

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

**FORM 8-K**

**Current Report**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report: November 4, 2015

**Two Harbors Investment Corp.**

(Exact name of registrant as specified in its charter)

**Maryland**  
(State or other jurisdiction  
of incorporation)

**001-34506**  
(Commission  
File Number)

**27-0312904**  
(I.R.S. Employer  
Identification No.)

**590 Madison Avenue, 36th Floor**  
**New York, NY 10022**  
(Address of principal executive offices)  
(Zip Code)

Registrant's telephone number, including area code: **(612) 629-2500**

**Not Applicable**  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 7.01 Regulation FD.**

Two Harbors Investment Corp. ("the Company") has prepared and made available on its website a webinar entitled "Mortgage Loan Conduit and Securitization" dated November 4, 2015. The presentation is intended to provide an introduction to securitization and the Company's mortgage loan conduit. The presentation is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The information in this Current Report, including Exhibit 99.1 attached hereto, is furnished pursuant to Item 7.01 of Form 8-K and shall not be deemed to be "filed" for any other purpose, including for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. The information in Item 7.01 of this Current Report, including Exhibit 99.1, shall not be deemed incorporated by reference into any filing of the registrant under the Securities Act of 1933 or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filings (unless the registrant specifically states that the information or exhibit in this Item 7.01 is incorporated by reference).

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**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

<b>Exhibit No.</b>	<b>Description</b>
99.1	Mortgage Loan Conduit and Securitization Webinar.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TWO HARBORS INVESTMENT CORP.

By: /s/ REBECCA B. SANDBERG  
Rebecca B. Sandberg  
General Counsel and Secretary

Date: November 4, 2015

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**Exhibit Index**

<b>Exhibit No.</b>	<b>Description</b>	<b>Filing Method</b>
99.1	Mortgage Loan Conduit and Securitization Webinar.	Electronically



