on the number and value of mortgage loans and/or REO properties that Front Yard converted to rental properties for the first time in each period. For information regarding our management fees to AAMC, refer to Item 1 - Financial Statements (Unaudited) - Note 8, “Related-Party Transactions.”

Other Factors Affecting Our Consolidated Results

We expect our results of operations will be affected by various factors, many of which are beyond our control, including the following:

Portfolio Size

The size of our SFR portfolio will impact our operating results. Generally, as the size of our investment portfolio grows, the amount of revenue we expect to generate will increase. A growing investment portfolio, however, will drive increased expenses, including possibly higher property management fees, property operating expenses and, depending on our performance, fees payable to AAMC. We may also incur additional interest expense if we incur additional debt to finance the purchase of assets.

The growth of our SFR portfolio will depend on our ability to identify and acquire SFR properties and other single-family residential assets. Generally, we expect that our SFR portfolio may grow at an uneven pace, as opportunities to acquire SFR properties may be irregularly timed and may involve portfolios of varying sizes. The timing and extent of our success in acquiring such assets cannot be predicted. In addition, as we continue to identify rental properties for sale in order to optimize our operating results, we may experience a decrease in our SFR portfolio if we are not able to successfully identify and acquire replacement SFR properties.

Financing

Our ability to grow our business is dependent on the availability of adequate financing, including additional equity financing, debt financing or a combination thereof, in order to meet our objectives. We intend to leverage our investments with debt, the level of which may vary based upon the particular characteristics of our portfolio and on market conditions. To the extent available at the relevant time, our financing sources may include term loan facilities, warehouse lines of credit, securitization financing, structured financing arrangements, seller financing loan arrangements, repurchase agreements and bank credit facilities, among others. We may also seek to raise additional capital through public or private offerings of debt or equity securities, depending upon market conditions. To qualify as a REIT under the Internal Revenue Code, we will need to distribute at least 90% of our taxable income each year to our stockholders. This distribution requirement limits our ability to retain earnings and thereby replenish or increase capital to support our activities.

Liquidation of Non-Core Assets

We continuously monitor the performance of our assets and expect to liquidate certain assets that no longer meet our investment criteria, including certain rental properties in sub-scale markets or that do not generate attractive returns and REO properties that do not meet our investment criteria. We generally sell real estate assets on an individual basis. We believe these non-core asset sales will allow us to improve our operating efficiency, recycle capital that may be used to purchase pools of stabilized rental homes at attractive yields, repurchase common stock, pay down debt or to utilize the proceeds for such other purposes as we determine will best serve our stockholders.

Results of Operations

The following sets forth discussion of our results of operations for the three months ended March 31, 2020 versus the three months ended March 31, 2019. Our results of operations for the periods presented are not indicative of our expected results in future periods.

Three months ended March 31, 2020 compared to three months ended March 31, 2019

Rental revenues

Rental revenues increased to $54.3 million for the three months ended March 31, 2020 compared to $52.6 million for the three months ended March 31, 2019. This increase is primarily attributable to improved occupancy, increased fee and other income, better collections and rent increases.

Our rental revenues depend primarily on the number of SFR properties in our portfolio as well as changes in the occupancy levels and rental rates for our residential rental properties. We expect to generate increasing rental revenues from increases in rents on existing properties upon the re-lease of properties or renewal of existing leases. Because our lease terms generally are expected to be one year, our occupancy levels and rental rates will be highly dependent on localized residential rental markets and our renters' desire to remain in our properties. In addition, we continuously evaluate opportunities to grow our rental portfolio, which would increase our rental revenues.

Residential property operating expenses

Residential property operating expenses increased to $18.9 million for the three months ended March 31, 2020 from $18.4 million for the three months ended March 31, 2019. This increase is primarily due to increases in property taxes and compensation expense related to increased headcount of repair and maintenance employees, partially offset by lower external vendor costs.

Our residential property operating expenses for occupied rental properties depends primarily on repair and maintenance expenditures, turnover costs, utility expenses on vacant properties, property taxes, insurance, and HOA dues. Our residential property operating expenses for vacant properties also includes utilities, property preservation and repairs and maintenance. With the internalization of our property management function, our residential property operating expenses will be dependent on our ability to control costs and perform unit turns and secure new tenants in a timely manner. Further, in periods when we are successful in growing our portfolio, we generally expect to incur increasing residential property operating expenses beginning in such periods.

Property management expenses

Property management expenses increased to $4.2 million for the three months ended March 31, 2020 from $3.7 million for the three months ended March 31, 2019. This increase is primarily due to increased headcount of property management and leasing employees.

