

REALOGY HOLDINGS CORP.

Form 10-Q

November 03, 2017

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 001-35674

REALOGY HOLDINGS CORP.

(Exact name of registrant as specified in its charter)

20-8050955

(I.R.S. Employer Identification Number)

Commission File No. 333-148153

REALOGY GROUP LLC

(Exact name of registrant as specified in its charter)

20-4381990

(I.R.S. Employer Identification Number)

Delaware

(State or other jurisdiction of incorporation or organization)

175 Park Avenue

Madison, NJ 07940

(Address of principal executive offices) (Zip Code)

(973) 407-2000

(Registrants' telephone number, including area code)

Indicate by check mark whether the Registrants (1) have 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) have been subject to such filing requirements for the past 90 days.

Realogy Holdings Corp. Yes No Realogy Group LLC Yes No

Indicate by check mark whether the Registrants have submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrants were required to submit and post such files).

Realogy Holdings Corp. Yes No Realogy Group LLC Yes No

Indicate by check mark whether the Registrants are large accelerated filers, accelerated filers, non-accelerated filers, smaller reporting companies, or emerging growth companies. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Accelerated Non-accelerated filer

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	Large accelerated filer	filer	(Do not check if a smaller reporting company)	Smaller reporting company	Emerging growth company
Realogy Holdings Corp.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Realogy Group LLC	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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.

Indicate by check mark whether the Registrants are a shell company (as defined in Rule 12b-2 of the Exchange Act).
 Realogy Holdings Corp. Yes No Realogy Group LLC Yes No

There were 134,616,566 shares of Common Stock, \$0.01 par value, of Realogy Holdings Corp. outstanding as of November 1, 2017.

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INTRODUCTORY NOTE

Except as otherwise indicated or unless the context otherwise requires, the terms "we," "us," "our," "our company," "Realogy," "Realogy Holdings" and the "Company" refer to Realogy Holdings Corp., a Delaware corporation, and its consolidated subsidiaries, including Realogy Intermediate Holdings LLC, a Delaware limited liability company ("Realogy Intermediate"), and Realogy Group LLC, a Delaware limited liability company ("Realogy Group"). Neither Realogy Holdings, the indirect parent of Realogy Group, nor Realogy Intermediate, the direct parent company of Realogy Group, conducts any operations other than with respect to its respective direct or indirect ownership of Realogy Group. As a result, the consolidated financial positions, results of operations and cash flows of Realogy Holdings, Realogy Intermediate and Realogy Group are the same.

Realogy Holdings is not a party to the Senior Secured Credit Facility and Term Loan A Facility and certain references in this report to our consolidated indebtedness exclude Realogy Holdings with respect to indebtedness under the Senior Secured Credit Facility and Term Loan A Facility. In addition, while Realogy Holdings is a guarantor of Realogy Group's obligations under its unsecured notes, Realogy Holdings is not subject to the restrictive covenants in the indentures governing such indebtedness.

FORWARD-LOOKING STATEMENTS

Forward-looking statements included in this report and our other public filings or other public statements that we make from time to time are based on various facts and derived utilizing numerous important assumptions and are subject to known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements include the information concerning our future financial performance, business strategy, projected plans and objectives, as well as projections of macroeconomic and industry trends, which are inherently unreliable due to the multiple factors that impact economic trends, and any such variations may be material. Statements preceded by, followed by or that otherwise include the words "believes," "expects," "anticipates," "intends," "projects," "estimates," "plans," and similar expressions or future or conditional verbs such as "will," "should," "would," "may" and "could" are generally forward-looking in nature and not historical facts. You should understand that the following important factors could affect our future results and cause actual results to differ materially from those expressed in the forward-looking statements:

risks related to general business, economic, employment and political conditions and the U.S. residential real estate markets, either regionally or nationally, including but not limited to:

a lack of improvement or a decline in the number of homesales, stagnant or declining home prices and/or a deterioration in other economic factors that particularly impact the residential real estate market and the business segments in which we operate;

increasing mortgage rates and/or constraints on the availability of mortgage financing;

insufficient or excessive home inventory levels by market and price point;

a decrease in consumer confidence;

the impact of recessions, slow economic growth, disruptions in the U.S. government or banking system, disruptions in a major geoeconomic region, or equity or commodity markets and high levels of unemployment in the U.S. and abroad, which may impact all or a portion of the housing markets in which we and our franchisees operate;

legislative, tax or regulatory changes (including changes in regulatory interpretations or enforcement practices) that would adversely impact the residential real estate market, including changes relating to the Real Estate Settlement Procedures Act ("RESPA"), potential reforms of Fannie Mae and Freddie Mac, immigration reform, and potential tax code reform (including reforms related to the deductibility of home mortgage interest or state, local and property taxes);

a decrease in housing affordability due to higher mortgage rates and increases in average homesale prices;

high levels of foreclosure activity;

changing attitudes towards home ownership, particularly among potential first-time homebuyers who may delay, or decide not to, purchase a home, as well as the potential impact of decisions to rent versus purchase a home; and

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the inability or unwillingness of current homeowners to purchase their next home due to various factors, including limited or negative equity in their current home, difficult mortgage underwriting standards, attractive rates on existing mortgages and the lack of available inventory in their market;

increased competition whether through traditional competitors, other industry participants or competitors with alternative business models (such as flat fee, capped fee or desk fee models) including companies employing technologies intended to disrupt the traditional brokerage model, as well as eliminating brokers or agents from, or minimizing the role they play in, the homesale transaction, such as reducing brokerage commissions, and companies otherwise competing for a portion of gross commission income;

competition for more productive sales associates, sales associate teams, and manager talent will continue to impact the ability of our company owned brokerage business and our affiliated franchisees to attract and retain independent sales associates, either individually or as members of a team, and will result in continuing pressure on the commission split rates paid by our company owned brokerages and our affiliated franchisees;

our geographic and high-end market concentration, particularly with respect to our company owned brokerage operations;

our inability to enter into franchise agreements with new franchisees at current net effective royalty rates, or to realize royalty revenue growth from them;

our inability to renew existing franchise agreements at current net effective royalty rates or without increasing the amount and prevalence of non-standard incentives, or to maintain or enhance our value proposition to franchisees;

the lack of revenue growth or declining profitability of our franchisees and company owned brokerage operations, including the impact of lower average broker commission rates;

- disputes or issues with entities that license us their tradenames for use in our business or events that negatively impact their brands that could impede our franchising of those brands;

actions by our franchisees that could harm our business or reputation, non-performance of our franchisees, controversies with our franchisees or actions against us by their independent sales associates or employees or third parties with which our franchisees have business relationships;

loss, attrition or changes among our senior executives, other key employees or our inability to recruit top talent;

our inability to achieve or maintain cost savings and other benefits from our restructuring activities;

our inability to realize the benefits from acquisitions due to the loss of key personnel or productive agents of the acquired companies, as well as the possibility that expected benefits and synergies of the transactions may not be achieved in a timely manner or at all;

our failure or alleged failure to comply with laws, regulations and regulatory interpretations and any changes in laws and regulations or stricter interpretations of regulatory requirements, including but not limited to (1) state or federal employment laws or regulations that would require reclassification of independent contractor sales associates to employee status, (2) RESPA or state consumer protection or similar laws and (3) privacy or data security laws and regulations;

any adverse resolution of litigation, governmental or regulatory proceedings or arbitration awards as well as any adverse impact of decisions to voluntarily modify business arrangements or enter into settlement agreements to avoid the risk of protracted and costly litigation or other proceedings;

our inability to obtain new technologies and systems, to replace or introduce new technologies and systems as quickly as our competitors and in a cost-effective manner or to achieve the benefits anticipated from new technologies or systems;

risks and growing costs related to cybersecurity threats to our data and customer, franchisee, employee and independent sales associate data, including but not limited to:

the failure or significant disruption of our operations from various causes, including human error, computer malware, ransomware, insecure software, zero day threats, or other events related to our critical information technologies and systems;

the increasing level and sophistication of cybersecurity attacks, including distributed denial of service attacks, data exfiltration, fraud or malicious acts on the part of trusted insiders, social engineering, or other unlawful tactics aimed at compromising the systems and data of our officers, employees and franchisee and company owned brokerage sales

associates and their customers (including via systems not directly controlled by us); and

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the reputational or financial risks associated with a loss of data or material data breach (including unauthorized access to our proprietary business information or personal information of our customers, employees and independent sales associates), the transmission of computer malware, or the diversion of homesale transaction closing funds;

risks related to our international operations, including compliance with the Foreign Corrupt Practices Act and similar anti-corruption laws as well as risks relating to the master franchisor model that we deploy internationally;

risks associated with our substantial indebtedness and interest obligations and restrictions contained in our debt agreements, including risks relating to having to dedicate a significant portion of our cash flows from operations to service our debt;

risks relating to our ability to refinance or repay our indebtedness, incur additional indebtedness or return capital to stockholders;

changes in corporate relocation practices resulting in fewer employee relocations, reduced relocation benefits or the loss of one or more significant affinity clients;

an increase in the claims rate of our title underwriter and an increase in mortgage rates could adversely impact the revenue of our title and settlement services segment;

our inability to securitize certain assets of our relocation business, which would require us to find an alternative source of liquidity that may not be available, or if available, may not be on favorable terms;

risks that could materially adversely impact our equity investment in our mortgage origination joint venture, including increases in mortgage rates, the impact of joint venture operational or liquidity risks, the impact of a transition from our current joint venture to our new joint venture, regulatory changes, litigation, investigations and inquiries or any termination of the venture;

risks relating to the unfavorable impact on homesale activity due to severe weather events or natural disasters;

any remaining resolutions or outcomes with respect to contingent liabilities of our former parent, Cendant Corporation ("Cendant"), under the Separation and Distribution Agreement and the Tax Sharing Agreement (each as described in our Annual Report on Form 10-K for the year ended December 31, 2016, the "2016 Form 10-K"), including any adverse impact on our future cash flows; and

new types of taxes or increases in state, local or federal taxes that could diminish profitability or liquidity.

Other factors not identified above, including those described under the headings "Forward-Looking Statements," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the 2016 Form 10-K, filed with the Securities and Exchange Commission ("SEC"), may also cause actual results to differ materially from those described in our forward-looking statements. Most of these factors are difficult to anticipate and are generally beyond our control. You should consider these factors in connection with any forward-looking statements that may be made by us and our businesses generally.

Except for our ongoing obligations to disclose material information under the federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events unless we are required to do so by law. For any forward-looking statement contained in this Report, our public filings or other public statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Realogy Holdings Corp.:

We have reviewed the accompanying condensed consolidated balance sheet of Realogy Holdings Corp. and its subsidiaries as of September 30, 2017, and the related condensed consolidated statements of operations and comprehensive income for the three-month and nine-month periods ended September 30, 2017 and 2016 and the condensed consolidated statement of cash flows for the nine-month periods ended September 30, 2017 and 2016. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2016, and the related consolidated statements of operations, comprehensive income, equity, and of cash flows for the year then ended (not presented herein), and in our report dated February 24, 2017, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet information as of December 31, 2016, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP
Florham Park, NJ
November 3, 2017

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholder of Realogy Group LLC:

We have reviewed the accompanying condensed consolidated balance sheet of Realogy Group LLC and its subsidiaries as of September 30, 2017, and the related condensed consolidated statements of operations and comprehensive income for the three-month and nine-month periods ended September 30, 2017 and 2016 and the condensed consolidated statement of cash flows for the nine-month periods ended September 30, 2017 and 2016. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) or in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet as of December 31, 2016, and the related consolidated statements of operations, comprehensive income, equity, and of cash flows for the year then ended (not presented herein), and in our report dated February 24, 2017, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet information as of December 31, 2016, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP
Florham Park, NJ
November 3, 2017

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data)

(Unaudited)

	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2016	
	2017	2016	2017	2016
Revenues				
Gross commission income	\$1,250	\$1,211	\$3,505	\$3,288
Service revenue	261	273	710	715
Franchise fees	111	107	296	280
Other	52	53	159	157
Net revenues	1,674	1,644	4,670	4,440
Expenses				
Commission and other agent-related costs	887	834	2,462	2,256
Operating	394	400	1,162	1,158
Marketing	63	58	195	181
General and administrative	82	78	269	234
Former parent legacy cost (benefit), net	1	—	(10)	1
Restructuring costs	2	9	9	30
Depreciation and amortization	50	53	149	149
Interest expense, net	41	37	127	169
Loss on the early extinguishment of debt	1	—	5	—
Other income, net	—	(1)	—	(1)
Total expenses	1,521	1,468	4,368	4,177
Income before income taxes, equity in earnings and noncontrolling interests	153	176	302	263
Income tax expense	67	74	131	114
Equity in earnings of unconsolidated entities	(10)	(5)	(7)	(10)
Net income	96	107	178	159
Less: Net income attributable to noncontrolling interests	(1)	(1)	(2)	(3)
Net income attributable to Realogy Holdings and Realogy Group	\$95	\$106	\$176	\$156
Earnings per share attributable to Realogy Holdings:				
Basic earnings per share	\$0.70	\$0.74	\$1.28	\$1.07
Diluted earnings per share	\$0.69	\$0.73	\$1.26	\$1.06
Weighted average common and common equivalent shares of Realogy Holdings outstanding:				
Basic	136.1	144.0	137.8	145.4
Diluted	138.1	145.1	139.4	146.6
Cash dividends declared per share (beginning in August 2016)	\$0.09	\$0.09	\$0.27	\$0.09

See Notes to Condensed Consolidated Financial Statements.

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Net income	\$ 96	\$ 107	\$ 178	\$ 159
Currency translation adjustment	1	—	3	(3)
Defined benefit pension plan - amortization of actuarial loss to periodic pension cost	1	—	1	1
Other comprehensive income (loss), before tax	2	—	4	(2)
Income tax expense related to items of other comprehensive income	1	1	1	1
Other comprehensive income (loss), net of tax	1	(1)	3	(3)
Comprehensive income	97	106	181	156
Less: comprehensive income attributable to noncontrolling interests	(1)	(1)	(2)	(3)
Comprehensive income attributable to Realogy Holdings and Realogy Group	\$ 96	\$ 105	\$ 179	\$ 153

See Notes to Condensed Consolidated Financial Statements.

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CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except share data)

(Unaudited)

	September 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 348	\$ 274
Trade receivables (net of allowance for doubtful accounts of \$10 and \$13)	166	152
Relocation receivables	275	244
Other current assets	153	148
Total current assets	942	818
Property and equipment, net	272	267
Goodwill	3,704	3,690
Trademarks	748	748
Franchise agreements, net	1,311	1,361
Other intangibles, net	291	313
Other non-current assets	253	224
Total assets	\$ 7,521	\$ 7,421
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 152	\$ 140
Securitization obligations	234	205
Due to former parent	18	28
Current portion of long-term debt	242	242
Accrued expenses and other current liabilities	442	435
Total current liabilities	1,088	1,050
Long-term debt	3,234	3,265
Deferred income taxes	518	389
Other non-current liabilities	216	248
Total liabilities	5,056	4,952
Commitments and contingencies (Note 9)		
Equity:		
Realogy Holdings preferred stock: \$.01 par value; 50,000,000 shares authorized, none issued and outstanding at September 30, 2017 and December 31, 2016	—	—
Realogy Holdings common stock: \$.01 par value; 400,000,000 shares authorized, 135,180,292 shares issued and outstanding at September 30, 2017 and 140,227,692 shares issued and outstanding at December 31, 2016	1	1
Additional paid-in capital	5,383	5,565
Accumulated deficit	(2,886)	(3,062)
Accumulated other comprehensive loss	(37)	(40)
Total stockholders' equity	2,461	2,464
Noncontrolling interests	4	5
Total equity	2,465	2,469
Total liabilities and equity	\$ 7,521	\$ 7,421

See Notes to Condensed Consolidated Financial Statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	Nine Months Ended			
	September 30,			
	2017		2016	
Operating Activities				
Net income	\$	178	\$	159
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	149		149	
Deferred income taxes	129		98	
Amortization of deferred financing costs and discount	12		12	
Noncash portion of loss on early extinguishment of debt	4		—	
Equity in earnings of unconsolidated entities	(7	)	(10)
Stock-based compensation	38		39	
Mark-to-market adjustments on derivatives	6		39	
Other adjustments to net income	(2	)	(4)
Net change in assets and liabilities, excluding the impact of acquisitions and dispositions:				
Trade receivables	(13	)	(29)
Relocation receivables	(30	)	(14)
Other assets	(33	)	(20)
Accounts payable, accrued expenses and other liabilities	10		(5)
Due to former parent	(10	)	1	
Dividends received from unconsolidated entities	24		5	
Other, net	(11	)	(9)
Net cash provided by operating activities	444		411	
Investing Activities				
	(69)	(61)

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Property and equipment additions			
Payments for acquisitions, net of cash acquired	(13))	(95)
Investment in unconsolidated entities	(34))	—
Change in restricted cash	3		(2)
Other, net	17		(5)
Net cash used in investing activities	(96)	)	(163)
Financing Activities			
Net change in revolving credit facility	(10)	)	(45)
Proceeds from issuance of Term Loan A-1	—		355
Repayment of amended Term Loan B facility	—		(758)
Amortization payments on term loan facilities	(31)	)	(31)
Proceeds from issuance of Senior Notes	—		750
Redemption of Senior Notes	—		(500)
Net change in securitization obligations	29		9
Debt issuance costs	(6)	)	(15)
Repurchase of common stock	(180)	)	(134)
Dividends paid on common stock	(37)	)	(13)
Proceeds from exercise of stock options	7		1
Taxes paid related to net share settlement for stock-based compensation	(11)	)	(6)
Payments of contingent consideration related to acquisitions	(18)	)	(23)
Other, net	(19)	)	(28)
Net cash used in financing activities	(276)	)	(438)
Effect of changes in exchange rates on cash and cash equivalents	2		(1)
Net increase (decrease) in cash and cash equivalents	74		(191)
Cash and cash equivalents, beginning of	274		415

period			
Cash and cash equivalents, end of period	\$	348	\$ 224
Supplemental Disclosure of Cash Flow Information			
Interest payments (including securitization interest of \$5 for both periods presented)	\$	111	\$ 117
Income tax payments, net ¹⁰			13

See Notes to Condensed Consolidated Financial Statements.