# Mortgage Loan Conduit & Securitization

November 4, 2015



**TWO HARBORS**  
Investment Corp.

A Pine River Capital Managed Company





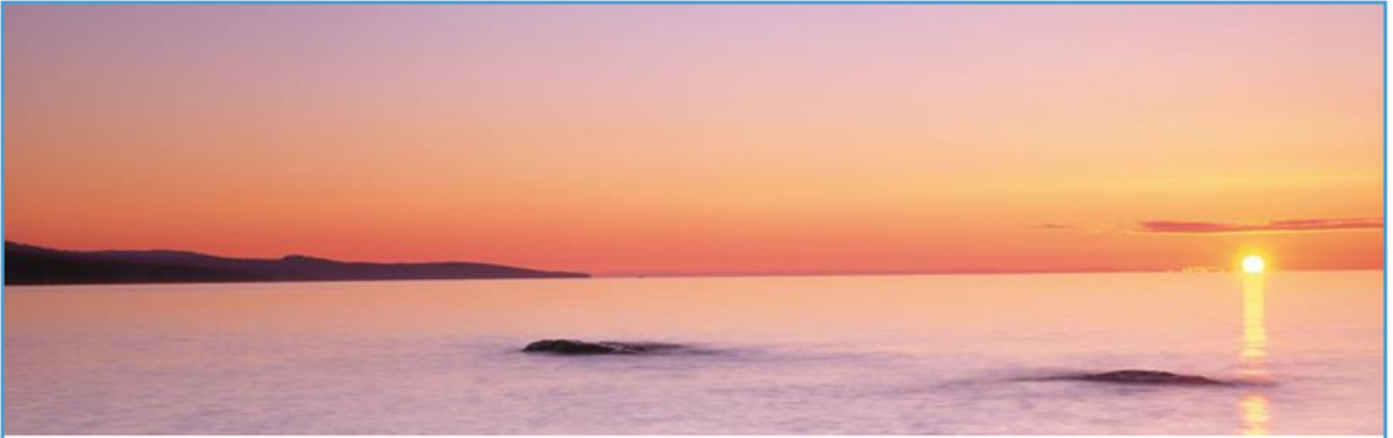
## FORWARD-LOOKING STATEMENTS

This presentation includes "forward-looking statements" within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Actual results may differ from expectations, estimates and projections and, consequently, readers should not rely on these forward-looking statements as predictions of future events. Words such as "expect," "target," "assume," "estimate," "project," "budget," "forecast," "anticipate," "intend," "plan," "may," "will," "could," "should," "believe," "predicts," "potential," "continue," and similar expressions are intended to identify such forward-looking statements. These forward-looking statements involve significant risks and uncertainties that could cause actual results to differ materially from expected results, including, among other things, those described in our Annual Report on Form 10-K for the year ended December 31, 2014, and any subsequent Quarterly Reports on Form 10-Q, under the caption "Risk Factors." Factors that could cause actual results to differ include, but are not limited to: the state of credit markets and general economic conditions; changes in interest rates and the market value of our assets; changes in prepayment rates of mortgages underlying our target assets; the rates of default or decreased recovery on the mortgages underlying our target assets; the occurrence, extent and timing of credit losses within our portfolio; the concentration of credit risks we are exposed to; declines in home prices; our ability to establish, adjust and maintain appropriate hedges for the risks in our portfolio; the availability and cost of our target assets; the availability and cost of financing; changes in the competitive landscape within our industry; our ability to successfully implement new strategies and to diversify our business into new asset classes; our ability to manage various operational risks and costs associated with our business; interruptions in or impairments to our communications and information technology systems; our ability to acquire mortgage loans and successfully securitize the mortgage loans we acquire; our ability to acquire mortgage servicing rights (MSR) and successfully operate our seller-servicer subsidiary and oversee our subservicers; the impact of any deficiencies in the servicing or foreclosure practices of third parties and related delays in the foreclosure process; the state of commercial real estate markets and our ability to acquire or originate commercial real estate loans or related assets; our exposure to legal and regulatory claims; legislative and regulatory actions affecting our business; the impact of new or modified government mortgage refinance or principal reduction programs; our ability to maintain our REIT qualification; and limitations imposed on our business due to our REIT status and our exempt status under the Investment Company Act of 1940.

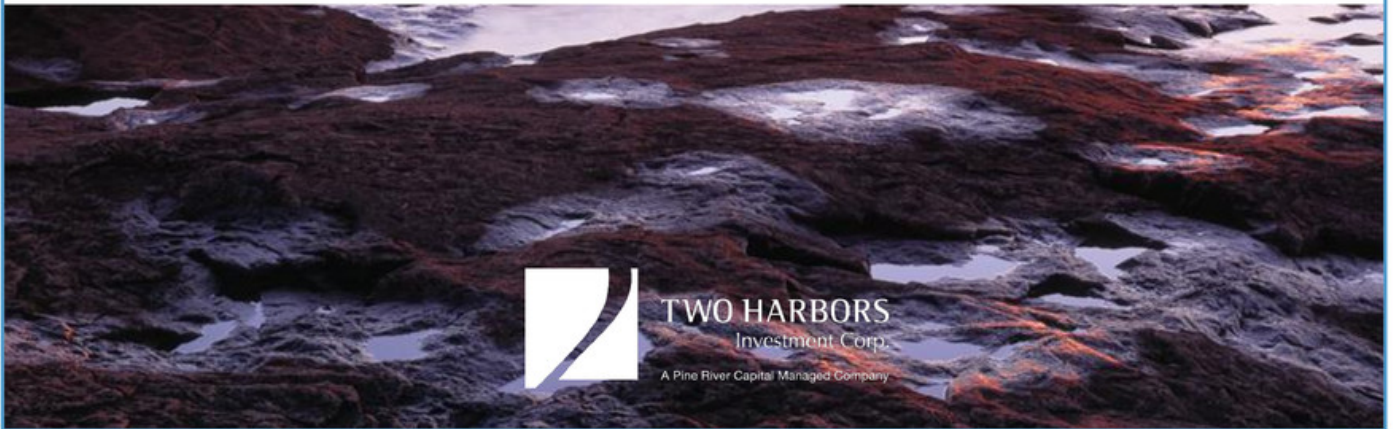
Readers are cautioned not to place undue reliance upon any forward-looking statements, which speak only as of the date made. Two Harbors does not undertake or accept any obligation to release publicly any updates or revisions to any forward-looking statement to reflect any change in its expectations or any change in events, conditions or circumstances on which any such statement is based. Additional information concerning these and other risk factors is contained in Two Harbors' most recent filings with the Securities and Exchange Commission (SEC). All subsequent written and oral forward-looking statements concerning Two Harbors or matters attributable to Two Harbors or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements above.

This presentation may include industry and market data obtained through research, surveys, and studies conducted by third parties and industry publications. We have not independently verified any such market and industry data from third-party sources. This presentation is provided for discussion purposes only and may not be relied upon as legal or investment advice, nor is it intended to be inclusive of all the risks and uncertainties that should be considered. This presentation does not constitute an offer to purchase or sell any securities, nor shall it be construed to be indicative of the terms of an offer that the parties or their respective affiliates would accept.