Depreciation and amortization

We incurred $20.4 million and $22.4 million in depreciation and amortization for the three months ended March 31, 2020 and 2019, respectively. This decrease is primarily due to reduced amortization of lease-in-place intangible assets during 2020.

Generally, we expect to incur increasing depreciation and amortization if and when we place more residential properties into leasing service. Depreciation and amortization are non-cash expenditures that generally are not expected to be indicative of the market value or condition of our residential rental properties. Depreciation and amortization includes amortization of lease-in-place intangible assets associated with our real estate acquisitions and will vary depending upon our acquisition activity. We recognized $0.3 million of lease-in-place intangible asset amortization for the three months ended March 31, 2020 compared to $2.5 million for the three months ended March 31, 2019.

Acquisition and integration costs

We incurred $0.1 million of acquisition and integration costs for the three months ended March 31, 2020 compared to $2.2 million for the three months ended March 31, 2019. The decrease is primarily driven by non-recurring costs in the first quarter of 2019 associated with the internalization of the property management function that began in the third quarter of 2018.

Impairment

We recognized $0.2 million of impairment on our real estate assets for the three months ended March 31, 2020 compared to $1.0 million for the three months ended March 31, 2019. These declines are primarily driven by the reduction in the remaining non-rental REO in our portfolio.

For our real estate held for use, if the carrying amount of the asset exceeds the sum of its undiscounted future operating and residual cash flows, an impairment loss is recorded for the difference between estimated fair value of the asset and the carrying amount. If an increase in the fair value of our held for use properties is noted at a subsequent measurement date, we do not recognize the subsequent recovery. For our real estate held for sale, we record the properties at the lower of either the carrying amount or its estimated fair value less estimated selling costs. If the carrying amount exceeds the estimated fair value, as adjusted, we record impairment equal to the amount of such excess. If an increase in the fair value of our held for sale properties is noted at a subsequent measurement date, a gain is recognized to the extent of any previous impairment recognized. The majority of the valuation impairments we realize relates to our real estate assets held for sale, and we expect to recognize lower valuation impairments in future periods as our portfolio of non-rental assets declines.

Mortgage loan servicing costs

We incurred no mortgage loan servicing costs for the three months ended March 31, 2020 due to our liquidation of the last of our remaining mortgage loans during the fourth quarter of 2019. We incurred mortgage loan servicing costs of $0.4 million for the three months ended March 31, 2019. We incurred mortgage loan servicing and foreclosure costs as our mortgage loan servicers provided servicing for our loans and paid for advances relating to property insurance, foreclosure attorney fees, foreclosure costs and property preservation. We do not expect to incur mortgage loan servicing costs in future periods.

Interest expense

Interest expense relates to borrowings under our debt facilities and includes amortization of deferred debt issuance costs and loan discounts and mark-to-market adjustments of our interest rate caps. Interest expense decreased to $19.5 million for the three months ended March 31, 2020 from $21.5 million for the three months ended March 31, 2019. The decrease was driven by decreased average borrowings under our repurchase and loan agreements as well as decreases in the floating component of our contractual interest rates on certain of our debt. Interest expense also includes non-cash interest expense related to our interest rate cap derivatives, which was $1.4 million for the three months ended March 31, 2020 compared to $1.0 million for the three months ended March 31, 2019.

Certain interest rates under our repurchase and loan agreements are subject to change based on changes in the relevant index. We also expect our interest expense to increase as our debt increases to fund and/or leverage our ownership of existing and future portfolios we may acquire.

Share-based compensation

Share-based compensation expense was $1.5 million for the three months ended March 31, 2020 compared to $1.1 million for the three months ended March 31, 2019. This increase is primarily due to additional grants of restricted stock units to certain of our employees and employees of AAMC, partially offset by the vesting of prior grants of restricted stock units.

General and administrative expenses

General and administrative expenses increased to $7.6 million for the three months ended March 31, 2020 from $5.8 million for the three months ended March 31, 2019. The increase was driven by legal and professional fees associated with the Merger and certain incremental support costs associated with growth in the property management function that we internalized on August 8, 2018.

Management fees

We incurred base management fees to AAMC of $3.6 million during the three months ended March 31, 2020 compared to $3.5 million during the three months ended March 31, 2019, respectively. The increase in base management fees is primarily driven by the Minimum Base Fee of $3.6 million per quarter becoming applicable beginning in May 2019. Due to our entry into the Amended AMA, we expect that the management fees will increase over time but at a lower rate as we grow SFR properties in our portfolio.