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REALOGY HOLDINGS CORP. AND REALOGY GROUP LLC
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unless otherwise noted, all amounts are in millions)

(Unaudited)

1. BASIS OF PRESENTATION

Realogy Holdings Corp. ("Realogy Holdings", "Realogy" or the "Company") is a holding company for its consolidated subsidiaries including Realogy Intermediate Holdings LLC ("Realogy Intermediate") and Realogy Group LLC ("Realogy Group") and its consolidated subsidiaries. Realogy, through its subsidiaries, is a global provider of residential real estate services. Neither Realogy Holdings, the indirect parent of Realogy Group, nor Realogy Intermediate, the direct parent company of Realogy Group, conducts any operations other than with respect to its respective direct or indirect ownership of Realogy Group. As a result, the consolidated financial positions, results of operations, comprehensive income and cash flows of Realogy Holdings, Realogy Intermediate and Realogy Group are the same.

The accompanying Condensed Consolidated Financial Statements include the financial statements of Realogy Holdings and Realogy Group. Realogy Holdings' only asset is its investment in the common stock of Realogy Intermediate, and Realogy Intermediate's only asset is its investment in Realogy Group. Realogy Holdings' only obligations are its guarantees of certain borrowings and certain franchise obligations of Realogy Group. All expenses incurred by Realogy Holdings and Realogy Intermediate are for the benefit of Realogy Group and have been reflected in Realogy Group's Condensed Consolidated Financial Statements.

The Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America and with Article 10 of Regulation S-X. Interim results may not be indicative of full year performance because of seasonal and short-term variations. The Company has eliminated all material intercompany transactions and balances between entities consolidated in these financial statements. In presenting the Condensed Consolidated Financial Statements, management makes estimates and assumptions that affect the amounts reported and the related disclosures. Estimates, by their nature, are based on judgment and available information. Accordingly, actual results could differ materially from those estimates.

In management's opinion, the accompanying unaudited Condensed Consolidated Financial Statements reflect all normal and recurring adjustments necessary for a fair statement of Realogy Holdings and Realogy Group's financial position as of September 30, 2017 and the results of operations and comprehensive income for the three and nine months ended September 30, 2017 and 2016 and cash flows for the nine months ended September 30, 2017 and 2016. The Consolidated Balance Sheet at December 31, 2016 was derived from audited annual financial statements but does not contain all of the footnote disclosures from the annual financial statements. The Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and notes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2016.

Fair Value Measurements

The following tables present the Company's assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value.

Level Input: Input Definitions:

Level I	Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
Level II	Inputs other than quoted prices included in Level I that are observable for the asset or liability through corroboration with market data at the measurement date.
Level III	Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

The availability of observable inputs can vary from asset to asset and is affected by a wide variety of factors, including, for example, the type of asset, whether the asset is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level III. In certain cases, the

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inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The fair value of financial instruments is generally determined by reference to quoted market values. In cases where quoted market prices are not available, fair value is based on estimates using present value or other valuation techniques, as appropriate. The fair value of interest rate swaps is determined based upon a discounted cash flow approach.

The Company measures financial instruments at fair value on a recurring basis and recognizes transfers within the fair value hierarchy at the end of the fiscal quarter in which the change in circumstances that caused the transfer occurred. The following table summarizes fair value measurements by level at September 30, 2017 for assets and liabilities measured at fair value on a recurring basis:

	Level I	Level II	Level III	Total
Interest rate swaps (included in other current and non-current liabilities)	\$ —	\$ 24	\$ —	\$ 24
Deferred compensation plan assets (included in other non-current assets)	3	—	—	3
Contingent consideration for acquisitions (included in accrued expenses and other current liabilities and non-current liabilities)	—	—	33	33

The following table summarizes fair value measurements by level at December 31, 2016 for assets and liabilities measured at fair value on a recurring basis:

	Level I	Level II	Level III	Total
Interest rate swaps (included in other non-current liabilities)	\$ —	\$ 33	\$ —	\$ 33
Deferred compensation plan assets (included in other non-current assets)	3	—	—	3
Contingent consideration for acquisitions (included in accrued expenses and other current liabilities and non-current liabilities)	—	—	50	50

The fair value of the Company's contingent consideration for acquisitions is measured using a probability weighted-average discount rate to estimate future cash flows based upon the likelihood of achieving future operating results for individual acquisitions. These assumptions are deemed to be unobservable inputs and as such the Company's contingent consideration is classified within Level III of the valuation hierarchy. The Company reassesses the fair value of the contingent consideration liabilities on a quarterly basis.

The following table presents changes in Level III financial liabilities measured at fair value on a recurring basis:

	Level III
Fair value of contingent consideration at December 31, 2016	\$ 50
Additions: contingent consideration related to acquisitions completed during the period	3
Reductions: payments of contingent consideration (reflected in the financing section of the Consolidated Statement of Cash Flows)	(18)
Changes in fair value (reflected in the Consolidated Statement of Operations)	(2)
Fair value of contingent consideration at September 30, 2017	\$ 33

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The following table summarizes the principal amount of the Company's indebtedness compared to the estimated fair value, primarily determined by quoted market values, at:

Debt	September 30, 2017		December 31, 2016	
	Principal Amount	Estimated Fair Value (a)	Principal Amount	Estimated Fair Value (a)
Senior Secured Credit Facility:				
Revolving Credit Facility	\$ 190	\$ 190	\$ 200	\$ 200
Term Loan B	1,086	1,092	1,094	1,100
Term Loan A Facility:				
Term Loan A	397	398	413	414
Term Loan A-1	344	345	351	351
4.50% Senior Notes	450	462	450	461
5.25% Senior Notes	550	573	550	562
4.875% Senior Notes	500	514	500	483
Securitization obligations	234	234	205	205

(a) The fair value of the Company's indebtedness is categorized as Level II.

Investment in Mortgage Origination Ventures

The Company owns 49.9% of PHH Home Loans, a mortgage origination venture formed in 2005 created for the purpose of originating and selling mortgage loans primarily sourced through the Company's real estate brokerage and relocation businesses. PHH Corporation ("PHH") owns the remaining percentage. On February 15, 2017, Realogy announced that it and Guaranteed Rate, Inc. ("Guaranteed Rate") agreed to form a new mortgage origination venture, Guaranteed Rate Affinity, LLC ("Guaranteed Rate Affinity"), which began doing business in August 2017. Guaranteed Rate owns a controlling 50.1% stake of Guaranteed Rate Affinity while Realogy owns 49.9%. Guaranteed Rate has responsibility for the oversight of the officers and senior employees of Guaranteed Rate Affinity who are designated to manage Guaranteed Rate Affinity.

In accordance with the asset purchase agreement, Guaranteed Rate Affinity is acquiring certain assets of the mortgage operations of PHH Home Loans, including its four regional centers and employees across the United States, but not its mortgage assets. The asset purchase agreement and the movement of employees from the existing joint venture to the new joint venture is expected to be completed in a series of five phases. The first two phases were completed in the third quarter of 2017 and in October the third phase was completed. The remaining two phases are expected to be completed in the fourth quarter of 2017. While the equity earnings related to PHH Home Loans are included in the financial results of the Company Owned Real Estate Brokerage Services segment, the equity earnings related to Guaranteed Rate Affinity are included in the financial results of the Title and Settlement Services segment.

At September 30, 2017 and December 31, 2016, the Company had various equity method investments aggregating \$85 million and \$66 million, respectively. The Company's investment in PHH Home Loans was \$46 million at September 30, 2017 and \$59 million at December 31, 2016. The Company's investment in Guaranteed Rate Affinity was \$31 million at September 30, 2017.

For the third quarter of 2017, the Company recorded equity earnings of \$10 million which consisted of \$14 million of earnings from the sale of the first two phases of PHH Home Loans' assets to Guaranteed Rate Affinity, partially offset by \$2 million of exit costs. In addition, there was a \$2 million loss from equity method investments at the Title and Settlement Services segment primarily related to costs associated with the start up of operations of Guaranteed Rate Affinity, including \$1 million of amortization of intangible assets recorded in purchase accounting. For the third quarter of 2016, the Company recorded equity earnings of \$5 million of which \$4 million related to its investment in PHH Home Loans.

For the nine months ended September 30, 2017, the Company recorded equity earnings of \$7 million which consisted of \$14 million of earnings from the sale of the first two phases of PHH Home Loans' assets to Guaranteed Rate

Affinity, partially offset by \$5 million of exit costs and losses of \$1 million from the continuing operations results of PHH Home Loans. In addition, there was a \$1 million loss from equity method investments at the Title and Settlement Services segment primarily related to costs associated with the start up of operations of Guaranteed Rate Affinity, including \$1 million of

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amortization of intangible assets recorded in purchase accounting. For the nine months ended September 30, 2016, the Company recorded equity earnings of \$10 million of which \$7 million related to its investment in PHH Home Loans. The Company received \$24 million and \$5 million in cash dividends, primarily from PHH Home Loans, during the nine months ended September 30, 2017 and 2016, respectively. The Company invested \$34 million into Guaranteed Rate Affinity during the nine months ended September 30, 2017.

Income Taxes

The Company's provision for income taxes in interim periods is computed by applying its estimated annual effective tax rate against the income before income taxes for the period. In addition, non-recurring or discrete items are recorded in the period in which they occur. The provision for income taxes was an expense of \$67 million and \$74 million for the three months ended September 30, 2017 and 2016, respectively, and an expense of \$131 million and \$114 million for the nine months ended September 30, 2017 and 2016, respectively.

Derivative Instruments

The Company records derivatives and hedging activities on the balance sheet at their respective fair values. The Company uses foreign currency forward contracts largely to manage its exposure to changes in foreign currency exchange rates associated with its foreign currency denominated receivables and payables. The Company primarily manages its foreign currency exposure to the Euro, British Pound, Swiss Franc and Canadian Dollar. The Company has not elected to utilize hedge accounting for these forward contracts; therefore, any change in fair value is recorded in the Condensed Consolidated Statements of Operations. However, the fluctuations in the value of these forward contracts generally offset the impact of changes in the value of the underlying risk that they are intended to economically hedge. As of September 30, 2017, the Company had outstanding foreign currency forward contracts in an asset position with a fair value of less than \$1 million and a notional value of \$32 million. As of December 31, 2016, the Company had outstanding foreign currency forward contracts in a liability position with a fair value of \$2 million and a notional value of \$29 million.

The Company also enters into interest rate swaps to manage its exposure to changes in interest rates associated with its variable rate borrowings. The Company has interest rate swaps with an aggregate notional value of \$1,475 million to offset the variability in cash flows resulting from the term loan facilities as follows:

Notional Value (in millions)	Commencement Date	Expiration Date
\$225	July 2012	February 2018
\$200	January 2013	February 2018
\$600	August 2015	August 2020
\$450	November 2017	November 2022

The swaps help to protect our outstanding variable rate borrowings from future interest rate volatility. The Company has not elected to utilize hedge accounting for these interest rate swaps; therefore, any change in fair value is recorded in the Condensed Consolidated Statements of Operations.

The fair value of derivative instruments was as follows:

Liability Derivatives		Fair Value	
Not Designated as Hedging Instruments	Balance Sheet Location	September 30, 2017	December 31, 2016
Interest rate swap contracts	Other current and non-current liabilities	\$ 24	\$ 33

The effect of derivative instruments on earnings was as follows:

Derivative Instruments Not Designated as Hedging Instruments	Location of (Gain) or Loss Recognized for Derivative Instruments	(Gain) or Loss Recognized on Derivatives	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2016

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Interest rate swap contracts	Interest expense	\$-	\$(5)	\$4	\$40
Foreign exchange contracts	Operating expense	1	(1)	2	(1)
Restricted Cash					

Restricted cash primarily relates to amounts specifically designated as collateral for the repayment of outstanding borrowings under the Company's securitization facilities. Such amounts approximated \$4 million and \$7 million at

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September 30, 2017 and December 31, 2016, respectively, and are primarily included within other current assets on the Company's Condensed Consolidated Balance Sheets.

Supplemental Cash Flow Information

Significant non-cash transactions during the nine months ended September 30, 2017 and 2016 included capital lease additions of \$13 million and \$10 million, respectively, which resulted in non-cash additions to property and equipment, net and other non-current liabilities.

Stock Repurchases

The Company may repurchase shares of its common stock under authorizations made from its Board of Directors. Shares repurchased are retired and not displayed separately as treasury stock on the consolidated financial statements. The par value of the shares repurchased and retired is deducted from common stock and the excess of the purchase price over par value is first charged against any available additional paid-in capital with the balance charged to retained earnings. Direct costs incurred to repurchase the shares are included in the total cost of the shares.

In February 2016, the Company's Board of Directors authorized a share repurchase program of up to \$275 million of the Company's common stock. In February 2017, the Company's Board of Directors authorized a new share repurchase program of up to an additional \$300 million of the Company's common stock.

As of September 30, 2017, the Company had repurchased and retired 13 million shares of common stock for an aggregate of \$275 million under the February 2016 share repurchase program and \$102 million under the February 2017 share repurchase program at a total weighted average market price of \$29.07 per share, including 1.8 million shares of common stock repurchased during the third quarter of 2017 for \$58 million at a weighted average market price of \$33.83 per share. As of September 30, 2017, approximately \$198 million of authorization remains available for the repurchase of shares under the February 2017 share repurchase program.

Dividend Policy

In August 2016, the Company's Board of Directors approved the initiation of a quarterly cash dividend policy of \$0.09 per share on its common stock. The Board declared and paid a quarterly cash dividend of \$0.09 per share of the Company's common stock during each of the first, second and third quarters of 2017.

The declaration and payment of any future dividend will be subject to the discretion of the Board of Directors and will depend on a variety of factors, including the Company's financial condition and results of operations, contractual restrictions, including restrictive covenants contained in the Company's credit agreements, and the indentures governing the Company's outstanding debt securities, capital requirements and other factors that the Board of Directors deems relevant.

Pursuant to the Company's policy, the dividends payable in cash are treated as a reduction of additional paid-in capital since the Company is currently in a retained deficit position.

Recently Issued Accounting Pronouncements

The Company considers the applicability and impact of all Accounting Standards Updates. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on our consolidated financial position or results of operations.

In August 2016, the FASB issued a new standard on classification of cash receipts and payments on the statement of cash flows intending to reduce diversity in practice on how certain transactions are classified. In addition, in November 2016, the FASB issued a new standard requiring that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new standards are effective for annual periods beginning after December 15, 2017 and will require a retrospective application at the beginning of the earliest comparative period presented in the year of adoption. The Company plans to early adopt the new standard in the fourth quarter of 2017. The Company expects there to be reclassifications between cash flow categories, but no net cash impact to its Condensed Consolidated Statement of Cash Flows.

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In February 2016, the FASB issued its new standard on leases which requires virtually all leases to be recognized on the balance sheet. Lessees will recognize a right-of-use asset and a lease liability for all leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment, such as for initial direct costs. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance leases. Operating leases will result in straight-line expense, similar to current operating leases, while finance leases will result in a front-loaded expense pattern, similar to current capital leases. Classification will be based on criteria that are largely similar to those applied in current lease accounting, but without explicit bright lines. The new standard is effective for annual periods beginning after December 15, 2018. Early adoption is permitted. The new leasing standard requires modified retrospective transition, which requires application of the new guidance at the beginning of the earliest comparative period presented in the year of adoption. The Company is currently evaluating the impact of the standard on its consolidated financial statements and is in the process of implementing a new lease management system.