Readers are advised that the financial information in this presentation is based on company data available at the time of this presentation and, in certain circumstances, may not have been audited by the company's independent auditors.



## Two Harbors Overview



**TWO HARBORS**  
Investment Corp.  
A Pine River Capital Managed Company





# Mission-Based Strategy



## OUR MISSION IS TO BE RECOGNIZED AS THE INDUSTRY-LEADING MORTGAGE REIT:

- Largest hybrid mortgage REIT investing in mortgage assets
- Market capitalization of approximately \$3.2 billion<sup>(1)</sup>
- Provider of permanent capital to the U.S. mortgage market
- Thought leader in the U.S. housing market

## BENEFIT OF OUR HYBRID MODEL:

- Flexibility to take advantage of opportunities the residential and commercial mortgage markets, including:
  - Residential mortgage-backed securities (RMBS)
  - Residential mortgage loans
  - Mortgage servicing rights (MSR)
  - Commercial real estate assets
  - Other financial assets

## IMPERATIVES:

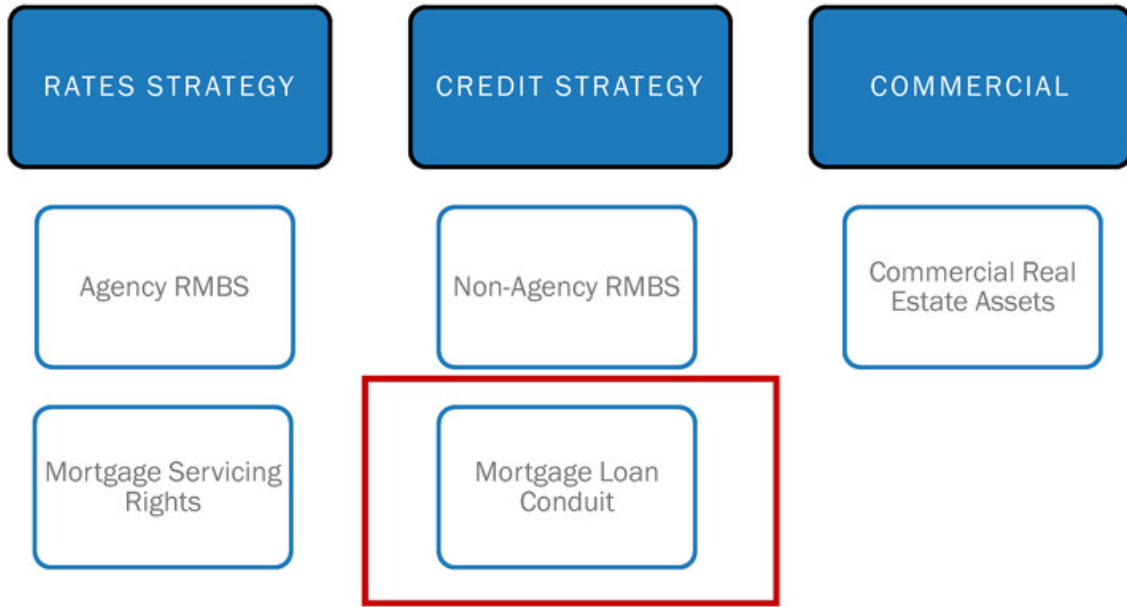
- Rigorous risk management system
- Strong administrative infrastructure
- Best practice disclosure and corporate governance
- Logically diversify portfolio for benefit of stockholders

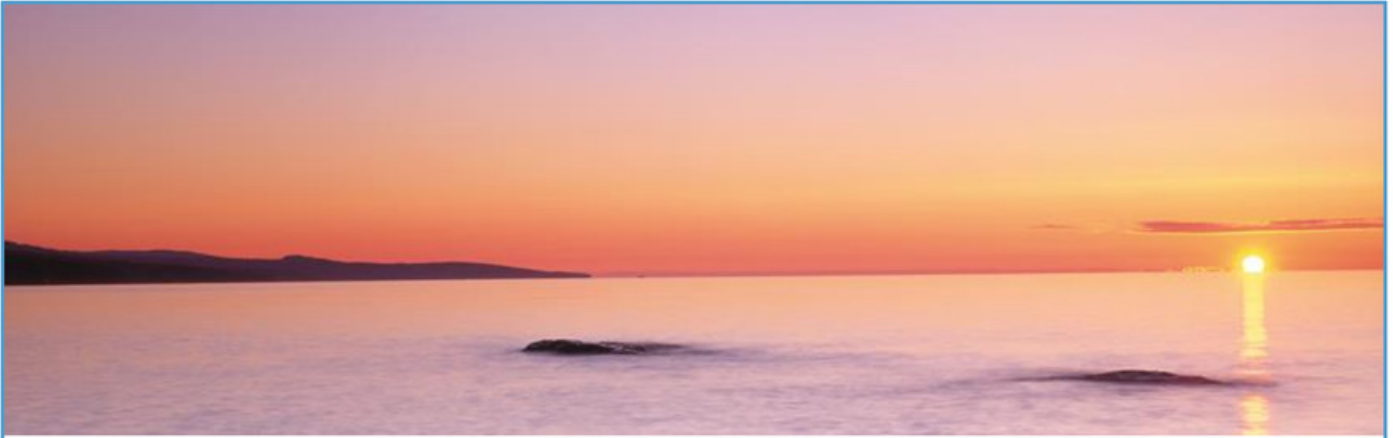
<sup>(1)</sup> Source: Bloomberg as of September 30, 2015.