Under the Amended AMA, we no longer pay conversion fees to AAMC. During the three months ended March 31, 2019, we incurred conversion fees to AAMC $29,000. Conversion fees have fluctuated dependent upon the number and fair market value of properties converted to rented properties for the first time during the quarter.

Net gain (loss) on real estate and mortgage loans

The following table presents the components of net gain (loss) on real estate and mortgage loans during the three months ended March 31, 2020 and 2019 ($ in thousands):

	Three months ended March 31,	
	2020	**2019**
Conversion of mortgage loans to REO, net	$ —	$ 615
Change in fair value of mortgage loans, net	—	116
Net realized gain on mortgage loans	—	523
Net realized gain on sales of real estate	1,533	7,523
Net gain on real estate and mortgage loans	$ 1,533	$ 8,777

Due to our liquidation of the last of our remaining mortgage loans during the fourth quarter of 2019, we no longer expect to recognize unrealized gains on conversion of mortgage loans to REO, changes in the fair value of mortgage loans or realized gains or losses on mortgage loans.

The reduction in net realized gain on sales of real estate is primarily driven by a reduction in the number of properties sold. We sold 82 properties during the three months ended March 31, 2020 compared to 576 properties during the three months ended March 31, 2019.

Liquidity and Capital Resources

As of March 31, 2020, we had cash and cash equivalents of $32.3 million compared to $43.7 million as of December 31, 2019. Our liquidity reflects our ability to meet our current obligations (including our operating expenses and, when applicable, retirement of, and margin calls relating to, our financing arrangements). We are required to distribute at least 90% of our taxable income each year to our stockholders to qualify as a REIT under the Internal Revenue Code. This distribution requirement limits our ability to retain earnings and thereby replenish or increase capital to support our activities.

We were initially funded with $100.0 million on December 21, 2012. Since our inception, our primary sources of liquidity have been proceeds from equity offerings, borrowings under our repurchase and loan agreements and securitization financings, cash generated from our rental portfolio and liquidations of non-core assets. We expect that our existing business strategy will require additional debt and/or equity financing. We continue to explore a variety of financing sources to support our growth, including, but not limited to, debt financing through bank warehouse lines of credit, additional and/or amended repurchase agreements, term financing, seller financing arrangements, securitization transactions and additional debt or equity offerings. Based on our current borrowing capacity, leverage ratio and anticipated additional debt financing transactions, we believe that these sources of liquidity will be sufficient to enable us to meet anticipated short-term (one year) liquidity requirements, including paying expenses on our existing residential rental portfolio, funding distributions to our stockholders (if any), paying fees to AAMC under the AMA and general corporate expenses. However, there can be no assurance as to how much additional financing capacity such efforts will produce, what form the financing will take or that such efforts will be successful. If we are unable to renew, replace or expand our sources of financing, our business, financial condition, liquidity and results of operations may be materially and adversely affected.

As previously discussed, on May 4, 2020, we entered into a Termination and Settlement Agreement to terminate the Merger Agreement. Pursuant to the Termination and Settlement Agreement, Amherst agreed to pay the Company a $25 million cash termination fee, purchase from the Company 4.4 million shares of Front Yard common stock for an aggregate cash purchase price of $55 million ($12.50 per share) pursuant to an Investment Agreement, and provide the Company with a $20 million committed Non-Negotiable Promissory Note. For further details of the Termination and Settlement Agreement, the Investment Agreement and the Non-Negotiable Promissory Note, please refer to Note 14, “Subsequent Events” of the interim condensed consolidated financial statements.

Repurchase and Loan Agreements

The following table sets forth data with respect to our repurchase and loan agreements as of March 31, 2020 and December 31, 2019 ($ in thousands):