In May 2014, the FASB issued a standard on revenue recognition that will impact most companies to some extent. The objective of the revenue standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. The revenue standard contains principles that an entity will apply to determine the measurement of revenue and the timing of revenue recognition. The new standard permits for two alternative implementation methods, the use of either (1) full retrospective application to each prior reporting period presented or (2) modified retrospective application in which the cumulative effect of initially applying the revenue standard is recognized as an adjustment to the opening balance of retained earnings in the period of adoption. The Company plans to adopt the new standard in the first quarter of 2018 using the modified retrospective transition method. The Company has made progress on redrafting its revenue recognition accounting policies affected by the standard, assessing the redesign of internal controls, as well as evaluating the expanded disclosure requirements. After a review of the Company's revenue streams, the Company does not expect the new standard to have a material impact on financial results as the majority of the Company's revenue is recognized at the completion of a homesale transaction which will not result in a change in the timing of recognition of revenue transactions under the new revenue recognition guidance.

2. ACQUISITIONS

2017 Acquisitions

During the nine months ended September 30, 2017, the Company acquired eleven real estate brokerage operations through its wholly owned subsidiary, NRT, for aggregate cash consideration of \$6 million and established \$1 million of contingent consideration. These acquisitions resulted in goodwill of \$5 million, pendings and listings of \$1 million and other intangibles of \$1 million.

During the nine months ended September 30, 2017, the Company acquired one title and settlement operation through its wholly owned subsidiary, TRG, for cash consideration of \$7 million and established \$2 million of contingent consideration. This acquisition resulted in goodwill of \$8 million and pendings of \$1 million.

None of the 2017 acquisitions were significant to the Company's results of operations, financial position or cash flows individually or in the aggregate.

2016 Acquisitions

During the year ended December 31, 2016, the Company acquired eleven real estate brokerage and property management operations through its wholly owned subsidiary, NRT, for aggregate cash consideration of \$74 million and established \$9 million of contingent consideration. These acquisitions resulted in goodwill of \$52 million, customer relationships of \$20 million, pendings and listings of \$6 million, other intangible assets of \$3 million, other assets of \$5 million and other liabilities of \$3 million.

During the year ended December 31, 2016, the Company acquired one title and settlement operation through its wholly owned subsidiary, TRG, for cash consideration of \$24 million and established \$10 million of contingent consideration. This acquisition resulted in goodwill of \$20 million, title plant of \$7 million, pendings of \$5 million, trademarks of \$3 million, other intangible assets of \$2 million, other assets of \$6 million and other liabilities of \$9 million.

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None of the 2016 acquisitions were significant to the Company's results of operations, financial position or cash flows individually or in the aggregate.

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3. INTANGIBLE ASSETS

Goodwill by segment and changes in the carrying amount are as follows:

	Real Estate Franchise Services	Company Owned Brokerage Services	Relocation Services	Title and Settlement Services	Total Company
Gross goodwill as of December 31, 2016	\$ 3,315	\$ 1,051	\$ 641	\$ 469	\$ 5,476
Accumulated impairment losses	(1,023)	(158)	(281)	(324)	(1,786)
Balance at December 31, 2016	2,292	893	360	145	3,690
Goodwill acquired	—	6	—	8	14
Balance at September 30, 2017	\$ 2,292	\$ 899	\$ 360	\$ 153	\$ 3,704

Intangible assets are as follows:

	As of September 30, 2017			As of December 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable—Franchise agreements (a)	\$2,019	\$ 708	\$ 1,311	\$2,019	\$ 658	\$ 1,361
Indefinite life—Trademarks (b)	\$748		\$ 748	\$748		\$ 748
Other Intangibles						
Amortizable—License agreements (c)	\$45	\$ 10	\$ 35	\$45	\$ 9	\$ 36
Amortizable—Customer relationships (d)	\$50	330	220	550	312	238
Indefinite life—Title plant shares (e)	18		18	18		18
Amortizable—Pendings and listings (f)	2	1	1	6	5	1
Amortizable—Other (g)	33	16	17	33	13	20
Total Other Intangibles	\$648	\$ 357	\$ 291	\$652	\$ 339	\$ 313

(a) Generally amortized over a period of 30 years.

(b) Primarily relates to the Century 21[®], Coldwell Banker[®], ERA[®], Corcoran[®], Coldwell Banker Commercial[®] and Cartus tradenames, which are expected to generate future cash flows for an indefinite period of time.

(c) Relates to the Sotheby's International Realty[®] and Better Homes and Gardens[®] Real Estate agreements which are being amortized over 50 years (the contractual term of the license agreements).

(d) Relates to the customer relationships at the Relocation Services segment, the Title and Settlement Services segment, the Real Estate Franchise Services segment and our Company Owned Real Estate Brokerage Services segment. These relationships are being amortized over a period of 2 to 20 years.

(e) Ownership in a title plant is required to transact title insurance in certain states. The Company expects to generate future cash flows for an indefinite period of time.

(f) Generally amortized over a period of 5 months.

(g) Consists of covenants not to compete which are amortized over their contract lives and other intangibles which are generally amortized over periods ranging from 5 to 10 years.

Intangible asset amortization expense is as follows:

	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2016	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Franchise agreements	\$ 16	\$ 16	\$ 50	\$ 50
License agreements	1	—	1	1
Customer relationships	5	7	18	20

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Pendings and listings	2	7	3	9
Other	1	1	4	4
Total	\$ 25	\$ 31	\$ 76	\$ 84

Based on the Company's amortizable intangible assets as of September 30, 2017, the Company expects related amortization expense for the remainder of 2017, the four succeeding years and thereafter to be approximately \$25 million, \$97 million, \$97 million, \$95 million, \$92 million and \$1,178 million, respectively.

4. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of:

	September 30, December 31,	
	2017	2016
Accrued payroll and related employee costs	\$ 123	\$ 138
Accrued volume incentives	38	40
Accrued commissions	41	31
Restructuring accruals	7	14
Deferred income	60	69
Accrued interest	31	13
Contingent consideration for acquisitions	23	24
Other	119	106
Total accrued expenses and other current liabilities	\$ 442	\$ 435

5. SHORT AND LONG-TERM DEBT

Total indebtedness is as follows:

	September 30, December 31,	
	2017	2016
Senior Secured Credit Facility:		
Revolving Credit Facility	\$ 190	\$ 200
Term Loan B	1,065	1,069
Term Loan A Facility:		
Term Loan A	395	411
Term Loan A-1	341	347
4.50% Senior Notes	443	439
5.25% Senior Notes	546	545
4.875% Senior Notes	496	496
Total Short-Term & Long-Term Debt	\$ 3,476	\$ 3,507
Securitization obligations:		
Apple Ridge Funding LLC	\$ 223	\$ 192
Cartus Financing Limited	11	13
Total securitization obligations	\$ 234	\$ 205

Indebtedness Table

As of September 30, 2017, the Company's borrowing arrangements were as follows:

	Interest Rate	Expiration Date	Principal Amount	Unamortized Discount and Debt Issuance Costs	Net Amount
Senior Secured Credit Facility:					
Revolving Credit Facility (1)	(2)	October 2020	\$ 190	\$ *	\$ 190
Term Loan B	(3)	July 2022	1,086	21	1,065
Term Loan A Facility:					
Term Loan A	(4)	October 2020	397	2	395
Term Loan A-1	(5)	July 2021	344	3	341
Senior Notes	4.50%	April 2019	450	7	443

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Senior Notes	5.25%	December 2021	550	4	546
Senior Notes	4.875%	June 2023	500	4	496
Securitization obligations: (6)					
Apple Ridge Funding LLC (7)		June 2018	223	*	223
Cartus Financing Limited (8)		August 2018	11	*	11
Total (9)			\$ 3,751	\$ 41	\$ 3,710

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*The debt issuance costs related to our Revolving Credit Facility and securitization obligations are classified as a deferred financing asset within other assets.

As of September 30, 2017, the Company had \$1,050 million of borrowing capacity under its Revolving Credit Facility, leaving \$860 million of available capacity. The revolving credit facility expires in October 2020, but is (1) classified on the balance sheet as current due to the revolving nature of the facility. On November 1, 2017, the Company had \$70 million in outstanding borrowings under the Revolving Credit Facility, leaving \$980 million of available capacity.

Interest rates with respect to revolving loans under the Senior Secured Credit Facility at September 30, 2017 are based on, at the Company's option, (a) adjusted LIBOR plus an additional margin or (b) ABR plus an additional (2) margin, in each case subject to adjustment based on the then current senior secured leverage ratio. Based on the previous quarter senior secured leverage ratio, the LIBOR margin was 2.00% and the ABR margin was 1.00% for the three months ended September 30, 2017.

The Term Loan B provides for quarterly amortization payments totaling 1% per annum of the original principal amount. The interest rate with respect to term loans under the Term Loan B is based on, at the Company's option, (3) (a) adjusted LIBOR plus 2.25% (with a LIBOR floor of 0.75%) or (b) JPMorgan Chase Bank, N.A.'s prime rate ("ABR") plus 1.25% (with an ABR floor of 1.75%).

The Term Loan A provides for quarterly amortization payments, which commenced March 31, 2016, totaling per annum 5%, 5%, 7.5%, 10.0% and 12.5% of the original principal amount of the Term Loan A in 2016, 2017, 2018, 2019 and 2020, respectively. The interest rates with respect to term loans under the Term Loan A are based on, at (4) the Company's option, (a) adjusted LIBOR plus an additional margin or (b) ABR plus an additional margin, in each case subject to adjustment based on the then current senior secured leverage ratio. Based on the previous quarter senior secured leverage ratio, the LIBOR margin was 2.00% and the ABR margin was 1.00% for the three months ended September 30, 2017.

The Term Loan A-1 provides for quarterly amortization payments, which commenced on September 30, 2016, totaling per annum 2.5%, 2.5%, 5%, 7.5% and 10.0% of the original principal amount of the Term Loan A-1, with the last amortization payment made on June 30, 2021. The interest rates with respect to term loans under the Term (5) Loan A-1 are based on, at the Company's option, (a) adjusted LIBOR plus an additional margin or (b) ABR plus an additional margin, in each case subject to adjustment based on the then current senior secured leverage ratio. Based on the previous quarter senior secured leverage ratio, the LIBOR margin was 2.00% and the ABR margin was 1.00% for the three months ended September 30, 2017.

(6) Available capacity is subject to maintaining sufficient relocation related assets to collateralize these securitization obligations.

In June 2017, Realogy Group extended the existing Apple Ridge Funding LLC securitization program utilized by (7) Cartus until June 2018. As of September 30, 2017, the Company had \$325 million of borrowing capacity under the Apple Ridge Funding LLC securitization program leaving \$102 million of available capacity.

Consists of a £10 million revolving loan facility and a £5 million working capital facility. As of September 30, (8) 2017, the Company had \$20 million of borrowing capacity under the Cartus Financing Limited securitization program leaving \$9 million of available capacity. In September 2017, Realogy Group extended the existing Cartus Financing Limited securitization program to August 2018.

(9) Not included in this table is the Company's Unsecured Letter of Credit Facility which had a capacity of \$74 million with \$71 million utilized at a weighted average rate of 3.24% at September 30, 2017.

Maturities Table

As of September 30, 2017, the combined aggregate amount of maturities for long-term borrowings, excluding securitization obligations, for the remainder of 2017 and each of the next four years is as follows:

Year	Amount
Remaining 2017 (a)	\$ 200

2018	57
2019	527
2020	357
2021	837

The current portion of long-term debt consists of remaining 2017 amortization payments totaling \$5 million, \$2 million and \$3 million for the Term Loan A, Term Loan A-1 and Term Loan B facilities, respectively, as well as (a) \$190 million of revolver borrowings under the revolving credit facility which expires in October 2020, but are classified on the balance sheet as current due to the revolving nature of the facility.

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Senior Secured Credit Facility

In July 2016, the Company entered into a third amendment (the “Third Amendment”) to the Amended and Restated Credit Agreement, dated as of March 5, 2013, as amended. The Third Amendment replaced the \$1,858 million Term Loan B due March 2020 with a new \$1,100 million Term Loan B due July 20, 2022. In January 2017, the Company entered into a fourth amendment (the “Fourth Amendment” to the Amended and Restated Credit Agreement, as so amended, the “Senior Secured Credit Agreement”) that repriced the Term Loan B through a refinancing of the existing term loan with a new Term Loan B. The Fourth Amendment reduced the interest rate by 75 basis points but did not change the maturity date for the Term Loan B. The Company also entered into an Incremental Assumption Agreement to the Senior Secured Credit Agreement pursuant to which the Company increased the borrowing capacity under its Revolving Credit Facility to \$1,050 million from the existing \$815 million.

The Senior Secured Credit Agreement provides for:

- a Term Loan B issued in the original aggregate principal amount of \$1,100 million with a maturity date of July 2022. The Term Loan B has quarterly amortization payments totaling 1% per annum of the initial aggregate (a) principal amount. The interest rate with respect to term loans under the Term Loan B is based on, at Realogy Group's option, adjusted LIBOR plus 2.25% (with a LIBOR floor of 0.75%) or ABR plus 1.25% (with an ABR floor of 1.75%); and
- a \$1,050 million Revolving Credit Facility with a maturity date of October 23, 2020, which includes (i) a \$125 million letter of credit subfacility and (ii) a swingline loan subfacility. The interest rate with respect to revolving (b)loans under the Revolving Credit Facility is based on, at Realogy Group's option, adjusted LIBOR or ABR plus an additional margin subject to the following adjustments based on the Company's then current senior secured leverage ratio:

Senior Secured Leverage Ratio	Applicable LIBOR Margin	Applicable ABR Margin
Greater than 3.50 to 1.00	2.50%	1.50%
Less than or equal to 3.50 to 1.00 but greater than or equal to 2.50 to 1.00	2.25%	1.25%
Less than 2.50 to 1.00	2.00%	1.00%

The Senior Secured Credit Agreement permits the Company to obtain up to \$500 million of additional credit facilities from lenders reasonably satisfactory to the administrative agent and us, without the consent of the existing lenders under the new senior secured credit facility, plus an unlimited amount if Realogy Group's senior secured leverage ratio is less than 3.50 to 1.00 on a pro forma basis. Subject to certain restrictions, the Senior Secured Credit Agreement also permits us to issue senior secured or unsecured notes in lieu of any incremental facility.

The obligations under the Senior Secured Credit Agreement are secured to the extent legally permissible by substantially all of the assets of Realogy Group, Realogy Intermediate and all of their domestic subsidiaries, other than certain excluded subsidiaries.

Realogy Group's Senior Secured Credit Agreement contains financial, affirmative and negative covenants and requires Realogy Group to maintain a senior secured leverage ratio, not to exceed 4.75 to 1.00. The leverage ratio is tested quarterly regardless of the amount of borrowings outstanding and letters of credit issued under the revolver at the testing date. Total senior secured net debt does not include unsecured indebtedness, including the Unsecured Notes as well as the securitization obligations. At September 30, 2017, Realogy Group was in compliance with the senior secured leverage ratio covenant.

Term Loan A Facility

In October 2015, Realogy Group entered into the Term Loan A senior secured credit agreement which provides for a five-year, \$435 million loan issued at par with a maturity date of October 23, 2020 (the “Term Loan A”) and has terms substantially similar to the Senior Secured Credit Agreement. The Term Loan A provides for quarterly amortization payments, which commenced March 31, 2016, totaling the amount per annum equal to the following percentages of the original principal amount of the Term Loan A: 5%, 5%, 7.5%, 10.0% and 12.5% for amortizations payable in 2016, 2017, 2018, 2019 and 2020, with the balance payable upon the final maturity date. The interest rates with

respect to term loans under the Term Loan A are based on, at our option, adjusted LIBOR or ABR plus an additional margin subject to the following adjustments based on the Company's then current senior secured leverage ratio:

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Senior Secured Leverage Ratio	Applicable LIBOR Margin	Applicable ABR Margin
Greater than 3.50 to 1.00	2.50%	1.50%
Less than or equal to 3.50 to 1.00 but greater than or equal to 2.50 to 1.00	2.25%	1.25%
Less than 2.50 to 1.00	2.00%	1.00%

In July 2016, Realogy Group entered into a first amendment to the Term Loan A senior secured credit agreement. Under the amendment, the Company issued the Term Loan A-1 in the amount of \$355 million with a maturity date in July 2021 under its existing Term Loan A Facility and on terms substantially similar to its existing Term Loan A. The Term Loan A-1 provides for quarterly amortization payments totaling per annum 2.5%, 2.5%, 5%, 7.5% and 10.0% of the original principal amount of the Term Loan A-1, which commenced September 30, 2016 continuing through June 30, 2021.