# Opportunity Set

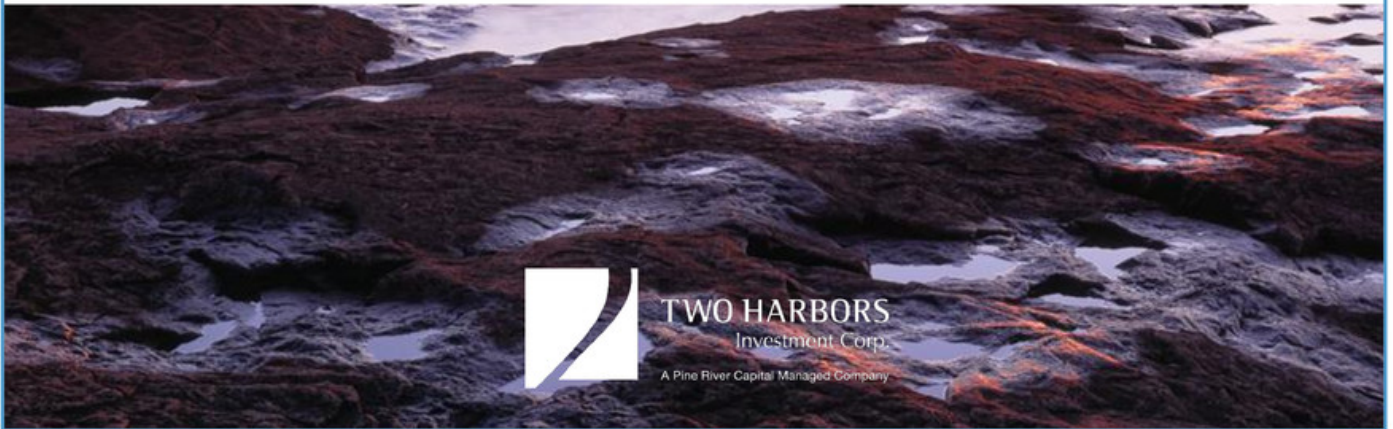


FLEXIBILITY TO TAKE ADVANTAGE OF OPPORTUNITIES ACROSS THE MARKET





## Webinar Objectives



# Webinar Objectives

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## SECURITIZATION OVERVIEW

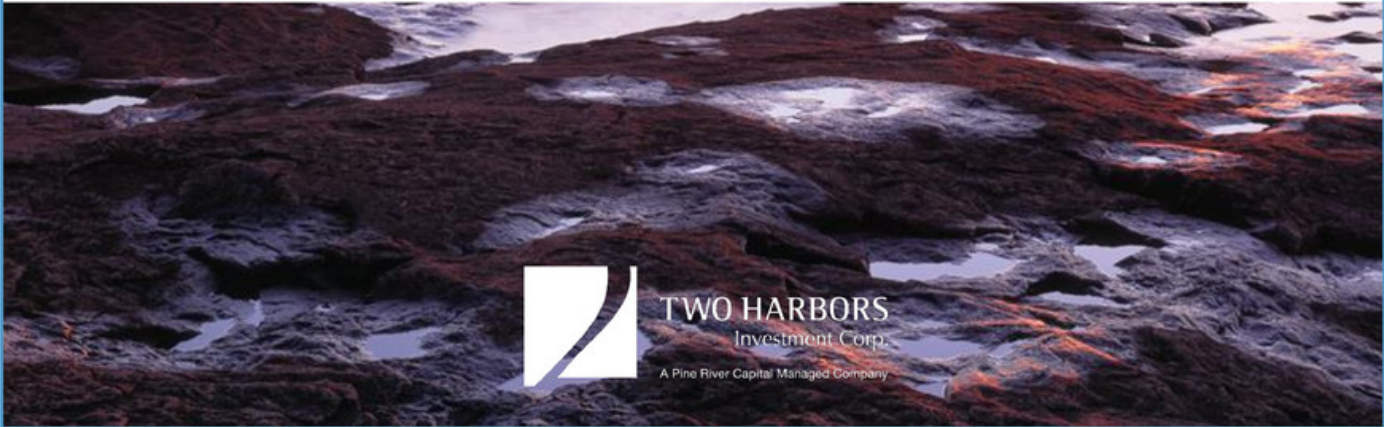
- Mortgage-Backed Securities (MBS)
- Creation of non-Agency Residential MBS
- Senior/Subordinated Bond Structure
- Credit Risk
- Other Risk Considerations
- The Role of Credit Enhancement
- The Ingredients of a Transaction Rating
- Benefits of Securitization