	Maturity Date		Interest Rate		Amount Outstanding	Maximum Borrowing Capacity	Amount of Available Funding	Book Value of Collateral
March 31, 2020								
CS Repurchase Agreement	5/15/2020	(1)	1-month LIBOR + 2.30%		$ 101,569	$ 250,000	$ 148,431	$ 107,139
Nomura Loan Agreement	5/3/2020	(2)	1-month LIBOR + 2.30%		33,340	250,000	216,660	37,748
HOME II Loan Agreement	11/9/2020	(3)	1-month LIBOR + 2.10%	(4)	83,270	83,270	—	97,528
HOME III Loan Agreement	11/9/2020	(3)	1-month LIBOR + 2.10%	(4)	89,150	89,150	—	108,109
HOME IV Loan Agreement (A)	12/9/2022		4.00%		114,201	114,201	—	140,922
HOME IV Loan Agreement (B)	12/9/2022		4.00%		114,590	114,590	—	141,707
Term Loan Agreement	4/6/2022		5.00%		99,782	99,782	—	110,325
FYR SFR Loan Agreement	9/1/2028		4.65%		508,700	508,700	—	570,918
MS Loan Agreement	12/7/2023		1-month LIBOR + 1.80%	(5)	504,986	504,986	—	591,928
					1,649,588	$ 2,014,679	$ 365,091	$ 1,906,324
Less: unamortized loan discounts					(3,316)			
Less: deferred debt issuance costs					(8,806)			
					$ 1,637,466			
December 31, 2019								
CS Repurchase Agreement	2/15/2020		1-month LIBOR + 2.30%		$ 109,002	$ 250,000	$ 140,998	$ 111,593
Nomura Loan Agreement	4/5/2020		1-month LIBOR + 2.30%		33,671	250,000	216,329	38,423
HOME II Loan Agreement	11/9/2020		1-month LIBOR + 2.10%		83,270	83,270	—	98,150
HOME III Loan Agreement	11/9/2020		1-month LIBOR + 2.10%		89,150	89,150	—	108,860
HOME IV Loan Agreement (A)	12/9/2022		4.00%		114,201	114,201	—	141,787
HOME IV Loan Agreement (B)	12/9/2022		4.00%		114,590	114,590	—	142,620
Term Loan Agreement	4/6/2022		5.00%		99,782	99,782	—	111,061
FYR SFR Loan Agreement	9/1/2028		4.65%		508,700	508,700	—	573,961
MS Loan Agreement	12/7/2023		1-month LIBOR + 1.80%		504,986	504,986	—	595,650
					1,657,352	$ 2,014,679	$ 357,327	$ 1,922,105
Less: unamortized loan discounts					(3,632)			
Less: deferred debt issuance costs					(9,490)			
					$ 1,644,230			

(1) On April 30, 2020, we renewed the CS Repurchase Agreement until June 30, 2020 with an interest rate of 5% plus 1-Month LIBOR.
(2) On May 1, 2020, we refinanced the assets serving as collateral under the Nomura Loan Agreement under the CS Repurchase Agreement, and the Nomura Loan Agreement was terminated and repaid in full.
(3) Represents initial maturity date. We have the option to extend the maturity date for up to three successive one-year extensions, the first of which we exercised on October 17, 2019.
(4) The interest rate is capped at 4.40% under an interest rate cap derivative.
(5) The interest rate is capped at 4.30% under an interest rate cap derivative.

For a discussion of additional details regarding the above repurchase and loan agreements, see Item 1 - Financial Statements (Unaudited) - Note 5, “Borrowings” to our interim condensed consolidated financial statements.

Compliance with Covenants

Our repurchase and loan agreements require us and certain of our subsidiaries to maintain various financial and other covenants customary to these types of indebtedness. The covenants of each facility may include, without limitation, the following:

- reporting requirements to the agent or lender,
- minimum adjusted tangible net worth requirements,
- minimum net asset requirements,
- limitations on the indebtedness,
- minimum levels of liquidity, including specified levels of unrestricted cash,
- limitations on sales and dispositions of properties collateralizing certain of the loan agreements,
- various restrictions on the use of cash generated by the operations of properties, and
- a minimum fixed charge coverage ratio.

We are currently in compliance with the covenants and other requirements with respect to the repurchase and loan agreements.

Counterparty Risk

We monitor our lending partners' ability to perform under the repurchase and loan agreements, including the obligation of lenders under repurchase agreements to resell the same assets back to us at the end of the term of the transaction, and have concluded there is currently no reason to doubt that they will continue to perform under the repurchase and loan agreements as contractually obligated.

Advance Rates

As amended, the CS Repurchase Agreement and the Nomura Loan Agreement provide for the lender to finance our portfolio at advance rates (or purchase prices). Advance rates for our mortgage loans, REO and SFR properties currently range from 55% to 78% of the discounted value of the underlying asset as described below. Our overall advance rate under the CS Repurchase Agreement and the Nomura Loan Agreement was 64.8% of estimated fair value at March 31, 2020 compared to 65.9% as of December 31, 2019. The advance rate of the CS and Nomura agreements will vary from period to period dependent upon the value of assets that serve as collateral thereunder. The advance rate on each of the HOME II Loan Agreement, HOME III Loan Agreement and the HOME IV Loan Agreements was 75% of the aggregate purchase price at acquisition. The advance rate on the Term Loan Agreement, the FYR SFR Loan Agreement and the MS Loan Agreement was 72%, 68.5% and 70% of the BPO value of the underlying properties at the time of funding, respectively. We do not collateralize any of our repurchase facilities with cash.