The interest rates with respect to term loans under the Term Loan A-1 are based on, at our option, adjusted LIBOR or ABR plus an additional margin subject to the following adjustments based on the Company's then current senior secured leverage ratio:

Senior Secured Leverage Ratio	Applicable LIBOR Margin	Applicable ABR Margin
Greater than 3.50 to 1.00	2.50%	1.50%
Less than or equal to 3.50 to 1.00 but greater than or equal to 2.50 to 1.00	2.25%	1.25%
Less than 2.50 to 1.00 but greater than or equal to 2.00 to 1.00	2.00%	1.00%
Less than 2.00 to 1.00	1.75%	0.75%

Consistent with the Senior Secured Credit Agreement, the Term Loan A Facility permits the Company to obtain up to \$500 million of additional credit facilities from lenders reasonably satisfactory to the administrative agent and the company, without the consent of the existing lenders under the Term Loan A, plus an unlimited amount if the Company's senior secured leverage ratio is less than 3.50 to 1.00 on a pro forma basis. Subject to certain restrictions, the Term Loan A Facility also permits us to issue senior secured or unsecured notes in lieu of any incremental facility.

Unsecured Notes

The 4.50% Senior Notes, 5.25% Senior Notes and 4.875% Senior Notes (each as defined below, collectively the "Unsecured Notes") are unsecured senior obligations of Realogy Group that mature on April 15, 2019, December 1, 2021 and June 1, 2023, respectively. Interest on the Unsecured Notes is payable each year semiannually on April 15 and October 15 for the 4.50% Senior Notes and June 1 and December 1 for both the 5.25% Senior Notes and 4.875% Senior Notes.

The Unsecured Notes are guaranteed on an unsecured senior basis by each domestic subsidiary of Realogy Group that is a guarantor under the Senior Secured Credit Facility and Realogy Group's outstanding debt securities and are guaranteed by Realogy Holdings on an unsecured senior subordinated basis.

Other Debt Facilities

The Company has an Unsecured Letter of Credit Facility to provide for the issuance of letters of credit required for general corporate purposes by the Company. At September 30, 2017, the capacity of the facility was \$74 million with \$71 million being utilized and at December 31, 2016, the capacity of the facility was \$131 million with \$127 million being utilized. In August 2017, the standby irrevocable letter of credit, which was utilized to support the Company's payment obligations with respect to its share of Cendant contingent and other corporate liabilities, was terminated as a result of the resolution of a Cendant legacy tax matter, reducing the capacity and outstanding letters of credit under the Unsecured Letter of Credit Facility. The facility's expiration dates are as follows:

Capacity (in millions)	Expiration Date
\$8	September 2018
\$66	December 2019

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The fixed pricing to the Company is based on a spread above the credit default swap rate for senior unsecured debt obligations of the Company over the applicable letter of credit period. Realogy Group's obligations under the Unsecured Letter of Credit Facility are guaranteed on an unsecured senior basis by each domestic subsidiary of Realogy Group that is a guarantor under the Senior Secured Credit Facility and Realogy Group's outstanding debt securities.

Securitization Obligations

Realogy Group has secured obligations through Apple Ridge Funding LLC under a securitization program. In June 2017, Realogy Group extended the program until June 2018. The program has a capacity of \$325 million. At September 30, 2017, Realogy Group had \$223 million of outstanding borrowings under the facility.

Realogy Group, through a special purpose entity known as Cartus Financing Limited, has agreements providing for a £10 million revolving loan facility and a £5 million working capital facility. In September 2017, Realogy Group extended the existing Cartus Financing Limited securitization program to August 2018. There were \$11 million of outstanding borrowings on the facilities at September 30, 2017. These Cartus Financing Limited facilities are secured by the relocation assets of a U.K. government contract in this special purpose entity and are therefore classified as permitted securitization financings as defined in Realogy Group's Senior Secured Credit Facility and the indentures governing the Unsecured Notes.

The Apple Ridge entities and the Cartus Financing Limited entity are consolidated special purpose entities that are utilized to securitize relocation receivables and related assets. These assets are generated from advancing funds on behalf of clients of Realogy Group's relocation business in order to facilitate the relocation of their employees. Assets of these special purpose entities are not available to pay Realogy Group's general obligations. Under the Apple Ridge program, provided no termination or amortization event has occurred, any new receivables generated under the designated relocation management agreements are sold into the securitization program and as new eligible relocation management agreements are entered into, the new agreements are designated to the program. The Apple Ridge program has restrictive covenants and trigger events, including performance triggers linked to the age and quality of the underlying assets, foreign obligor limits, multicurrency limits, financial reporting requirements, restrictions on mergers and change of control, any uncured breach of Realogy Group's senior secured leverage ratio under Realogy Group's Senior Secured Credit Facility, and cross-defaults to Realogy Group's material indebtedness. The occurrence of a trigger event under the Apple Ridge securitization facility could restrict our ability to access new or existing funding under this facility or result in termination of the facility, either of which would adversely affect the operation of our relocation business.

Certain of the funds that Realogy Group receives from relocation receivables and related assets must be utilized to repay securitization obligations. These obligations were collateralized by \$259 million and \$238 million of underlying relocation receivables and other related relocation assets at September 30, 2017 and December 31, 2016, respectively. Substantially all relocation related assets are realized in less than twelve months from the transaction date.

Accordingly, all of Realogy Group's securitization obligations are classified as current in the accompanying Condensed Consolidated Balance Sheets.

Interest incurred in connection with borrowings under these facilities amounted to \$2 million for the three months ended September 30, 2017 and 2016 and \$5 million for the nine months ended September 30, 2017 and 2016. This interest is recorded within net revenues in the accompanying Condensed Consolidated Statements of Operations as related borrowings are utilized to fund Realogy Group's relocation business where interest is generally earned on such assets. These securitization obligations represent floating rate debt for which the average weighted interest rate was 3.3% and 2.5% for the nine months ended September 30, 2017 and 2016, respectively.

Loss on the Early Extinguishment of Debt

As a result of the refinancing transaction in January of 2017 and reduction of the Unsecured Letter of Credit Facility in September of 2017, the Company recorded losses on the early extinguishment of debt of \$5 million during the nine months ended September 30, 2017.

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6. RESTRUCTURING COSTS

Restructuring charges were \$2 million and \$9 million for the three and nine months ended September 30, 2017, respectively, and \$9 million and \$30 million for the three and nine months ended September 30, 2016, respectively. The components of the restructuring charges for the three and nine months ended September 30, 2017 and 2016 were as follows:

	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2016	
Personnel-related costs (1)	\$ 1	\$ 6	\$ 7	\$ 17
Facility-related costs (2)	—	2	1	7
Accelerated depreciation on asset disposals	—	1	—	1
Other restructuring costs (3)	1	—	1	5
Total restructuring charges	\$ 2	\$ 9	\$ 9	\$ 30

(1) Personnel-related costs consist of severance costs provided to employees who have been terminated and duplicate payroll costs during transition.

(2) Facility-related costs consist of costs associated with planned facility closures such as contract termination costs, lease payments that will continue to be incurred under the contract for its remaining term without economic benefit to the Company and other facility and employee relocation related costs.

(3) Other restructuring costs consist of costs related to professional fees, consulting fees and other costs associated with restructuring activities which are primarily included in the Corporate and Other business segment.

Business Optimization Initiative

During the fourth quarter of 2015, the Company began a business optimization initiative that focused on maximizing the efficiency and effectiveness of the cost structure of each of the Company's business units. The action was designed to improve client service levels across each of the business units while enhancing the Company's profitability and incremental margins. The plan focused on several key areas of opportunity which include process improvement efficiencies, office footprint optimization, leveraging technology and media spend, centralized procurement, outsourcing administrative services and organizational design. The expected costs of activities undertaken in connection with the restructuring plan are largely complete.

The following is a reconciliation of the beginning and ending restructuring reserve balances for the Business Optimization Initiative:

	Personnel-related costs	Facility-related costs	Accelerated depreciation on asset disposal	Other restructuring costs	Total
Balance at December 31, 2016	\$ 9	\$ 7	\$ —	\$ —	\$ 16
Restructuring charges	7	1	—	1	9
Costs paid or otherwise settled	(12)	(5)	—	(1)	(18)
Balance at September 30, 2017	\$ 4	\$ 3	\$ —	\$ —	\$ 7

The following table shows the total restructuring costs expected to be incurred by type of cost for the Business Optimization Initiative:

Total amount expected to be incurred	Amount incurred to date	Total amount remaining to be incurred
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Personnel-related costs	\$ 32	\$ 32	\$ —
Facility-related costs	16	14	2
Accelerated depreciation related to asset disposals	2	1	1
Other restructuring costs	12	11	1
Total	\$ 62	\$ 58	\$ 4

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The following table shows the total restructuring costs expected to be incurred by reportable segment for the Business Optimization Initiative:

	Total amount expected to be incurred	Amount incurred to date	Total amount remaining to be incurred
Real Estate Franchise Services	\$ 5	\$ 5	\$ —
Company Owned Real Estate Brokerage Services	37	35	2
Relocation Services	5	5	—
Title and Settlement Services	1	1	—
Corporate and Other	14	12	2
Total	\$ 62	\$ 58	\$ 4

7. STOCK-BASED COMPENSATION

The Company has stock-based compensation plans (the 2007 Stock Incentive Plan and the 2012 Long-Term Incentive Plan) under which incentive equity awards such as non-qualified stock options, rights to purchase shares of common stock, restricted stock, restricted stock units ("RSUs"), performance restricted stock units and performance share units ("PSUs") may be issued to employees, consultants and directors of Realogy. The Company's stockholders approved the Amended and Restated 2012 Long-Term Incentive Plan at the 2016 Annual Meeting of Stockholders held on May 4, 2016 (the "Amended and Restated 2012 LTIP"). The Amended and Restated 2012 LTIP increases the number of shares authorized for issuance under that plan by 9.8 million shares. The total number of shares authorized for issuance under the plans is 19.4 million shares.

Awards granted under the Amended and Restated 2012 LTIP utilizing the additional 9.8 million share reserve, except options and stock appreciation rights, must be counted against the foregoing share limit on a 2.22 share to one basis for each share actually granted in connection with such award. As of September 30, 2017, the total number of shares available for future grants under the Amended and Restated 2012 LTIP was approximately 3 million shares. The Company does not expect to issue any additional awards under the 2007 Stock Incentive Plan.

Consistent with the 2016 long-term incentive equity awards, the 2017 awards include a mix of PSUs, RSUs (performance restricted stock units for the CEO and direct reports) and options. The 2017 PSUs are incentives that reward grantees based upon the Company's financial performance over a three-year performance period ending December 31, 2019. There are two PSU awards: one is based upon the total stockholder return of Realogy's common stock relative to the total stockholder return of the SPDR S&P Homebuilders Index ("XHB") (the "RTSR award"), and the other is based upon the achievement of cumulative free cash flow goals. The number of shares that may be issued under the PSU is variable and based upon the extent to which the performance goals are achieved over the performance period (with a range of payout from 0% to 175% of target for the RTSR award and 0% to 200% of target for the achievement of cumulative free cash flow award). The shares earned will be distributed in early 2020. The RSUs vest over three years, with 33.33% vesting on each anniversary of the grant date. Time-vesting of the 2017 performance RSUs for the CEO and direct reports is subject to achievement of a minimum EBITDA performance goal for 2017. The stock options have a maximum term of ten years and vest over four years, with 25% vesting on each anniversary date of the grant date. The options have an exercise price equal to the closing sale price of the Company's common stock on the date of grant.

In August 2016, the Company's Board of Directors approved the initiation of a quarterly cash dividend policy on its common stock. The Board declared a cash dividend of \$0.09 per share of the Company's common stock per quarter. When payment of cash dividends occurs, the Company issues dividend equivalent units ("DEUs") to eligible holders of

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outstanding RSUs and PSUs. The number of DEUs granted for each RSU or PSU is calculated by dividing the amount of the cash dividend on the number of shares covered by the RSU or PSU at the time of the related dividend record date by the closing price of the Company's stock on the related dividend payment date. The DEUs are subject to the same vesting requirements, settlement provisions, and other terms and conditions as the original award to which they relate. The issuance of DEUs have an immaterial impact on the Company's stock-based compensation activity. The fair value of RSUs and PSUs without a market condition is equal to the closing sale price of the Company's common stock on the date of grant. The fair value of the RTSR PSU award was estimated on the date of grant using the Monte Carlo Simulation method utilizing the following assumptions. Expected volatility was based on historical volatilities of the Company and select comparable companies.

	2017 RTSR PSU
Weighted average grant date fair value	\$27.98
Weighted average expected volatility	29.0 %
Weighted average volatility of XHB	18.4 %
Weighted average correlation coefficient	0.53
Weighted average risk-free interest rate	1.5 %
Weighted average dividend yield	—

A summary of RSU activity for the nine months ended September 30, 2017 is presented below (number of shares in millions):

	Restricted Stock Units	Weighted Average Grant Date Fair Value
Unvested at January 1, 2017	1.4	\$ 37.53
Granted	1.1	28.22
Vested (a)	(0.6)	39.56
Forfeited	(0.1)	30.82
Unvested at September 30, 2017	1.8	\$ 31.34

(a) The total fair value of RSUs which vested during the nine months ended September 30, 2017 was \$26 million. A summary of PSU activity for the nine months ended September 30, 2017 is presented below (number of shares in millions):

	Performance Share Units (a)	Weighted Average Grant Date Fair Value
Unvested at January 1, 2017	1.0	\$ 36.66
Granted	0.7	27.70
Vested	—	—
Forfeited	—	—
Unvested at September 30, 2017	1.7	\$ 32.71

(a) The PSU amounts in the table are shown at the target amount of the award.

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The fair value of the options was estimated on the date of grant using the Black-Scholes option-pricing model. Expected volatility was based on historical volatilities of the Company and select comparable companies. The expected term of the options granted represents the period of time that options are expected to be outstanding and is based on the simplified method. The risk-free interest rate was based on the U.S. Treasury yield curve in effect at the time of the grant, which corresponds to the expected term of the options.

	2017	Options
Weighted average grant date fair value	\$8.00	
Weighted average expected volatility	30.7 %	
Weighted average expected term (years)	6.25	
Weighted average risk-free interest rate	2.1 %	
Weighted average dividend yield	1.3 %	

A summary of stock option unit activity for the nine months ended September 30, 2017 is presented below (number of shares in millions):

	Options	Weighted Average Exercise Price
Outstanding at January 1, 2017	3.3	\$ 31.69
Granted	0.4	27.56
Exercised (a) (b)	(0.3)	23.77
Forfeited/Expired	—	—
Outstanding at September 30, 2017 (c)	3.4	\$ 31.52

(a) The intrinsic value of options exercised during the nine months ended September 30, 2017 was \$2 million.

(b) Cash received from options exercised during the nine months ended September 30, 2017 was \$7 million.

(c) Options outstanding at September 30, 2017 have an intrinsic value of \$6 million and have a weighted average remaining contractual life of 5.8 years.

Stock-Based Compensation Expense

As of September 30, 2017, based on current performance achievement expectations, there was \$45 million of unrecognized compensation cost related to incentive equity awards under the plans which will be recorded in future periods as compensation expense over a remaining weighted average period of approximately 1.2 years. The Company recorded stock-based compensation expense related to the incentive equity awards of \$12 million and \$38 million for the three and nine months ended September 30, 2017, respectively, and \$14 million and \$39 million for the three and nine months ended September 30, 2016, respectively.

8. EARNINGS PER SHARE**Earnings per share attributable to Realogy Holdings**

Basic earnings per share is computed based on net income attributable to Realogy Holdings stockholders divided by the basic weighted-average shares outstanding during the period. Dilutive earnings per share is computed consistently with the basic computation while giving effect to all dilutive potential common shares and common share equivalents that were outstanding during the period. Realogy Holdings uses the treasury stock method to reflect the potential dilutive effect of unvested stock awards and unexercised options.