## SECURITIZATION AT TWO HARBORS

- Overview of the Mortgage Loan Conduit
- Hypothetical Securitization
- Evolution of our Business



# Securitization Overview



# Mortgage-Backed Securities



A MORTGAGE-BACKED SECURITY IS A BOND BACKED BY A POOL OF MORTGAGE LOANS

- The principal and interest payments from borrowers on the underlying mortgages are passed through to bond holders
- U.S. residential mortgage loans cover a wide spectrum of products, both with fixed or floating interest rates

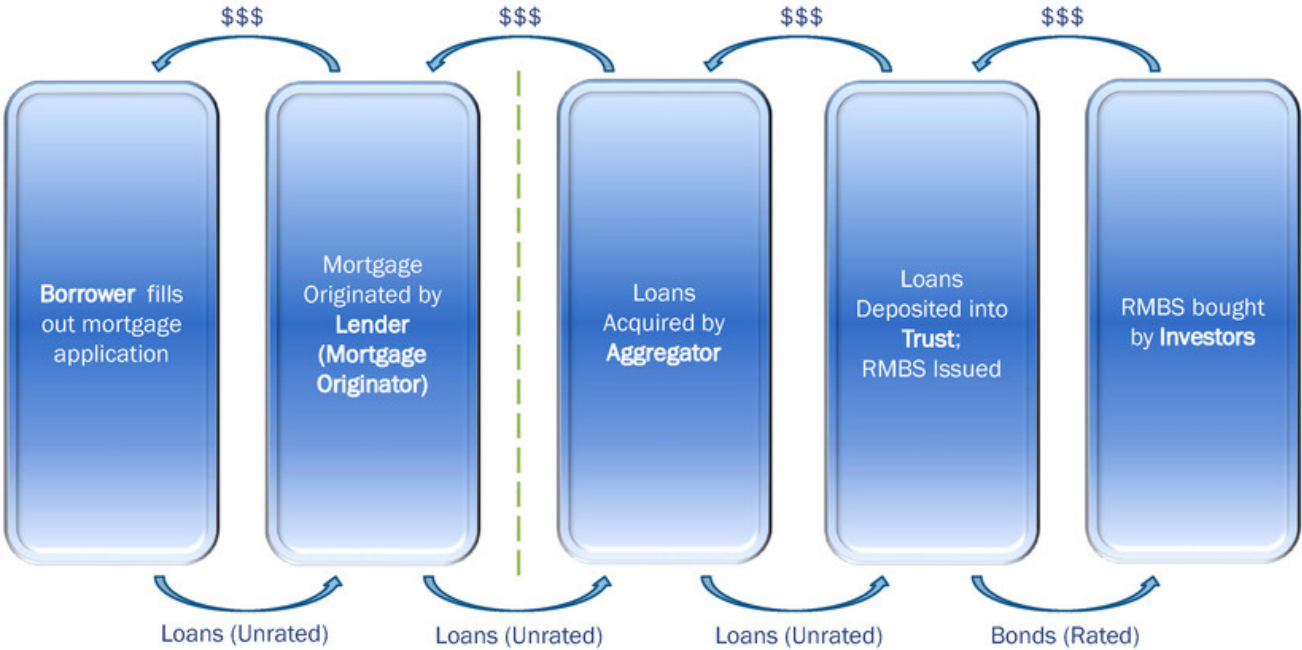


# Creation of Non-Agency RMBS



**PRIMARY MARKET**  
Mortgage lending

**SECONDARY MARKET**  
Sale and securitization of mortgage loans



# Senior/Subordinated Bond Structure



## SUBORDINATED CLASSES PROVIDE CREDIT ENHANCEMENT TO SENIOR AAA CLASSES

- Each subordinated class provides credit support to all the classes senior to it
- Cash flows dispersed according to waterfall sequence (no extra money left at the end of the waterfall):
  - 1) Trust Expenses
  - 2) Interest to the Senior Bonds
  - 3) Principal to the Senior Bonds
  - 4) Interest to the Subordinated Bonds in order of priority
  - 5) Principal to the Subordinated Bonds in order of priority