The lender determines the discounted asset value by applying a "haircut," which is the percentage discount that a lender applies to the market value of an asset serving as collateral for a borrowing under a repurchase or loan agreement for the purpose of determining whether such borrowing is adequately collateralized. Under these agreements, the haircut ranges from 0% to 15%, depending on the class of asset serving as collateral. We believe these are typical market terms that are designed to provide protection for the lender to collateralize its advances to us in the event the collateral declines in value. The weighted average contractual haircut applicable to the assets that serve as collateral for the CS Repurchase Agreement increased to 8.2% of the estimated fair value (based on BPOs) of such assets at March 31, 2020 from 8.0% at December 31, 2019. The haircut applied will vary from period to period dependent upon the assets that serve as collateral under the CS Loan Agreement. Under these agreements, if the carrying value of the collateral declines beyond certain limits, we would have to either (a) provide additional collateral or (b) repurchase certain assets under the agreement to maintain the applicable advance rate.

Effective April 5, 2019, a haircut was no longer applied to the estimated fair value of stabilized assets serving as collateral under the Nomura Loan Agreement. On May 1, 2020, we refinanced the assets serving as collateral under the Nomura Loan Agreement under the CS Repurchase Agreement, and the Nomura Loan Agreement was terminated and repaid in full.

The decrease in amounts outstanding under our repurchase and loan agreements from December 31, 2019 to March 31, 2020 is primarily due to reductions of debt upon the liquidation of non-core property sales.

The following table sets forth data with respect to our contractual obligations under our repurchase and loan agreements as of and for the three months ended March 31, 2020, December 31, 2019 and March 31, 2019 ($ in thousands):

	Three Months Ended		
	March 31, 2020	December 31, 2019	March 31, 2019
Balance at end of period	$ 1,649,588	$ 1,657,352	$ 1,647,979
Maximum month end balance outstanding during the period	1,657,596	1,660,381	1,743,383
Weighted average quarterly balance	1,655,343	1,645,609	1,687,266
Amount of available funding at end of period	365,091	357,327	366,700

Repurchases of Common Stock

The Board of Directors has authorized a stock repurchase program under which we may repurchase up to $100.0 million in shares of our common stock. At March 31, 2020, a total of $51.5 million in shares of our common stock had been repurchased to date under this authorization. Repurchased shares are held as shares available for future issuance and are available for general corporate purposes.

Potential purchase adjustments of certain properties sold

In January 2020, we received notice regarding potential purchase price adjustment/indemnification claims of up to $1.2 million relating to certain real estate sold in January 2019. We are investigating these claims, and, if they are determined to be valid, we may be required to repay a portion of the sales proceeds to the purchaser, based on the terms of the purchase agreement. At this time, we are not able to predict the ultimate outcome of these claims, nor can we estimate the range of possible adjustment/indemnification obligation, if any.

Cash Flows

We report and analyze our cash flows, including cash, cash equivalents and restricted cash, based on operating activities, investing activities and financing activities. The following table sets forth our cash flows for the periods indicated ($ in thousands):

	Three months ended March 31,	
	2020	2019
Net cash used in operating activities	$ (2,941)	$ (7,987)
Net cash provided by investing activities	6,282	108,501
Net cash used in by financing activities	(17,255)	(99,702)
Net change in cash, cash equivalents and restricted cash	$ (13,914)	$ 812

Net cash used in operating activities for the three months ended March 31, 2020 consisted primarily of net payments made for operating assets and liabilities, partially offset by rental revenues in excess of cash operating expenses. Net cash used in operating activities for the three months ended March 31, 2019 consisted primarily of cash operating expenses in excess of revenues.

Net cash provided by investing activities for the three months ended March 31, 2020 and 2019 consisted primarily of proceeds from dispositions of real estate, partially offset by investments in real estate and renovations.

Net cash used in financing activities for the three months ended March 31, 2020 and 2019 consisted primarily of net repayments of repurchase and loan agreements and payment of dividends on common stock.

Off-balance Sheet Arrangements

We had no off-balance sheet arrangements as of March 31, 2020 or December 31, 2019.