	Three Months Ended September 30,	Nine Months Ended September 30,	2017	2016
(in millions, except per share data)	2017	2017	2016	2016

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Net income attributable to Realogy Holdings shareholders	\$95	\$106	\$176	\$156
Basic weighted average shares	136.1	144.0	137.8	145.4
Stock options, restricted stock units and performance share units (a)	2.0	1.1	1.6	1.2
Weighted average diluted shares	138.1	145.1	139.4	146.6
Earnings Per Share:				
Basic	\$0.70	\$0.74	\$1.28	\$1.07
Diluted	\$0.69	\$0.73	\$1.26	\$1.06

(a) The three and nine months ended September 30, 2017 respectively exclude 4.9 million and 5.3 million shares of common stock issuable for incentive equity awards, which includes performance share units based on the achievement of target amounts, that are anti-dilutive to the diluted earnings per share computation. The three and nine months ended September 30, 2016 respectively exclude 5.2 million and 5.1 million shares of common stock issuable for incentive equity awards, which includes performance share units based on the achievement of target amounts, that are anti-dilutive to the diluted earnings per share computation.

In the third quarter of 2017, the Company repurchased and retired 1.8 million shares of common stock for \$58 million at a weighted average market price of \$33.83 per share. For the nine months ended September 30, 2017, the Company repurchased and retired 5.9 million shares of common stock for \$178 million at a weighted average market price of \$30.40 per share. The shares repurchased include 77,900 shares for which the trade date occurred in late September 2017 while settlement occurred in October 2017. The purchase of shares under this plan reduces the weighted-average number of shares outstanding in the basic earnings per share calculation.

9.COMMITMENTS AND CONTINGENCIES

Litigation

The Company is involved in claims, legal proceedings, alternative dispute resolution and governmental inquiries related to alleged contract disputes, business practices, intellectual property and other commercial, employment, regulatory and tax matters. Examples of such matters include but are not limited to allegations:

- that the Company is vicariously liable for the acts of franchisees under theories of actual or apparent agency;
- by current or former franchisees that franchise agreements were breached including improper terminations;
 - concerning claims for alleged RESPA or state real estate law violations including but not limited to claims challenging the validity of sales associates indemnification, and administrative fees;
- that residential real estate sales associates engaged by NRT—under certain state or federal laws—are potentially employees instead of independent contractors, and they or regulators therefore may bring claims against NRT for breach of contract, wage and hour classification claims, wrongful discharge, unemployment and workers' compensation and could seek benefits, back wages, overtime, indemnification, penalties related to classification practices and expense reimbursement available to employees;
- concerning claims generally against the company owned brokerage operations for negligence, misrepresentation or breach of fiduciary duty in connection with the performance of real estate brokerage or other professional services as well as other brokerage claims associated with listing information and property history;
- concerning claims generally against the title company contending that, as the escrow company, the company knew or should have known that a transaction was fraudulent or concerning other title defects or settlement errors; and

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concerning information security and cyber crime.

Real Estate Business Litigation

Dodge, et al. v. PHH Corporation, et al., formerly captioned Strader, et al. and Hall v. PHH Corporation, et al. (U.S. District Court for the Central District of California). This is a purported class action brought by four California residents against 15 defendants, including Realogy and certain of its subsidiaries, PHH Corporation and PHH Home Loans, LLC (a joint venture between Realogy and PHH), alleging violations of Section 8(a) of RESPA. Plaintiffs seek to represent two subclasses comprised of all persons in the United States who, since January 31, 2005, (1) obtained a RESPA-covered mortgage loan from either (a) PHH Home Loans, LLC or one of its subsidiaries, or (b) one of the mortgage services managed by PHH Corporation for other lenders, and (2) paid a fee for title insurance or settlement services to TRG or one of its subsidiaries. Plaintiffs allege, among other things, that PHH Home Loans, LLC operates in violation of RESPA and that the other defendants violate RESPA by referring business to one another under agreements or arrangements. Plaintiffs seek treble damages and an award of attorneys' fees, costs and disbursements. On May 19, 2017, the parties held a mediation session, at which they agreed in principle to a settlement of the action, pursuant to which the Company would pay approximately \$8 million (or one-half of the settlement). As a result, the Company accrued \$8 million in the second quarter of 2017 and the liability is included in accrued expenses and other current liabilities on the Condensed Consolidated Balance Sheets. On July 31, 2017, the fourth amended complaint was filed changing the named plaintiffs. At a hearing on the plaintiffs' motion for preliminary approval of the settlement held October 19, 2017, the Court indicated that if certain modest revisions are made to the settlement agreement and an amended motion for preliminary approval is filed by no later than November 3, 2017, the Court will grant preliminary approval to the settlement; however, there can be no assurance that the parties will reach a definitive settlement or that the Court will approve it.

The Company is involved in certain other claims and legal actions arising in the ordinary course of our business. Such litigation, regulatory actions and other proceedings may include, but are not limited to, actions relating to intellectual property, commercial arrangements, franchising arrangements, actions against our title company alleging it knew or should have known that others were committing mortgage fraud, standard brokerage disputes like the failure to disclose accurate square footage or hidden defects in the property such as mold, vicarious liability based upon conduct of individuals or entities outside of our control, including franchisees and independent sales associates, antitrust and anti-competition claims, general fraud claims, employment law claims, including claims challenging the classification of our sales associates as independent contractors, wage and hour classification claims, and claims alleging violations of RESPA or state consumer fraud statutes. While the results of such claims and legal actions cannot be predicted with certainty, we do not believe based on information currently available to us that the final outcome of current proceedings against the Company will have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Cendant Corporate Litigation

Realogy Group (then Realogy Corporation) separated from Cendant on July 31, 2006 (the "Separation"), pursuant to a plan by Cendant (now known as Avis Budget Group, Inc.) to separate into four independent companies—one for each of Cendant's business units—real estate services (Realogy Group), travel distribution services ("Travelport"), hospitality services, including timeshare resorts ("Wyndham Worldwide"), and vehicle rental ("Avis Budget Group"). Pursuant to the Separation and Distribution Agreement dated as of July 27, 2006 among Cendant, Realogy Group, Wyndham Worldwide and Travelport (the "Separation and Distribution Agreement"), each of Realogy Group, Wyndham Worldwide and Travelport have assumed certain contingent and other corporate liabilities (and related costs and expenses), which are primarily related to each of their respective businesses. In addition, Realogy Group has assumed 62.5% and Wyndham Worldwide has assumed 37.5% of certain contingent and other corporate liabilities (and related costs and expenses) of Cendant or its subsidiaries, which are not primarily related to any of the respective businesses of Realogy Group, Wyndham Worldwide, Travelport and/or Cendant's vehicle rental operations, in each case incurred or allegedly incurred on or prior to the date of the separation of Travelport from Cendant.

* * *

The Company believes that it has adequately accrued for legal matters as appropriate. The Company records litigation accruals for legal matters which are both probable and estimable.

Litigation and other disputes are inherently unpredictable and subject to substantial uncertainties and unfavorable resolutions could occur. In addition, class action lawsuits can be costly to defend and, depending on the class size and claims, could be costly to settle. As such, the Company could incur judgments or enter into settlements of claims with

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liability that are materially in excess of amounts accrued and these settlements could have a material adverse effect on the Company's financial condition, results of operations or cash flows in any particular period.

Transfer of Cendant Corporate Liabilities, Issuance of Guarantees to Cendant and Affiliates and Contingent Liability Letter of Credit

Realogy Group has certain guarantee commitments with Cendant (pursuant to the assumption of certain liabilities and the obligation to indemnify Cendant, Wyndham Worldwide and Travelport for such liabilities). These guarantee arrangements primarily relate to certain contingent litigation liabilities, contingent tax liabilities, and other corporate liabilities, of which Realogy Group assumed and is generally responsible for 62.5%. Upon separation from Cendant, the liabilities assumed by Realogy Group were comprised of certain Cendant corporate liabilities which were recorded on the historical books of Cendant as well as additional liabilities which were established for guarantees issued at the date of Separation related to certain unresolved contingent matters that could arise during the guarantee period.

Regarding the guarantees, if any of the companies responsible for all or a portion of such liabilities were to default in its payment of costs or expenses related to any such liability, Realogy Group would be responsible for a portion of the defaulting party or parties' obligation. To the extent such recorded liabilities are in excess or are not adequate to cover the ultimate payment amounts, such excess or deficiency will be reflected in the results of operations in future periods. In April 2007, the Company established a standby irrevocable letter of credit for the benefit of Avis Budget Group in accordance with the Separation and Distribution Agreement. The letter of credit was utilized to support the Company's payment obligations with respect to its share of Cendant contingent and other corporate liabilities. The stated amount of the standby irrevocable letter of credit was subject to periodic adjustment to reflect the then current estimate of Cendant contingent and other liabilities. The standby irrevocable letter of credit terminates if (i) the Company's senior unsecured credit rating is raised to BB by Standard and Poor's or Ba2 by Moody's or (ii) the aggregate value of the former parent contingent liabilities falls below \$30 million.

The letter of credit was \$53 million at December 31, 2016. With the resolution of a Cendant legacy tax matter in the third quarter of 2017, the aggregate value of the former parent contingent liabilities fell below \$30 million to \$18 million and therefore the standby irrevocable letter of credit was terminated in accordance with the agreement.

The due to former parent balance was \$18 million and \$28 million at September 30, 2017 and December 31, 2016, respectively. The due to former parent balance was comprised of the Company's portion of the following: (i) Cendant's remaining state and foreign contingent tax liabilities, (ii) accrued interest on contingent tax liabilities, (iii) potential liabilities related to Cendant's terminated or divested businesses, and (iv) potential liabilities related to the residual portion of accruals for Cendant operations.

Tax Matters

The Company is subject to income taxes in the United States and several foreign jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes and recording related assets and liabilities. In the ordinary course of business, there are many transactions and calculations where the ultimate tax determination is uncertain. The Company is regularly under audit by tax authorities whereby the outcome of the audits is uncertain. The Company believes there is appropriate support for positions taken on its tax returns. The liabilities that have been recorded represent the best estimates of the probable loss on certain positions and are adequate for all open years based on an assessment of many factors including past experience and interpretations of tax law applied to the facts of each matter. However, the outcomes of tax audits are inherently uncertain.

Under the Tax Sharing Agreement with Cendant, Wyndham Worldwide and Travelport, the Company is generally responsible for 62.5% of payments made to settle claims with respect to tax periods ending on or prior to December 31, 2006 that relate to income taxes imposed on Cendant and certain of its subsidiaries, the operations (or former operations) of which were determined by Cendant not to relate specifically to the respective businesses of Realogy, Wyndham Worldwide, Avis Budget or Travelport.

With respect to any remaining legacy Cendant tax liabilities, the Company and its former parent believe there is appropriate support for the positions taken on Cendant's tax returns. However, tax audits and any related litigation, including disputes or litigation on the allocation of tax liabilities between parties under the Tax Sharing Agreement, could result in outcomes for the Company that are different from those reflected in the Company's historical financial statements.

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Escrow and Trust Deposits

As a service to its customers, the Company administers escrow and trust deposits which represent undisbursed amounts received for the settlement of real estate transactions. Deposits at FDIC-insured institutions are insured up to \$250 thousand. These escrow and trust deposits totaled \$472 million at September 30, 2017 and \$415 million at December 31, 2016. These escrow and trust deposits are not assets of the Company and, therefore, are excluded from the accompanying Condensed Consolidated Balance Sheets. However, the Company remains contingently liable for the disposition of these deposits.

10. SEGMENT INFORMATION

The reportable segments presented below represent the Company's operating segments for which separate financial information is available and which is utilized on a regular basis by its chief operating decision maker to assess performance and to allocate resources. In identifying its reportable segments, the Company also considers the nature of services provided by its operating segments. Management evaluates the operating results of each of its reportable segments based upon revenue and EBITDA, which is defined as net income (loss) before depreciation and amortization, interest (income) expense, net (other than Relocation Services interest for relocation receivables and securitization obligations) and income taxes, each of which is presented in the Company's Condensed Consolidated Statements of Operations. The Company's presentation of EBITDA may not be comparable to similar measures used by other companies.

	Revenues (a) (b)			
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Real Estate Franchise Services	\$224	\$215	\$631	\$593
Company Owned Real Estate Brokerage Services	1,267	1,231	3,556	3,340
Relocation Services	111	116	290	308
Title and Settlement Services	154	164	431	424
Corporate and Other (c)	(82)	(82)	(238)	(225)
Total Company	\$1,674	\$1,644	\$4,670	\$4,440

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Transactions between segments are eliminated in consolidation. Revenues for the Real Estate Franchise Services segment include intercompany royalties and marketing fees paid by the Company Owned Real Estate Brokerage Services segment of \$82 million and \$238 million for the three and nine months ended September 30, 2017, respectively, and \$82 million and \$225 million for the three and nine months ended September 30, 2016, respectively. Such amounts are eliminated through the Corporate and Other line.

Revenues for the Relocation Services segment include intercompany referral commissions paid by the Company Owned Real Estate Brokerage Services segment of \$11 million and \$31 million for the three and nine months ended September 30, 2017, respectively, and \$12 million and \$33 million for the three and nine months ended September 30, 2016, respectively. Such amounts are recorded as contra-revenues by the Company Owned Real Estate Brokerage Services segment. There are no other material intersegment transactions.

(c) Includes the elimination of transactions between segments.

	EBITDA			
	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2016	
	(a)	(b)	(c)	(d)
Real Estate Franchise Services	\$159	\$153	\$427	\$394
Company Owned Real Estate Brokerage Services	62	74	113	131
Relocation Services	37	40	65	74
Title and Settlement Services	21	23	49	49
Corporate and Other (e)	(25)	(20)	(70)	(60)
Total Company	\$254	\$270	\$584	\$588
Less:				
Depreciation and amortization (f)	\$51	\$53	\$150	\$149
Interest expense, net	41	37	127	169
Income tax expense	67	74	131	114
Net income attributable to Realogy Holdings and Realogy Group	\$95	\$106	\$176	\$156

The three months ended September 30, 2017 includes a net cost of \$1 million of former parent legacy items and \$1 million related to the loss on the early extinguishment of debt in Corporate and Other, and restructuring charges of \$2 million in the Company Owned Real Estate Brokerage Services segment.

The three months ended September 30, 2016 includes \$9 million of restructuring charges as follows: \$1 million in the Real Estate Franchise Services segment, \$6 million in the Company Owned Real Estate Brokerage Services segment, \$1 million in the Relocation Services segment and \$1 million in the Title and Settlement Services segment.

The nine months ended September 30, 2017 includes an \$8 million expense related to the settlement of the Strader legal matter and \$5 million related to the losses on the early extinguishment of debt, partially offset by a net benefit of \$10 million of former parent legacy items in Corporate and Other, and \$9 million of restructuring charges as follows: \$8 million in the Company Owned Real Estate Brokerage Services segment and \$1 million in the Real Estate Franchise Services segment.

The nine months ended September 30, 2016 includes \$30 million of restructuring charges as follows: \$4 million in the Real Estate Franchise Services segment, \$15 million in the Company Owned Real Estate Brokerage Services segment, \$4 million in the Relocation Services segment, \$1 million in the Title and Settlement Services segment

and \$6 million in Corporate and Other, and a net cost of \$1 million of former parent legacy items included in Corporate and Other.

(e) Includes the elimination of transactions between segments.

Depreciation and amortization for both the three and nine months ended September 30, 2017 includes \$1 million of

(f) amortization expense related to Guaranteed Rate Affinity's purchase accounting included in the "Equity in earnings of unconsolidated entities" line on the Condensed Consolidated Statement of Operations.

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11. SUBSEQUENT EVENTS

On October 23, 2017, the Company announced that Ryan Schneider has been elected as President and Chief Operating Officer of the Company and appointed as a member of the Company's Board of Directors. In accordance with the succession plan developed by the Board, Mr. Schneider is expected to be named Chief Executive Officer (the "CEO") by December 31, 2017.

Upon the appointment of Mr. Schneider as CEO on or before December 31, 2017, Richard Smith, the Company's Chairman and Chief Executive Officer, will retire from the Company and resign from the Board. The Company anticipates that Michael Williams, the Company's Lead Independent Director, will be named Chairman of the Board upon the appointment of Mr. Schneider as CEO.

On October 23, 2017, the Company amended the employment agreement dated March 13, 2017 with Mr. Smith (the "Amended CEO Employment Agreement"). Under the Amended CEO Employment Agreement, Mr. Smith continues as the Company's CEO and Chairman of the Board until the earlier of (a) the Board appoints a new Chairman of the Board or a new CEO to assume these roles from Mr. Smith and (b) December 31, 2017 (the "Transition Date"). Upon the Transition Date, Mr. Smith's employment with the Company will terminate and he will resign as an officer and director of the Company, which will be considered a termination by Mr. Smith with good reason under the terms of the Amended CEO Employment Agreement. As previously agreed under Mr. Smith's employment agreement, upon such a termination, subject to his continued compliance with his restrictive covenants and the execution and non-revocation of a release of claims, the Company will provide Mr. Smith with severance payments and benefits, including an amount equal to 2.4 times the sum of his annual base salary and target annual bonus, payable in 24 equal monthly installments (or \$6 million).