SUBORDINATE BONDS





## Credit Risk



CREDIT RISK IS THE POTENTIAL FOR PRINCIPAL LOSSES DUE TO DEFAULTS ON THE UNDERLYING MORTGAGES

- Defaults result from the borrower missing several scheduled monthly payments
- Servicer may ultimately liquidate the loan to attempt to recover the principal and interest due
  - Liquidation may be carried out through legal proceedings (foreclosure) or negotiation (short sale)
- Frequency of default can be influenced by the following factors:
  - Changes in home prices
  - Credit score
  - Product type
  - Loan-to-value (LTV) ratio
  - Owner occupancy
  - Life events
- Severity of default is the net loss resulting from a default divided by the current principal balance
- Aggregate losses on RMBS are driven by default frequency and default severity

## Other Risk Considerations and Drivers

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**PREPAYMENTS:** Actual yield on investment can differ from anticipated yield due to higher/lower prepayment rates

- Housing turnover
- Rate/term refinance (falling interest rates)
- Cash-out refinance (increasing equity)
- Partial prepayments (curtailments)

**LIQUIDITY:** Ability or ease with which assets can be traded

- Change in rating of security
- Widening spreads
- Servicer under-performance or adverse development
- Collateral under-performance
- Interest rate changes
- Limited investor universe

**BANKRUPTCY:** Securitized assets could be clawed back if aggregator goes bankrupt

- Typically addressed by bankruptcy remote structure/special purpose entities (SPE)

# The Role of Credit Enhancement



## CREDIT ENHANCEMENT DETERMINED BY RATING AGENCIES BASED ON EXPECTED PORTFOLIO PERFORMANCE UNDER A WORST-CASE SCENARIO

- Objective of credit enhancement is to protect investor principal against credit losses
- A portfolio of mortgages cannot be AAA rated on a stand-alone basis
  - Credit needs to be enhanced by structure
- The type of credit enhancement is generally decided by the Issuer
  - A function of investor preferences
- Minimum size of the credit enhancement is determined by the rating agencies
  - Can be increased at the option of the issuer
  - Criteria among rating agencies may differ; general approach is based on a perceived worst case scenario
- Under this scenario, credit enhancement should be sufficient to allow for the timely payment of interest and ultimate payment of principal before a specified date

# The Ingredients of a Transaction Rating



## ELEMENTS EXAMINED BY RATING AGENCIES

- Legal Structure
- Collateral Review
  - Historical losses, projected prepayments, delinquencies and recoveries (i.e. historical experience with this type of collateral)
  - Geographic concentration
  - LTV, debt-to-income (DTI), FICO score
  - Estimates of frequency and severity of default
  - Review of loan level diligence reports provided by third party review firms
- Due Diligence on Originators, Servicer or Aggregator
  - Origination strategy, approval process, acquisition standards
  - If originator > 15% of pool, rating agency review typically required
- Cash-Flow and Structural Features
  - Strength of representations and warranties
  - Enforcement mechanisms