Recent Accounting Pronouncements

See Item 1 - Financial Statements (Unaudited) - Note 1, "Organization and basis of presentation - Recently issued accounting standards."

Critical Accounting Judgments

Accounting standards require information in financial statements about the risks and uncertainties inherent in significant estimates, and the application of generally accepted accounting principles involves the exercise of varying degrees of judgment. Certain amounts included in or affecting our financial statements and related disclosures must be estimated, which requires us to make certain assumptions with respect to values or conditions that cannot be known with certainty at the time our condensed consolidated financial statements are prepared. These estimates and assumptions affect the amounts we report for our assets and liabilities, our revenues and expenses during the reporting period and our disclosure of contingent assets and liabilities at the date of our condensed consolidated financial statements. Actual results may differ significantly from our estimates, and any effects on our business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known.

For additional details on our critical accounting judgments, please see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Judgments" in our Annual Report on Form 10-K for the year ended December 31, 2019 as filed with the Securities and Exchange Commission ("SEC") on February 28, 2020.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk includes risks that arise from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market sensitive instruments. The primary market risks that we are currently exposed to are real estate risk and interest rate risk. A substantial portion of our investments are, and we expect will continue to be, comprised of single-family residential properties. The primary driver of the value of this asset class is the fair value of the underlying real estate.

Real Estate Risk

Residential property values are subject to volatility and may be affected adversely by a number of factors, including, but not limited to: national, regional and local economic conditions (which may be adversely affected by industry slowdowns and other factors); local real estate conditions (such as an oversupply of housing); construction quality, age and design; demographic factors; and retroactive changes to building or similar codes. Although decreases in property values may allow us to acquire additional homes with more attractive yields, such decreases could lead to increased unit turnover as more tenants may choose to purchase their own home or difficulties in refinancing, including our ability to finance existing collateral at the same level of funding or at the existing rate.

Interest Rate Risk

We are exposed to interest rate risk from our debt financing activities. Interest rate risk is highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control. Changes in interest rates may affect our interest expense related to the funding of our real estate portfolios.

We have undertaken and may continue to undertake risk mitigation activities with respect to our debt financing interest rate obligations. A portion of our debt financing is, and will likely continue to be, based on a floating rate of interest calculated on a fixed spread over the relevant index, as determined by the particular financing arrangement. A significantly rising interest rate environment could have an adverse effect on the cost of such financing. To mitigate this risk, we have used, and may continue to use, derivative financial instruments such as interest rate caps in an effort to reduce the variability of earnings caused by changes in the interest rates we pay on our debt.

These derivative transactions will be entered into solely for risk management purposes, not for investment purposes. When undertaken, these derivative instruments likely will expose us to certain risks such as price and interest rate fluctuations, timing risk, volatility risk, credit risk, counterparty risk and changes in the liquidity of markets. Therefore, although we expect to transact in these derivative instruments purely for risk management, they may not adequately protect us from fluctuations in our financing interest rate obligations.

We have entered into multiple interest rate caps in order to manage the risk of increases in the floating rate portion of our variable rate debt. We will be reimbursed by the counterparties of the interest rate caps to the extent that the one-month LIBOR exceeds the applicable strike rate based on the scheduled notional amount. We are also exposed to counterparty risk should any of the counterparties fail to meet their obligations under the terms of the agreement.

We currently borrow funds on our repurchase and loan facilities at variable rates. At March 31, 2020, we had $134.9 million of variable rate debt outstanding that was not protected by interest rate hedge contracts and $677.4 million that was protected by interest rate caps. The estimated aggregate fair market value of this variable rate debt was $809.0 million. If the weighted average interest rate on this variable rate debt had been 100 basis points higher or lower, the annual interest expense would increase or decrease by $8.1 million, respectively.

Item 4. Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's filings under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and to ensure that such information is accumulated and communicated to the Company’s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act) as of the end of the period covered by this quarterly report. Based upon that evaluation, management has determined that the Company's disclosure controls and procedures were effective as of March 31, 2020.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the fiscal quarter ended March 31, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations on Controls

Our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives as specified above. Management does not expect, however, that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error or fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

Part II

Item 1. Legal Proceedings

For a description of the Company's legal proceedings, refer to Item 1 - Financial Statements (Unaudited) - Note 7, "Commitments and Contingencies" of the interim condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

There have been no material changes in our risk factors since December 31, 2019 except as provided below. For information regarding our risk factors, you should carefully consider the risk factors discussed in "Item 1A. Risk factors" in our Annual Report on Form 10-K for the year ended December 31, 2019 filed with the SEC on February 28, 2020.