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

The following discussion and analysis should be read in conjunction with our Condensed Consolidated Financial Statements and accompanying notes thereto included elsewhere herein and with our Consolidated Financial Statements and accompanying notes included in the 2016 Form 10-K. Unless otherwise noted, all dollar amounts in tables are in millions. Neither Realogy Holdings, the indirect parent of Realogy Group, nor Realogy Intermediate, the direct parent company of Realogy Group, conducts any operations other than with respect to its respective direct or indirect ownership of Realogy Group. As a result, the condensed consolidated financial positions, results of operations and cash flows of Realogy Holdings, Realogy Intermediate and Realogy Group are the same. This Management's Discussion and Analysis of Financial Condition and Results of Operations contain forward-looking statements. See "Forward-Looking Statements" in this report and "Forward-Looking Statements" and "Risk Factors" in our 2016 Form 10-K for a discussion of the uncertainties, risks and assumptions associated with these statements. Actual results may differ materially from those contained in any forward-looking statements.

OVERVIEW

We are a global provider of real estate and relocation services and report our operations in the following four segments:

Real Estate Franchise Services (known as Realogy Franchise Group or RFG)—franchises the Century 21 Coldwell Banker®, Coldwell Banker Commercial®, ERA®, Sotheby's International Realty® and Better Homes and Gardens® Real Estate brand names. As of September 30, 2017, our franchise systems had approximately 14,450 franchised and company owned offices and approximately 286,500 independent sales associates operating under our franchise and proprietary brands in the U.S. and 113 other countries and territories around the world, which included more than 780 of our company owned and operated brokerage offices with more than 50,000 independent sales associates.

Our wholly-owned subsidiary, ZapLabs LLC (which changed its name from ZipRealty LLC in 2016), is the developer of our proprietary technology platform for the real estate brokerages and independent sales associates in our franchise system as well as their customers. We believe the Zap technology platform will increase the value proposition to franchisees, independent sales associates and customers as well as improve the productivity of independent sales associates.

Company Owned Real Estate Brokerage Services (known as NRT)—operates a full-service real estate brokerage business with more than 780 owned and operated brokerage offices with more than 50,000 independent sales associates principally under the Coldwell Banker®, Corcoran®, Sotheby's International Realty®, ZipRealty® and Citi HabitatsSM brand names in more than 50 of the 100 largest metropolitan areas in the U.S. This segment also includes the Company's share of earnings for our PHH Home Loans venture, which is in the process of winding down as we transition to our new mortgage origination joint venture with Guaranteed Rate Affinity.

Relocation Services (known as Cartus®)—primarily offers clients employee relocation services such as homesale assistance, providing home equity advances to transferees (generally guaranteed by the individual's employer), home finding and other destination services, expense processing, relocation policy counseling and consulting services, arranging household goods moving services, coordinating visa and immigration support, intercultural and language training and group move management services. In addition, we provide home buying and selling assistance to members of affinity clients.

Title and Settlement Services (known as Title Resource Group or TRG)—provides full-service title and settlement services to real estate companies, affinity groups, corporations and financial institutions with many of these services provided in connection with the Company's real estate brokerage and relocation services business. This segment also includes the Company's share of earnings, including start-up costs, for our Guaranteed Rate Affinity venture.

RECENT DEVELOPMENTS

Leadership Succession Plan

On October 23, 2017, the Company announced that Ryan Schneider has been named President and Chief Operating Officer of the Company and appointed to the Board of Directors. Mr. Schneider is expected to be named Chief Executive Officer of the Company by December 31, 2017. Upon the appointment of Mr. Schneider as CEO on or before December 31, 2017, Richard Smith, the Company's Chairman and Chief Executive Officer, will retire from the Company. The Company anticipates that Michael Williams, the Company's Lead Independent Director, will be named

Chairman of the Board upon the appointment of Mr. Schneider as CEO.

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Strategic Initiatives

Our strategic initiatives are focused on affiliated independent sales associates, including targeted recruiting strategies, best-in-class retention practices, and organizational changes with new centers of excellence to enhance support for services such as marketing and education for affiliated independent sales associates. We believe that this refined strategic plan will manifest itself in a variety of ways, including improved lead generation, education and performance coaching and strengthened technology and marketing services, all of which are designed to increase the productivity of our existing independent sales associates and attract new independent sales associates.

Consistent with this strategy, NRT has been placing, and will continue to place, an even greater focus on the quality of our services, including the development of tools to increase sales associate productivity, and the use of financial incentives to strengthen our recruiting and retention of independent sales associates and teams. These actions include a focused strategy to recruit and retain high performing sales associates. In addition, there is an enhanced focus on the value proposition offered to independent sales associate teams. This strategic emphasis on recruitment and retention is driven by our overall goal to sustain or grow market share in various markets and ultimately improve the Company's overall profitability. While we have seen revenue improvements directly related to these initiatives, we have experienced and expect to continue to experience pressure on costs and margin from these initiatives.

Impact of Natural Disasters

In the third quarter of 2017, Hurricanes Harvey and Irma caused damage to residential and commercial property and infrastructure in Texas and Florida, which delayed the closing of homesale transactions. The hurricanes had an unfavorable impact on homesale transaction volume, title closing units and broker-to-broker referral fees during the third quarter of 2017 in the affected areas and are expected to have a similar unfavorable impact in the fourth quarter of 2017.

In October 2017, several catastrophic wildfires occurred in Northern California. We are assessing the impact of these wildfires, which we currently do not expect will have a material impact on our results of operations in the fourth quarter of 2017.

Although our segments operate in the affected regions as noted above, we did not incur significant damage to our office locations related to the hurricanes and have not incurred any significant damage to our office locations as a result of the wildfires and we believe we have adequate insurance coverage to protect our property losses.

New Mortgage Origination Joint Venture

On February 15, 2017, Realogy announced that it and Guaranteed Rate, Inc. ("Guaranteed Rate") agreed to form a new mortgage origination joint venture, Guaranteed Rate Affinity, LLC ("Guaranteed Rate Affinity"), which began doing business in August 2017. In accordance with the asset purchase agreement, Guaranteed Rate Affinity is acquiring certain assets of the mortgage operations of PHH Home Loans, the existing joint venture between Realogy and PHH Mortgage Corporation, including its four regional centers and employees across the United States, but not its mortgage assets.

Following completion of the transactions under the asset purchase agreement, Guaranteed Rate Affinity will originate and market its mortgage lending services to Realogy's real estate brokerage and relocation subsidiaries as well as other real estate brokerage and relocation companies across the country. Guaranteed Rate owns a controlling 50.1% stake of Guaranteed Rate Affinity and Realogy owns 49.9%. Guaranteed Rate will have responsibility for the oversight of the officers and senior employees of Guaranteed Rate Affinity who are designated to manage Guaranteed Rate Affinity. The asset purchase agreement and the movement of employees from the existing joint venture to the new joint venture is being completed in a series of five phases. The first two phases were completed in the third quarter of 2017 and in October the third phase was completed. The remaining two phases are expected to be completed in the fourth quarter of 2017. After giving effect to the establishment of Guaranteed Rate Affinity and the liquidation of Realogy's interest in PHH Home Loans in early 2018, the Company expects to realize net cash proceeds of approximately \$20 million. There can be no assurance that all of the transactions contemplated by the asset purchase agreement will be consummated in a timely manner or at all or that the Company will receive the cash it expects from the wind down of the existing joint venture and the establishment of the new joint venture. The equity earnings related to Guaranteed Rate Affinity will be included in the financial results of our Title and Settlement Services segment.

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Return of Capital to Stockholders

During the third quarter of 2017, the Company repurchased and retired 1.8 million shares of common stock for \$58 million at a weighted average market price of \$33.83 per share. Since beginning the repurchase of the Company's common stock in February 2016, the Company has repurchased a total of 13 million shares at a weighted average market price of \$29.07 per share through September 30, 2017. As of September 30, 2017, approximately \$198 million of authorization remains available for the repurchase of shares under the February 2017 share repurchase program. Repurchases under these programs may be made at management's discretion from time to time on the open market, pursuant to Rule 10b5-1 trading plans or privately negotiated transactions. The size and timing of these repurchases will depend on price, market and economic conditions, legal and contractual requirements and other factors. The repurchase programs have no time limit and may be suspended or discontinued at any time.

Refer to "Part II—Other Information, Item 2. Unregistered Sales of Equity Securities and Use of Proceeds" for additional information on the Company's share repurchase programs.

During the third quarter of 2017, the Board declared and paid a quarterly cash dividend of \$0.09 per share of the Company's common stock.

CURRENT INDUSTRY TRENDS

According to the National Association of Realtors ("NAR"), during the first nine months of 2017, homesale transaction volume increased 6% due to a 5% increase in the average homesale price and a 1% increase in the number of homesale transactions. The higher increase in the average homesale price relative to the increase in homesale transactions is a function of high demand against a limited supply of homes for sale. RFG and NRT homesale transaction volume on a combined basis increased 7% in the first nine months of 2017. NRT experienced a 2% increase in existing homesale transactions and a 6% increase in average homesale price while RFG experienced a 1% increase in existing homesale transactions and a 6% increase in average homesale price.

Recruitment and retention of independent sales associates and independent sales associate teams are critical to the business and financial results of a brokerage, including our company owned brokerages and those operated by our affiliated franchisees. Competition for independent sales associates in our industry, including within our franchise system, is high, in particular with respect to more productive sales associates. Most of a brokerage's real estate listings are sourced through the sphere of influence of their independent sales associates, notwithstanding the growing influence of internet-generated leads. Competition for independent sales associates is generally subject to numerous factors, including remuneration (such as sales commission percentage and other financial incentives paid to independent sales associates), other expenses of independent sales associates, leads or business opportunities generated for the independent sales associate from the brokerage, independent sales associates' perception of the value of the broker's brand affiliation, marketing and advertising efforts by the brokerage, the office manager, staff and fellow independent sales associates with whom they collaborate daily and technology, continuing professional education, and other services provided by the brokerage. We believe that the influence of independent sales associates and independent sales associate teams has increased during the past five years and, together with the increasing competition from other brokerages, has negatively impacted the recruitment and retention of independent sales associates and put pressure on commission rate splits. These factors may also put pressure on RFG's net effective royalty rate as the economics for agents and agent teams change. At NRT, we continue to focus on our growth initiatives, specifically our recruiting programs and the focus on strengthening the sales agent value proposition. The new targeted recruiting initiatives that we introduced in late 2016 have enabled us to mitigate prior declines in market share through the addition of high performing NRT independent sales associates. While these recruiting and retention initiatives have increased our commission expense, we expect these initiatives will improve our operating results over the longer term and will continue to positively impact our market share trend.

As reported by NAR, the housing affordability index has continued to be at historically favorable levels, despite the increases in the average homesale price over the past several years. An index above 100 signifies that a family earning the median income has sufficient income to purchase a median-priced home, assuming a 20 percent down payment and ability to qualify for a mortgage. The composite housing affordability index was 150 for August 2017 and 165 for 2016. The housing affordability index remains significantly higher than the average of 127 for the period from 1970 through 2016.

According to Freddie Mac, mortgage rates on commitments for a 30-year, conventional, fixed-rate first mortgages averaged 3.7% for 2016 and the rate at September 30, 2017 was 3.8%. Although mortgage rates have increased 30 basis points to 3.8% as of September 30, 2017 from 3.5% as of September 2016, they continue to be at low levels by historical

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standards. While this increase adversely impacts housing affordability, we believe that rising wages, improving consumer confidence and a continuation of low inventory levels for the mainstream housing market will result in continued favorable demand conditions and existing homesale volume growth. To the extent that mortgage rates increase, consumers continue to have financing alternatives such as adjustable rate mortgages or shorter term mortgages which can be utilized to obtain a lower mortgage rate than a 30-year fixed-rate mortgage. Partially offsetting the positive impact of historically favorable affordability and mortgage rates are low housing inventory levels, which have been in decline over the past several years. According to NAR, the inventory of existing homes for sale in the U.S. was 1.9 million and 2.0 million at the end of September 2017 and September 2016, respectively. The September 2017 inventory represents a national average supply of 4.2 months at the current homesales pace which is significantly below the 6.1 month 25-year average as of December 31, 2016. The national average supply at the then-current homesales pace for September 2016, 2015 and 2014 was 4.5 months, 4.8 months and 5.4 months, respectively.

Additional offsetting factors include the ongoing rise in home prices, conservative mortgage underwriting standards and certain homeowners having limited or negative equity in homes. Mortgage credit conditions tightened significantly during the recent housing downturn, with banks limiting credit availability to more creditworthy borrowers and requiring larger down payments, stricter appraisal standards, and more extensive mortgage documentation. Although mortgage credit conditions appear to be easing, mortgages remain less available to some borrowers and it frequently takes longer to close a homesale transaction due to current mortgage and underwriting requirements.

Existing Homesales

According to NAR, existing homesale transactions for 2016 increased to 5.5 million homes, or up 4%, compared to 2015, while homesale transactions increased 2% on a combined basis for RFG and NRT.

For the quarters ended March 31, 2017, June 30, 2017 and September 30, 2017, compared to the same periods in 2016, NAR existing homesale transactions were 1.1 million, 1.6 million and 1.5 million homes, or up 5%, up 2% and down 2%, respectively. For the periods above, RFG and NRT homesale transactions on a combined basis increased 3%, increased 1% and decreased 1%, respectively, compared to the same periods in 2016. During the first nine months of the year, the number of homesale transactions for RFG and NRT has continued to be challenged by inventory constraints, however for NRT there has been a shift from stabilization to growth in the high end of the housing market. The annual and quarterly year-over-year trends in homesale transactions are as follows:

2017 vs. 2016

Number of Existing Homesales	Full Year 2016 vs. 2015	2017 vs. 2016				Fourth Quarter Forecast	Full Year Forecast 2017 vs. 2016
		First Quarter	Second Quarter	Third Quarter	Fourth Quarter		
Industry							
NAR	4 % (a)	5 % (a)	2 % (a)	(2 %)	(4 %)	(b)	— % (b)
Fannie Mae (c)	4 %	5 %	2 %	(2 %)	(5 %)	— %	
Realogy							
RFG and NRT Combined	2 %	3 %	1 %	(1 %)			
RFG	3 %	3 %	1 %	(1 %)			
NRT	— %	4 %	3 %	— %			

(a) Historical existing homesale data is as of the most recent NAR press release, which is subject to sampling error.

(b) Forecasted existing homesale data, on a seasonally adjusted basis, is as of the most recent NAR forecast.

(c) Forecasted existing homesale data, on a seasonally adjusted basis, is as of the most recent Fannie Mae press release.

As of their most recent releases, NAR is forecasting existing homesales to increase 7% in 2018 while Fannie Mae is forecasting an increase in existing homesale transactions of 2% in 2018.

Existing Homesale Price

In 2016, NAR existing homesale average price increased 4% compared to the same period in 2015, while average homesale price increased 2% on a combined basis for RFG and NRT.

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For the quarters ended March 31, 2017, June 30, 2017 and September 30, 2017, compared to the same periods in 2016, NAR existing homesale average price increased 5%, 5% and 4%, respectively. For the periods above, RFG and NRT average homesale price on a combined basis increased 5%, 7%, and 6%, respectively, compared to the same periods in 2016. The combined average homesale price increase was due to the increase in homesale transactions at the high end of the markets served by NRT and RFG. Both RFG and NRT homesale price also improved as a result of increased demand due to the continuation of constrained inventory levels. The annual and quarterly year-over-year trends in the price of homes are as follows:

Price of Existing Homes	2017 vs. 2016					
	Full Year 2016 vs. 2015	First Quarter	Second Quarter	Third Quarter	Fourth Quarter Forecast	Full Year Forecast 2017 vs. 2016
Industry						
NAR	4 %	(a)5 %	(a)5 %	(a)4 %	(a)5 %	(b)6 % (b)
Fannie Mae (c)	5 %	7 %	6 %	6 %	6 %	6 %
Realogy						
RFG and NRT Combined	2 %	5 %	7 %	6 %		
RFG	3 %	6 %	6 %	6 %		
NRT	—%	3 %	9 %	4 %		

(a) Historical homesale price data is for existing homesale average price and is as of the most recent NAR press release.

(b) Forecasted homesale price data is for median price and is as of the most recent NAR forecast.

(c) Existing homesale price data is for median price and is as of the most recent Fannie Mae press release.

As of their most recent releases, NAR and Fannie Mae are both forecasting an increase in median existing homesale price of 5% in 2018 compared to 2017.