# Benefits of Securitization



## A HEALTHY SECURITIZATION MARKET PROVIDES CAPITAL TO BORROWERS AND LIQUIDITY TO THE HOUSING MARKET

### CONSUMERS

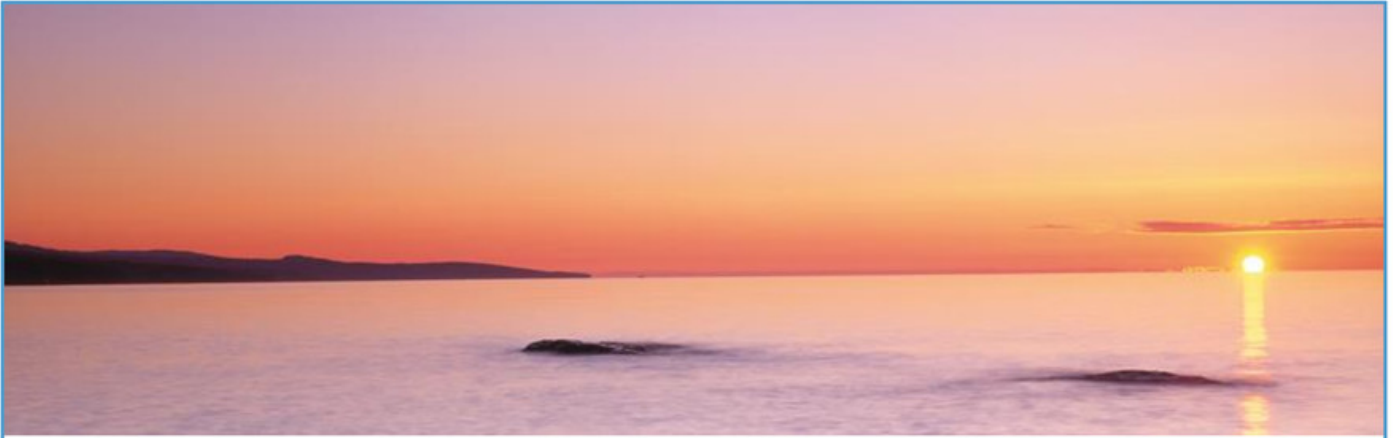
- Lowers cost of credit
- Increases credit availability
- Expands the variety of credit available to meet consumer needs
- Encourages competition among lenders in the marketplace
- Contributes to economic vitality by ensuring consumer access to credit

### INVESTORS

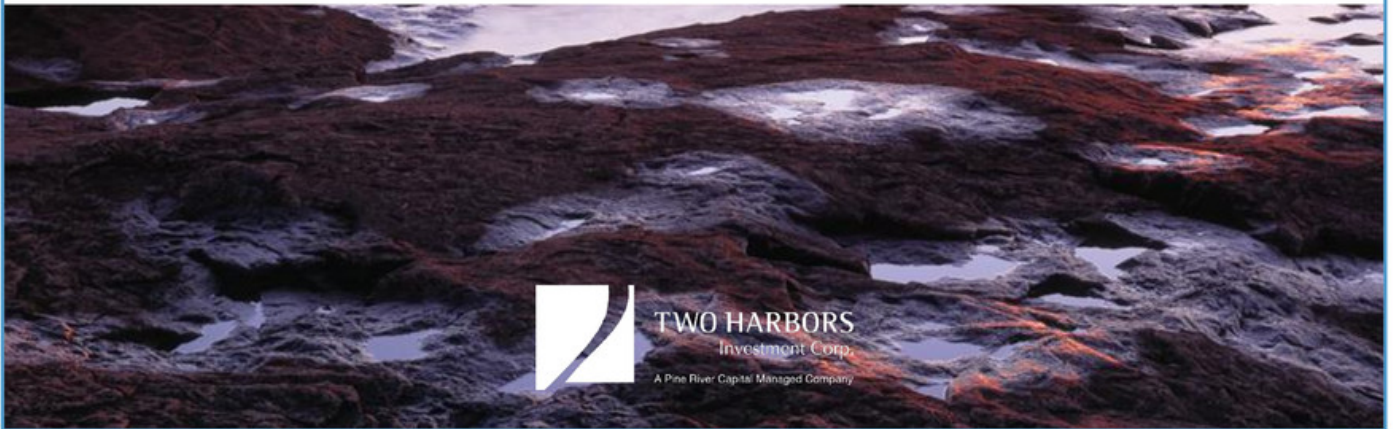
- Diversification of risk - pool of diverse mortgages versus unsecured corporate debt
- More predictable performance
- Greater liquidity compared to owning loans
- Flexibility and choice in desired level of risk and return
- Ratings stability
- High transparency and disclosure

### ISSUERS

- Securitization is an alternative to unsecured borrowing
  - May provide cheaper financing than other sources and a more efficient, cost-effective and stable source of funding than unsecured market
- Allows issuers to obtain cash from the sale of assets (loans)



## Securitization at Two Harbors



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## Two Harbors' Conduit



### EFFICIENT AND SCALABLE PROGRAM ALLOWS QUICK RESPONSE TO BROAD ARRAY OF OPPORTUNITIES

- Transaction management team oversees:
  - Due diligence
  - Contract management
  - Seller-servicer onboarding and implementation
  - Core technology infrastructure and oversight groups provide active surveillance and performance management of our sub-servicing and originator partners
- Intensive counterparty management process maximizes investment returns while minimizing risk
- Mortgage Compliance team provides legal and mortgage compliance guidance to mortgage servicing oversight and new loan product development teams
- Staffed by seasoned operators with an average experience of 16+ years