The COVID-19 pandemic and the measures to prevent its spread have, and could continue to have, and any other global outbreaks of pandemic disease could have, a material adverse effect on our business, results of operations, and financial condition.

The COVID-19 pandemic has materially adversely impacted regional and global economies and financial markets. The impact of the outbreak has been rapidly evolving and, as cases of COVID-19 continue to be identified in the United States, governmental authorities, including in many states where we own properties and where our offices are located, have reacted by instituting measures to prevent its spread, including quarantines, social distancing mandates, restrictions on travel and "shelter-in-place" rules. In addition, some states have limited business operations to those businesses carrying out essential services. While we have a diverse tenant population and many of our tenants work in industries that are deemed essential services, certain state or other orders have prohibited certain activities, which has and may continue to have an adverse impact on certain tenants' financial condition. These adverse economic conditions resulting from the COVID-19 pandemic, particularly any downturns in the geographic areas in which we operate, may impact our ability to serve our tenants or require us to offer rental concessions. In addition, a number of state, local, federal and industry-initiated efforts have also affected our ability to collect rent or enforce remedies for the failure to pay rent. These restrictions and initiatives have impaired our ability to collect rent, which has adversely affected our business to date and may continue to do so in the future. We cannot predict if additional states will implement similar restrictions or initiatives, when restrictions and initiatives currently in place will expire, if additional restrictions or initiatives will be imposed, or if these or other restrictions or initiatives will be imposed in the future and the impact on our business of any such restrictions or initiatives.

In addition, in response to an executive orders issued by Governors of the states in which we hold offices, many of our employees are currently working remotely. The effects of the executive orders, including an extended period of remote work arrangements, could create increased vulnerability to cybersecurity breaches or incidents involving us or our third-party vendors, which could disrupt our business; compromise confidential information of ours and third parties, including our tenants; damage our reputation; subject us to liability claims or regulatory penalties; and could have an adverse effect on our business, financial condition and results of operations. In addition, we depend upon the performance of our property management team to effectively manage our properties. Remote work arrangements and other effects of the COVID-19 pandemic could impair our and property management team's ability to effectively manage our properties, which could also adversely impact our business and results of operations.

The COVID-19 pandemic, or a future pandemic, could also have material and adverse effects on our ability to successfully operate our business and on our financial condition and results of operations due to, among other factors:

- the reduced economic activity impacting our tenants' businesses and employers, which may have a material adverse effect on our tenant's financial condition and liquidity and may cause a portion of our tenants to be unable to pay their rent to us in full, or at all, or to otherwise seek rental concessions or modifications of their rent obligations;
- difficulty finding suitable replacement tenants in the event of a tenant default or non-renewal of our leases;
- reduced economic activity that could result in a prolonged recession, which could negatively impact the real estate industry, resulting in declining demand for real estate, which may affect our ability to sell any of our properties at a profit, or at all, in the future;
- the general decline in business activity and demand for real estate transactions, which has adversely affected, and is likely to continue affecting, our ability to acquire additional properties;
- the negative effects of the COVID-19 pandemic could impair our ability to make distributions to our stockholders;

- any inability to comply with covenants under our debt agreements, which could result in a default under the applicable debt agreement and could trigger a cross-default under other indebtedness, which could cause an acceleration of our indebtedness or negatively impact our ability to incur additional indebtedness;
- any impairment in value of our tangible or intangible assets, which could be recorded as a result of a weaker economic conditions; and
- the potential negative impact on the health of our personnel, particularly if a significant number of them are impacted, could impair our ability to perform critical functions and may cause a disruption in our business operations.

The extent to which the COVID-19 pandemic impacts, and will continue to impact, our operations and those of our tenants will depend on future developments, which are highly uncertain and cannot be predicted, including the scope, severity and duration of the pandemic, the actions taken to contain the pandemic or mitigate its impact and the direct and indirect economic effects of the pandemic and containment measures, among others. The rapid development and fluidity of this situation precludes our ability to predict the full adverse impact of the COVID-19 pandemic. If we are unable to respond and manage the impact of these events, our business, financial condition and results of operations may continue to be adversely affected.

Item 4. Mine Safety Disclosures

Not applicable.