* * *

We believe that long-term demand for housing and the growth of our industry are primarily driven by the affordability of housing, the economic health of the U.S. economy, demographic trends such as population growth, the increase in household formation, mortgage rate levels and mortgage availability, certain tax benefits, job growth, the inherent attributes of homeownership versus renting and the influence of local housing dynamics of supply versus demand. At this time, most of these factors are generally trending favorably. Factors that may negatively affect continued growth in the housing industry include:

- higher mortgage rates due to increases in long-term interest rates as well as reduced availability of mortgage financing;
- continued insufficient inventory levels and lack of building of new housing leading to lower unit sales;
- changing attitudes towards home ownership, particularly among potential first-time homebuyers who may delay, or decide not to, purchase homes;
- potential homebuyers with a low credit rating or inability to afford down payments;
- the impact of limited or negative equity of current homeowners, as well as the lack of available inventory may limit their proclivity to purchase an alternative home;
- reduced affordability of homes;
- economic stagnation or contraction in the U.S. economy;
- a decline in home ownership levels in the U.S.;
- geopolitical and economic instability; and
- legislative or regulatory reform, including but not limited to reform that adversely impacts the financing of the U.S. housing market or amends the Internal Revenue Code in a manner that negatively impacts home ownership such as

reform that reduces the amount that certain taxpayers would be allowed to deduct for home mortgage interest or state, local and property taxes.

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Many of the trends impacting our businesses that derive revenue from homesales also impact Cartus, which is a global provider of outsourced employee relocation services. In addition to general residential housing trends, key drivers of Cartus are global corporate spending on relocation services, which has not returned to levels that existed prior to the most recent recession and changes in employment relocation trends. Cartus is subject to a competitive pricing environment and lower average revenue per relocation as a result of a shift in the mix of services and number of services being delivered per move. These factors have, and may continue to, put pressure on the growth and profitability of this segment.

* * *

While data provided by NAR and Fannie Mae are two indicators of the direction of the residential housing market, we believe that homesale statistics will continue to vary between us and NAR and Fannie Mae because:

• they use survey data and estimates in their historical reports and forecasting models, which are subject to sampling error, whereas we use data based on actual reported results;

• there are geographical differences and concentrations in the markets in which we operate versus the national market.

• For example, many of our company owned brokerage offices are geographically located where average homesale prices are generally higher than the national average and therefore NAR survey data will not correlate with NRT's results;

• comparability is also impaired due to NAR's utilization of seasonally adjusted annualized rates whereas we report actual period-over-period changes and their use of median price for their forecasts compared to our average price;

• NAR historical data is subject to periodic review and revision and these revisions have been, and could be material in the future; and

• NAR and Fannie Mae generally update their forecasts on a monthly basis and a subsequent forecast may change materially from a forecast that was previously issued.

While we believe that the industry data presented herein is derived from the most widely recognized sources for reporting U.S. residential housing market statistical data, we do not endorse or suggest reliance on this data alone. We also note that forecasts are inherently uncertain or speculative in nature and actual results for any period could materially differ.

KEY DRIVERS OF OUR BUSINESSES

Within RFG and NRT, we measure operating performance using the following key operating statistics: (i) closed homesale sides, which represents either the "buy" side or the "sell" side of a homesale transaction, (ii) average homesale price, which represents the average selling price of closed homesale transactions, and (iii) average homesale broker commission rate, which represents the average commission rate earned on either the "buy" side or "sell" side of a homesale transaction. For RFG, we also use net effective royalty rate which represents the average percentage of our franchisees' commission revenues payable to RFG, net of volume incentives achieved.

Since 2014 we have experienced approximately a one basis point decline in the average broker commission rate each year and we expect that over the long term the average brokerage commission rates will continue to modestly decline as a result of increases in average homesale prices and, to a lesser extent, competitors providing fewer services for a reduced fee. Continuing growth in the housing market should result in an increase in our revenues, although such increases could be offset by modestly declining brokerage commission rates and competitive pressures.

In general, most of our third-party franchisees are entitled to volume incentives, which are calculated for each franchisee as a progressive percentage of each franchisee's annual gross income. These incentives decrease during times of declining homesale transaction volumes and increase when there is a corresponding increase in homesale transaction volume. In addition, several of our larger franchisees have a flat royalty rate. If our top franchisees, who earn higher volume incentives or have a flat royalty rate, continue to grow faster than the majority of our other franchisees, the Company's net effective royalty rate will continue to modestly decline.

Royalty fees are charged to all franchisees pursuant to the terms of the relevant franchise agreements and are included in each of the real estate brands' franchise disclosure documents. Non-standard incentives may be used as consideration for new or renewing franchisees. Most of our franchisees do not receive these non-standard incentives and in contrast to royalties and volume incentives, they are not homesale transaction based. We have accordingly excluded the non-standard incentives from the calculation of the net effective royalty rate. Had these non-standard

incentives been included, the net effective royalty rate would be lower by approximately 23 and 21 basis points for the years ended December 31, 2016 and

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2015, respectively. We expect that the trend of increasing non-standard incentives by approximately 3 to 4 basis points a year will continue in the future in order to attract and retain certain large franchisees.

NRT has a significant concentration of real estate brokerage offices and transactions in geographic regions where home prices are at the higher end of the U.S. real estate market, particularly the east and west coasts, while RFG has franchised offices that are more widely dispersed across the United States. Accordingly, operating results and homesale statistics may differ between NRT and RFG based upon geographic presence and the corresponding homesale activity in each geographic region. In addition, the share of commissions earned by sales associates directly impacts the margin earned by NRT. Such share of commissions earned by sales associates varies by region and commission schedules are generally progressive to incentivize sales associates to achieve higher levels of production. We expect that they will continue to be subject to upward pressure because of the increased bargaining power of independent sales associates and teams as well as more aggressive recruitment activities taken by our competitors. As described above under "Current Industry Trends," competition for independent sales associates in our industry has intensified and we expect this competition will continue particularly with respect to more productive independent sales associates which has impacted NRT's market share and results of operations, as well as RFG to a lesser extent. Currently, there are several different compensation models being utilized by real estate brokerages to compensate their independent sales associates. The most common models are as follows: (1) a graduated commission plan, sometimes referred to as the "traditional model" where the independent sales associate receives a percentage of the brokerage commission that increases as the independent sales associate increases his or her volume of homesale transactions and the brokerage frequently provides independent sales associates with a broad set of support offerings and promotion of properties, (2) a desk rental or 100% plan, where the independent sales associate is entitled to all or nearly all of the broker commission and pays the broker on both a monthly and transaction basis for office space, tools, technology and support while also being responsible for the promotion of properties and other items, (3) a capped model, which generally blends aspects of the first two models described herein, and (4) a fixed transaction fee model where the sales associate is entitled to all of the broker commission and pays a fixed fee per homesale transaction and often receives very limited support from the brokerage. Most brokerages focus primarily on one compensation model though some may offer one or more of these models to their sales associates. Increasingly, independent sales associates have affiliated with brokerages that offer fewer services to the independent sales associates, allowing the independent sales associate to retain a greater percentage of the commission. However, there are long-term trade-offs in the level of support independent sales associates receive in areas such as marketing, technology and professional education. While NRT has historically compensated its independent sales associates using a traditional model, utilizing elements of other models depending upon the geographic market, we are placing an even greater focus on the quality of our services and use of financial incentives to strengthen our recruiting and retention of independent sales associates and teams. These actions include a more aggressive strategy to recruit and retain high performing sales associates. In addition, there is an enhanced focus on the value proposition offered to independent sales associate teams. This strategic emphasis on recruitment and retention is driven by our overall goal to sustain or grow market share in various markets and ultimately improve the Company's overall profitability. While we have seen revenue improvements directly related to these initiatives, we have experienced and expect to continue to experience pressure on costs and margin from these initiatives.

Within Cartus, we measure operating performance using the following key operating statistics: (i) initiations, which represent the total number of new transferees and the total number of real estate closings for affinity members and (ii) referrals, which represent the number of referrals from which we earn revenue from real estate brokers.

In TRG, operating performance is evaluated using the following key metrics: (i) purchase title and closing units, which represent the number of title and closing units we process as a result of home purchases, (ii) refinance title and closing units, which represent the number of title and closing units we process as a result of homeowners refinancing their home loans, and (iii) average fee per closing unit, which represents the average fee we earn on purchase title and refinancing title sides. An increase or decrease in homesale transactions will impact the financial results of TRG; however, the financial results are not significantly impacted by a change in homesale price. In addition, the average mortgage rate increased in the fourth quarter of 2016 and refinancing transactions have decreased as a result. We believe that a further increase in mortgage rates in the future will most likely have a negative impact on refinancing

title and closing units.

A decline in the number of homesale transactions and decline in homesale prices could adversely affect our results of operations by: (i) reducing the royalties we receive from our franchisees, (ii) reducing the commissions our company owned brokerage operations earn, (iii) reducing the demand for our title and settlement services, (iv) reducing the referral fees we earn in our relocation services business, and (v) increasing the risk of franchisee default due to lower homesale

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volume. Our results could also be negatively affected by a decline in commission rates charged by brokers or greater commission payments to sales associates.

The following table presents our drivers for the three and nine months ended September 30, 2017 and 2016. See "Results of Operations" below for a discussion as to how these drivers affected our business for the periods presented.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	% Change	2017	2016	% Change
RFG (a)						
Closed homesale sides	318,961	323,176	(1 %)	866,956	861,254	1 %
Average homesale price	\$292,000	\$275,325	6 %	\$287,558	\$270,669	6 %
Average homesale broker commission rate	2.49 %	2.50 %	(1) bps	2.50 %	2.51 %	(1) bps
Net effective royalty rate	4.42 %	4.50 %	(8) bps	4.42 %	4.50 %	(8) bps
Royalty per side	\$334	\$322	4 %	\$331	\$318	4 %
NRT						
Closed homesale sides	95,236	95,605	— %	262,849	258,163	2 %
Average homesale price	\$506,418	\$486,343	4 %	\$515,617	\$487,781	6 %
Average homesale broker commission rate	2.45 %	2.46 %	(1) bps	2.45 %	2.47 %	(2) bps
Gross commission income per side	\$13,142	\$12,681	4 %	\$13,358	\$12,750	5 %
Cartus						
Initiations	39,608	40,556	(2 %)	126,921	129,290	(2 %)
Referrals	23,905	25,495	(6 %)	64,392	68,526	(6 %)
TRG						
Purchase title and closing units (b)	43,764	42,932	2 %	122,069	116,082	5 %
Refinance title and closing units (c)	6,513	15,170	(57 %)	21,370	36,100	(41 %)
Average fee per closing unit	\$2,115	\$1,824	16 %	\$2,092	\$1,865	12 %

(a) Includes all franchisees except for NRT.

(b) The amounts presented for the three and nine months ended September 30, 2017 include 3,325 and 8,351 purchase units, respectively, as a result of the acquisitions completed prior to the third quarter of 2017.

(c) The amounts presented for the three and nine months ended September 30, 2017 include 725 and 1,858 refinance units, respectively, as a result of the acquisitions completed prior to the third quarter of 2017.

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RESULTS OF OPERATIONS

Discussed below are our condensed consolidated results of operations and the results of operations for each of our reportable segments. The reportable segments presented below represent our operating segments for which separate financial information is available and which is utilized on a regular basis by our chief operating decision maker to assess performance and to allocate resources. In identifying our reportable segments, we also consider the nature of services provided by our operating segments. Management evaluates the operating results of each of our reportable segments based upon revenue and EBITDA. EBITDA is defined as net income (loss) before depreciation and amortization, interest (income) expense, net (other than Relocation Services interest for securitization assets and securitization obligations) and income taxes, each of which is presented on our Condensed Consolidated Statements of Operations. Our presentation of EBITDA may not be comparable to similarly titled measures used by other companies.

Three Months Ended September 30, 2017 vs. Three Months Ended September 30, 2016

Our consolidated results comprised the following:

	Three Months Ended		
	September 30,		
	2017	2016	Change
Net revenues	\$1,674	\$1,644	\$ 30
Total expenses (1)	1,521	1,468	53
Income before income taxes, equity in earnings and noncontrolling interests	153	176	(23)
Income tax expense	67	74	(7)
Equity in earnings of unconsolidated entities	(10)	(5)	(5)
Net income	96	107	(11)
Less: Net income attributable to noncontrolling interests	(1)	(1)	—
Net income attributable to Realogy Holdings and Realogy Group	\$95	\$106	\$ (11)

(1) Total expenses for the three months ended September 30, 2017 includes \$2 million of restructuring charges, \$1 million related to loss on the early extinguishment of debt and a net cost of \$1 million of former parent legacy items. Total expenses for the three months ended September 30, 2016 includes \$9 million of restructuring charges partially offset by \$5 million of gains related to mark-to-market adjustments for our interest rate swaps.

Net revenues increased \$30 million or 2% for the three months ended September 30, 2017 compared with the three months ended September 30, 2016, principally due to increases in gross commission income and franchise fees as a result of higher homesale transaction volume of 4% on a combined basis for NRT and RFG.

Total expenses increased \$53 million or 4% primarily due to:

- a \$53 million increase in commission and other sales associate-related costs due to an increase in homesale transaction volume at NRT and higher sales commissions paid to its independent sales associates;
- a \$5 million increase in marketing expenses; and
- a \$4 million net increase in interest expense to \$41 million in the third quarter of 2017 from \$37 million in the third quarter of 2016 due to the absence of mark-to-market adjustments for our interest rate swaps that resulted in gains of \$5 million during the third quarter of 2016 less a \$1 million decrease as a result of a reduction in total outstanding indebtedness and a lower weighted average interest rate.

The expense increases were partially offset by:

- a \$7 million decrease in restructuring costs related to the Company's business optimization plan; and
 - a \$2 million decrease in operating and general and administrative expenses primarily driven by:
 - a \$10 million increase in other expenses including professional fees and occupancy costs; and
 - a \$1 million increase in employee-related costs primarily related to acquisitions;
- partially offset by:
- a \$10 million decrease in variable operating costs at TRG primarily due to lower refinance and underwriter volume.

Earnings from equity investments were \$10 million during the third quarter of 2017 compared to \$5 million during the third quarter of 2016. The \$5 million increase in equity earnings is primarily due to:

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an \$8 million increase in equity earnings at NRT as a result of \$14 million of earnings from the sale of the first two phases of PHH Home Loans' assets to Guaranteed Rate Affinity, partially offset by \$2 million of exit costs. In addition, there was a \$4 million decrease in earnings due to lower operating results as a result of lower origination volume, compressed industry margins and lower results due to the level of organizational change associated with the transition to the operations of Guaranteed Rate Affinity.

The increase in equity earnings was partially offset by:

a \$3 million decrease in equity earnings at TRG primarily related to costs associated with the start up of operations of Guaranteed Rate Affinity, including \$1 million of amortization of intangible assets recorded in purchase accounting. As part of the business optimization initiative the Company began in the fourth quarter of 2015, we incurred \$2 million of restructuring costs in the third quarter of 2017 compared to \$9 million of costs in the third quarter of 2016. The Company expects to incur an additional \$4 million related to initiatives still in progress bringing the total cost of the initiative to be \$62 million. See Note 6, "Restructuring Costs", in the Condensed Consolidated Financial Statements for additional information.

The Company's provision for income taxes in interim periods is computed by applying its estimated annual effective tax rate against the income or loss before income taxes for the period. In addition, non-recurring or discrete items are recorded in the period in which they occur. The provision for income taxes was \$67 million for the three months ended September 30, 2017 compared to \$74 million for the three months ended September 30, 2016. Our federal and state blended statutory rate is estimated to be 40% for 2017 and our full year effective tax rate is estimated to be 41%. Our effective tax rate was 41% for both the three months ended September 30, 2017 and September 30, 2016.

The following table reflects the results of each of our reportable segments during the three months ended September 30, 2017 and 2016:

	Revenues (a)		% Change	EBITDA (b)		% Change	EBITDA Margin		Change
	2017	2016		2017	2016		2017	2016	
RFG	\$224	\$215	4 %	\$159	\$153	4 %	71 %	71 %	—
NRT	1,267	1,231	3	62	74	(16)	5	6	(1)
Cartus	111	116	(4)	37	40	(8)	33	34	(1)
TRG	154	164	(6)	21	23	(9)	14	14	—
Corporate and Other	(82)	(82)	*	(25)	(20)	*			
Total Company	\$1,674	\$1,644	2 %	\$254	\$270	(6 %)	15 %	16 %	(1)
Less: Depreciation and amortization (c)				51	53				
Interest expense, net				41	37				
Income tax expense				67	74				
Net income attributable to Realogy Holdings and Realogy Group				\$95	\$106				

* not meaningful

(a) Includes the elimination of transactions between segments, which consists of intercompany royalties and marketing fees paid by NRT of \$82 million during both the three months ended September 30, 2017 and September 30, 2016.