# Illustrative Securitization Economics



## GOAL IS TO CREATE ATTRACTIVE CREDIT ASSETS FOR THE TWO HARBORS PORTFOLIO

- Hypothetical \$1 billion loan portfolio of 30-year, 4.0% coupon residential mortgage loans
- Structured with 3.5% pass through and 25 basis points for MSR and IO
- Source loans at 102.46%
- Sell AAA, AA and A rated tranches; roughly \$40 million in assets remain

- Retain MSR, IO and subordinate bonds
- Apply 1x debt-to-equity to \$40 million of assets
  - Financing at approximately LIBOR +125
- Results in capital deployment of approximately \$20 million and levered ROE of 12-16%

Securitization Pricing <sup>(1)</sup>				
Class	Rating	Price	Market Value (\$m)	Yield
A's	AAA	101.14%	\$940.6	3.5%
B-1	AA	100.30%	26.1	3.7%
B-2	A	98.85%	17.3	3.9%
B-3	BBB	95.40%	12.4	4.3%
B-4	BB	63.45%	3.5	6.1%
B-5	B	45.00%	3.6	6.8%
MSR		1.09%	10.9	7.9%
IO		1.09%	10.2	6.7%
<b>Total Stack</b>		<b>102.46%</b>	<b>\$1,024.6</b>	<b>3.5%</b>
<b>Market Value of Retained Bonds (\$m)</b>			<b>\$40.6</b>	
<b>Equity Invested (\$m)</b>			<b>\$20.3</b>	
<b>Unlevered ROE</b>			<b>6-8%</b>	
<b>Levered ROE</b>			<b>12-16%</b>	

Note: The above scenario is intended to be illustrative. The numbers used in the scenarios are not projections of Two Harbors' results. The above scenarios are provided for illustration purposes only and may not represent all assumptions used. Actual results of a portfolio may differ materially.

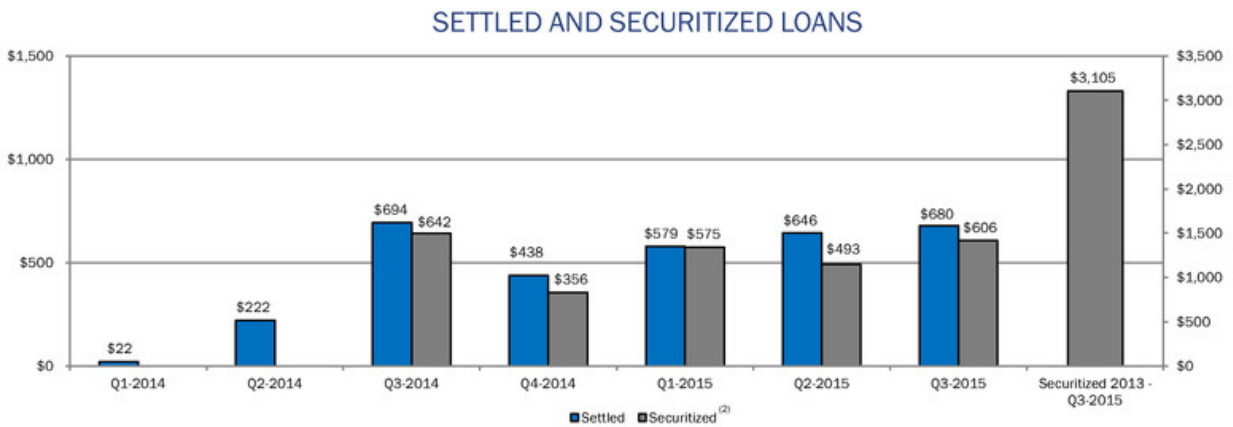
(1) Illustration excludes estimated deal costs of \$4.4 million. Due to accounting elections, deal costs are required to be immediately recognized in the income statement resulting in incremental ROE of 0.2% over the life of the securities.





## Evolution of Conduit at Two Harbors

- Completed eleven Agate Bay Mortgage Trust securitizations since 2013<sup>(1)</sup>
  - Retained subordinates and IOs
  - Achieved stated goal of completing 6-10 securitizations in 2015
- Robust pipeline (interest rate locks and prime jumbo residential mortgage loan holdings); approximately \$1.2 billion UPB at September 30, 2015
- Expanded Credit targets borrowers with lower FICOs and higher loan-to-value (LTV) ratios than prime jumbo program



(1) As of October 31, 2015.

(2) Includes only securitizations sponsored under the Agate Bay Mortgage Trust issuer program.



## Closing Remarks

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### CONTACT INFORMATION

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