Item 6. Exhibits

Exhibits

Exhibit Number	Description
2.1	Separation Agreement, dated as of December 21, 2012, between Front Yard Residential Corporation and Altisource Portfolio Solutions S.A. (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed with the SEC on December 28, 2012).
2.2	Membership Interest Purchase and Sale Agreement, dated September 30, 2016, between MSR I, LP and Front Yard Residential, L.P. (incorporated by reference to Exhibit 2.1 of the registrant's Current Report on Form 8-K filed with the SEC on October 3, 2016).
2.3	Purchase and Sale Agreement, dated September 30, 2016, between Firebird SFE I, LLC and Front Yard Residential, L.P. (incorporated by reference to Exhibit 2.2 of the registrant's Current Report on Form 8-K filed with the SEC on October 3, 2016).
2.4	Purchase and Sale Agreement, dated March 30, 2017, among Vaca Morada Partners, LP, MSR II, LP and Front Yard Residential, L.P. f/k/a Altisource Residential, L.P. (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed on April 5, 2017).
2.5	First Amendment to the Purchase and Sale Agreement, dated June 29, 2017, among Vaca Morada Partners, LP, MSR II, LP and Front Yard Residential, L.P. f/k/a Altisource Residential, L.P. (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed on July 6, 2017).
2.6	Second Amendment to the Purchase and Sale Agreement, dated November 29, 2017, among Vaca Morada Partners, LP, MSR II, LP and Front Yard Residential, L.P. f/k/a Altisource Residential, L.P. (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed on December 5, 2017).
2.7	Purchase Agreement, dated August 8, 2018, by and among FYR SFR Purchaser, LLC, RHA 1 Inc., RHA 2 Inc., RHA 3 Inc., HavenBrook Partners, LLC, Rental Home Associates LLC and each of the unitholders of HavenBrook identified therein (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed with the SEC on August 9, 2018).†
3.1	Articles of Restatement of Front Yard Residential Corporation (incorporated by reference to Exhibit 3.3 of the registrant's Current Report on Form 8-K filed with the SEC on April 8, 2013).
3.2	Articles of Amendment of Front Yard Residential Corporation (incorporated by reference to Exhibit 3.1 of the registrant's Current Report on Form 8-K filed on February 9, 2018).
3.3	Amended and Restated By-laws of Front Yard Residential Corporation (incorporated by reference to Exhibit 3.2 of the Registrant's Current Report on Form 8-K filed with the Commission on February 9, 2018).
31.1*	Certification of CEO Pursuant to Section 302 of the Sarbanes-Oxley Act
31.2*	Certification of CFO Pursuant to Section 302 of the Sarbanes-Oxley Act
32.1*	Certification of CEO Pursuant to Section 906 of the Sarbanes-Oxley Act
32.2*	Certification of CFO Pursuant to Section 906 of the Sarbanes-Oxley Act
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Extension Labels Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

† Certain schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to furnish supplementally a copy of any of the omitted schedules or exhibits upon request by the United States Securities and Exchange Commission, provided, however, that the Company may request confidential treatment pursuant to Rule 24b-2 of the Exchange Act, as amended, for any schedules or exhibits so furnished.

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 report to be signed on its behalf by the undersigned, thereunto duly authorized.

				Front Yard Residential Corporation
Date:	May 11, 2020	By:	/s/	Robin N. Lowe
				Robin N. Lowe
				Chief Financial Officer

Exhibit 31.1

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, George G. Ellison, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Front Yard Residential 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; and

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.

Date:	May 11, 2020	By:	/s/	George G. Ellison
				George G. Ellison
				Chief Executive Officer

Exhibit 31.2

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Robin N. Lowe, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Front Yard Residential 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; and

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.

Date:	May 11, 2020	By:	/s/	Robin N. Lowe
				Robin N. Lowe
				Chief Financial Officer

Exhibit 32.1

Certification of the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The undersigned, the Chief Executive Officer of Front Yard Residential Corporation (the “Company”), hereby certifies on the date hereof, pursuant to 18 U.S.C. §1350(a), as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that the quarterly report on Form 10-Q for the quarter ended March 31, 2020 (“Form 10-Q”), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date:	May 11, 2020	By:	/s/	George G. Ellison
				George G. Ellison
				Chief Executive Officer

Exhibit 32.2

Certification of the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The undersigned, the Chief Financial Officer of Front Yard Residential Corporation (the "Company"), hereby certifies on the date hereof, pursuant to 18 U.S.C. §1350(a), as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that the quarterly report on Form 10-Q for the quarter ended March 31, 2020 ("Form 10-Q"), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date:	May 11, 2020	By:	/s/	Robin N. Lowe
				Robin N. Lowe
				Chief Financial Officer