EBITDA for the three months ended September 30, 2017 includes \$1 million related to loss on the early extinguishment of debt and a net cost of \$1 million of former parent legacy items in Corporate and Other and \$2 million of restructuring charges in NRT.

EBITDA for the three months ended September 30, 2016 includes \$9 million of restructuring charges reflected above as follows: \$6 million in NRT, \$1 million in RFG, \$1 million in Cartus and \$1 million in TRG.

Depreciation and amortization for the three months ended September 30, 2017 includes \$1 million of amortization expense related to Guaranteed Rate Affinity's purchase accounting included in the "Equity in earnings of unconsolidated entities" line on the Condensed Consolidated Statement of Operations.

As described in the aforementioned table, EBITDA margin for "Total Company" expressed as a percentage of revenues decreased 1 percentage point to 15% from 16% for the three months ended September 30, 2017 compared to the same period in 2016. On a segment basis, RFG's margin remained flat at 71%. NRT's margin decreased 1 percentage point to 5% from 6% primarily due to higher sales commission percentages paid to its independent sales associates offset by lower restructuring costs and an increase in earnings related to its equity investment in PHH Home Loans during the third quarter of 2017 compared to the same period in 2016. Cartus' margin decreased 1 percentage point to 33% from 34% primarily due

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to lower international revenues. TRG's margin remained flat at 14% due to losses from equity investments during the third quarter of 2017 compared to earnings from equity investments during the third quarter of 2016 primarily due to costs associated with the start up of operations of Guaranteed Rate Affinity, offset by the reversal of a legal reserve. Corporate and Other EBITDA for the three months ended September 30, 2017 declined \$5 million to negative \$25 million primarily due to a \$2 million increase in employee costs due to higher employee incentive accruals and investments in technology development, a \$3 million increase in professional fees supporting strategic initiatives, \$1 million related to loss on the early extinguishment of debt as a result of the reduction in the Unsecured Letter of Credit Facility and a net cost of \$1 million of former parent legacy items during the third quarter of 2017 compared to the third quarter of 2016.

EBITDA before restructuring charges was \$256 million for the three months ended September 30, 2017 compared to \$279 million for the three months ended September 30, 2016. EBITDA before restructuring charges by reportable segment for the three months ended September 30, 2017 was as follows:

	Three Months Ended September 30,		2017		2016	
	EBITDA	Restructuring Charges	EBITDA Before Restructuring	EBITDA Before Restructuring	% Change	
RFG	\$159	\$ —	\$ 159	\$ 154	3	%
NRT	62	2	64	80	(20))
Cartus	37	—	37	41	(10))
TRG	21	—	21	24	(13))
Corporate and Other	(25)	—	(25)	(20)	*)
Total Company	\$254	\$ 2	\$ 256	\$ 279	(8)	(%)

* not meaningful

The following table reflects RFG and NRT results on a combined basis for the third quarter of 2017 compared to the third quarter of 2016. The EBITDA before restructuring margin for the combined segments decreased 1 percentage point from 17% to 16% due primarily to higher sales commission percentages paid to NRT's independent sales associates:

	Revenues (a)		% Change	EBITDA Before Restructuring (b)		% Change	Margin		Change
	2017	2016		2017	2016		2017	2016	
	RFG and NRT Combined	\$1,409		\$1,364	3		\$ 223	\$ 234		(5 %)	16%	17%	(1 )

(a) Excludes transactions between segments, which consists of intercompany royalties and marketing fees paid by NRT to RFG of \$82 million during both the three months ended September 30, 2017 and 2016.

(b) EBITDA for the combined RFG and NRT segments excludes \$2 million and \$7 million of restructuring charges for the three months ended September 30, 2017 and 2016, respectively.

Real Estate Franchise Services (RFG)

Revenues increased \$9 million to \$224 million and EBITDA increased \$6 million to \$159 million for the three months ended September 30, 2017 compared with the same period in 2016.

The increase in revenue was driven by a \$2 million increase in third-party domestic franchisee royalty revenue due to a 6% increase in the average homesale price, partially offset by a 1% decrease in the number of homesale transactions including the negative impact attributable to regional market disruption due to hurricanes in the third quarter of 2017, and a lower net effective royalty rate. Revenue also increased due to a \$2 million increase in royalties received from NRT as a result of volume increases at NRT, a \$3 million increase in other revenue primarily due to brand conferences and franchisee events and a \$2 million increase in international revenues.

The intercompany royalties received from NRT of \$81 million and \$79 million during the third quarter of 2017 and 2016, respectively, are eliminated in consolidation to avoid the revenue from being double counted in NRT and RFG. See "Company Owned Real Estate Brokerage Services" for a discussion of the drivers related to intercompany royalties paid to RFG.

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The \$6 million increase in EBITDA was principally due to the \$9 million increase in revenues discussed above and the absence of \$1 million of restructuring charges incurred in the third quarter of 2016, partially offset by a \$2 million increase in expenses related to the brand conferences and franchisee events.

Company Owned Real Estate Brokerage Services (NRT)

Revenues increased \$36 million to \$1,267 million and EBITDA decreased \$12 million to \$62 million for the three months ended September 30, 2017 compared with the same period in 2016.

The revenue increase of \$36 million was comprised of a \$19 million increase in commission income earned on homesale transactions by our existing brokerage operations and a \$17 million increase in commission income earned from acquisitions. The increase was driven by a 4% increase in the average price of homes, partially offset by a 1 basis point decrease in the average broker commission rate. The number of homesale transactions remained flat in spite of the negative impact on homesale transaction volume attributable to the market disruption in Texas and Florida due to the hurricanes during the third quarter of 2017. We believe our positive revenue growth is attributable to the recruiting and organic growth focus by NRT management as well as stabilization in the high end of the housing market. The stabilization at the high end of the housing market had an adverse impact on the average homesale broker commission rate. In addition, homesale price is continuing to increase due to continued constrained inventory levels across the lower and mid price points in the markets served by NRT.

EBITDA decreased \$12 million primarily due to:

- a \$53 million increase in commission expenses paid to independent sales associates from \$834 million in the third quarter of 2016 to \$887 million in the third quarter of 2017. The \$53 million increase is comprised of a \$41 million increase in commission expense due to our existing brokerage operations and was driven by the impact of initiatives focused on growing and retaining our productive independent sales associate base and higher homesale transaction volume, as well as a \$12 million increase in commission expense related to acquisitions. The \$53 million increase in commission expense was significantly impacted by the mix of business as approximately 70% of the increase was due to higher homesale transaction volume in the west region where we pay a greater proportion of commissions to independent sales associates;

- a \$7 million increase in other costs including occupancy costs;

- a \$2 million increase in marketing expenses including the effect of acquisitions; and

- a \$2 million increase in royalties paid to RFG from \$79 million in the third quarter of 2016 to \$81 million in the third quarter of 2017.

These EBITDA decreases were partially offset by:

- the \$36 million increase in revenues discussed above;

- an \$8 million increase in earnings for our equity method investment in PHH Home Loans for the third quarter of 2017 compared to the third quarter 2016 as a result of \$14 million of earnings from the sale of the first two phases of PHH Home Loans' assets to Guaranteed Rate Affinity partially offset by \$2 million of exit costs. In addition, there was a \$4 million decrease in earnings due to lower operating results as a result of lower origination volume, compressed industry margins and lower results due to the level of organizational change associated with the transition of the operations to Guaranteed Rate Affinity;

- a \$4 million decrease in restructuring costs related to the Company's business optimization plan from \$6 million in the third quarter of 2016 to \$2 million in the third quarter of 2017; and

- a \$3 million decrease in employee-related costs due to a \$5 million decrease primarily related to expense reduction initiatives offset by a \$2 million increase in costs attributable to acquisitions.

Relocation Services (Cartus)

Revenues decreased \$5 million to \$111 million and EBITDA decreased \$3 million to \$37 million for the three months ended September 30, 2017 compared with the same period in 2016.

Revenues decreased \$5 million primarily as a result of a \$3 million decrease in other revenue due to lower volume and a \$2 million decrease in international revenue as a result of an increasingly higher percentage of clients reducing their global relocation activity.

EBITDA decreased \$3 million as a result of the \$5 million decrease in revenues discussed above, partially offset by a \$1 million decrease in employee related costs and the absence of \$1 million of restructuring costs incurred during the

third quarter of 2016.

Title and Settlement Services (TRG)

Revenues decreased \$10 million to \$154 million and EBITDA decreased \$2 million to \$21 million for the three months ended September 30, 2017 compared with the same period in 2016.

The decrease in revenues was as a result of a \$6 million decrease in refinancing revenue, which was the primary driver of an \$8 million decrease of underwriter revenue, partially offset by a \$7 million increase in resale revenue related to acquisitions. The overall decline in revenue was due to a decrease in activity in the refinance market and the negative impact attributable to regional market disruption due to hurricanes in the third quarter of 2017.

EBITDA decreased \$2 million as a result of the \$10 million decrease in revenues discussed above, an increase of \$2 million in employee-related costs primarily related to acquisitions and a \$2 million decrease in earnings from equity investments related to costs associated with the start up of operations of Guaranteed Rate Affinity during the third quarter of 2017. These decreases were mostly offset by a \$10 million decrease in variable operating costs primarily due to lower refinancing and underwriter volume and \$2 million related to the reversal of a legal reserve.

Nine Months Ended September 30, 2017 vs. Nine Months Ended September 30, 2016

Our consolidated results comprised the following:

	Nine Months Ended		
	September 30,		
	2017	2016	Change
Net revenues	\$4,670	\$4,440	\$ 230
Total expenses (1)	4,368	4,177	191
Income before income taxes, equity in earnings and noncontrolling interests	302	263	39
Income tax expense	131	114	17
Equity in earnings of unconsolidated entities	(7)	(10)	3
Net income	178	159	19
Less: Net income attributable to noncontrolling interests	(2)	(3)	1
Net income attributable to Realogy Holdings and Realogy Group	\$176	\$156	\$ 20

(1) Total expenses for the nine months ended September 30, 2017 includes \$9 million of restructuring charges, an \$8 million expense related to the settlement of the Strader legal matter, \$5 million related to losses on the early extinguishment of debt and \$4 million of losses related to mark-to-market adjustments for our interest rate swaps, partially offset by a net benefit of \$10 million of former parent legacy items. Total expenses for the nine months ended September 30, 2016 includes \$40 million of losses related to mark-to-market adjustments for our interest rate swaps, \$30 million of restructuring charges and a net cost of \$1 million of former parent legacy items.

Net revenues increased \$230 million or 5% for the nine months ended September 30, 2017 compared with the same period in 2016, principally due to increases in gross commission income and franchise fees as a result of a homesale transaction volume increase of 7% on a combined basis for NRT and RFG.

Total expenses increased \$191 million or 5% primarily due to:

- a \$206 million increase in commission and other sales associate-related costs due to an increase in homesale transaction volume at NRT and higher sales commissions paid to its independent sales associates;

- a \$39 million increase in operating and general and administrative expenses primarily driven by:

- \$24 million of additional employee-related costs associated with acquisitions;

- a \$24 million increase in other expenses including professional fees and occupancy costs; and

- an \$8 million expense related to the settlement of the Strader legal matter in the second quarter of 2017;

partially offset by:

- a \$7 million decrease in variable operating costs at TRG primarily due to lower refinance and underwriter volume;

- a \$14 million increase in marketing expenses; and

- \$5 million related to the losses on the early extinguishment of debt primarily as a result of the refinancing transaction completed during the first quarter of 2017.

The expense increases were partially offset by:

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a \$42 million net decrease in interest expense to \$127 million for the nine months ended September 30, 2017 from \$169 million for the nine months ended September 30, 2016. Mark-to-market adjustments for our interest rate swaps resulted in losses of \$4 million for the nine months ended September 30, 2017 compared to losses of \$40 million in the same period of 2016. Before the mark-to-market adjustments for our interest rate swaps, interest expense decreased \$6 million to \$123 million for the nine months ended September 30, 2017 from \$129 million for the nine months ended September 30, 2016 as a result of a reduction in total outstanding indebtedness and a lower weighted average interest rate;

a \$21 million decrease in restructuring costs related to the Company's business optimization plan (see Note 6, "Restructuring Costs", in the Condensed Consolidated Financial Statements for additional information); and
 an \$11 million increase in the net benefit of former parent legacy items primarily as a result of the settlement of a Cendant legacy tax matter.

Earnings from equity investments were \$7 million for the nine months ended September 30, 2017 compared to \$10 million for the nine months ended September 30, 2016. The \$3 million decrease in earnings is primarily due to:

a \$4 million decrease in equity earnings at TRG primarily related to costs associated with the start up of operations of Guaranteed Rate Affinity, including \$1 million of amortization of intangible assets recorded in purchase accounting. The decrease in equity earnings was partially offset by:

a \$1 million increase in equity earnings at NRT as a result of \$14 million of earnings from the first two phases of the sale of PHH Home Loans' assets to Guaranteed Rate Affinity, partially offset by \$5 million of exit costs. In addition,

there was a \$8 million decrease in earnings due to lower operating results as a result of lower origination volume, compressed industry margins and lower results due to the level of organizational change associated with the transition of the operations to Guaranteed Rate Affinity.

The Company's provision for income taxes in interim periods is computed by applying its estimated annual effective tax rate against the income or loss before income taxes for the period. In addition, non-recurring or discrete items are recorded in the period in which they occur. The provision for income taxes was \$131 million for the nine months ended September 30, 2017 compared to \$114 million for the nine months ended September 30, 2016. Our federal and state blended statutory rate is estimated to be 40% for 2017 and our full year effective tax rate is estimated to be 41%. Our effective tax rate was 42% for both the nine months ended September 30, 2017 and September 30, 2016. The effective tax rate in each reporting period was primarily impacted by a discrete item related to equity awards for which the market value at vesting was lower than at the date of grant.

The following table reflects the results of each of our reportable segments during the nine months ended September 30, 2017 and 2016:

	Revenues (a)		% Change	EBITDA (b)		% Change	EBITDA Margin		Change
	2017	2016		2017	2016		2017	2016	
RFG	\$631	\$593	6 %	\$427	\$394	8 %	68 %	66 %	2
NRT	3,556	3,340	6	113	131	(14)	3	4	(1)
Cartus	290	308	(6)	65	74	(12)	22	24	(2)
TRG	431	424	2	49	49	—	11	12	(1)
Corporate and Other	(238)	(225)	*	(70)	(60)	*			
Total Company	\$4,670	\$4,440	5 %	\$584	\$588	(1) %	13 %	13 %	—
Less: Depreciation and amortization (c)				150	149				
Interest expense, net				127	169				
Income tax expense				131	114				
Net income attributable to Realogy Holdings and Realogy Group				\$176	\$156				

* not meaningful

Includes the elimination of transactions between segments, which consists of intercompany royalties and marketing (a) fees paid by NRT of \$238 million and \$225 million during the nine months ended September 30, 2017 and September 30, 2016, respectively.

EBITDA for the nine months ended September 30, 2017 includes an \$8 million expense related to the settlement of (b) the Strader legal matter and \$5 million related to losses on the early extinguishment of debt, partially offset by a net benefit of \$10 million of former parent legacy items in Corporate and Other, and \$9 million of restructuring charges discussed further below.

EBITDA for the nine months ended September 30, 2016 includes \$30 million of restructuring charges reflected above as follows: \$15 million in NRT, \$6 million in Corporate and Other, \$4 million in Cartus and \$4 million in RFG, and a net cost of \$1 million of former parent legacy items included in Corporate and Other.

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Depreciation and amortization for the nine months ended September 30, 2017 includes \$1 million of amortization (c)expense related to Guaranteed Rate Affinity's purchase accounting included in the "Equity in earnings of unconsolidated entities" line on the Condensed Consolidated Statement of Operations.

As described in the aforementioned table, EBITDA margin for "Total Company" expressed as a percentage of revenues remained flat at 13% for the nine months ended September 30, 2017 compared to the same period in 2016. On a segment basis, RFG's margin increased 2 percentage points to 68% from 66% due to an increase in homesale transaction volume and lower restructuring costs. NRT's margin decreased 1 percentage point to 3% from 4% primarily due to higher sales commission percentages paid to its independent sales associates offset by lower restructuring costs for the nine months ended September 30, 2017 compared to the same period in 2016. Cartus' margin decreased 2 percentage points to 22% from 24% primarily due to lower international revenue and lower foreign currency exchange rate gains, partially offset by lower employee related costs during nine months ended the September 30, 2017 compared to the same period in 2016 and the absence of restructuring costs incurred during the nine months ended September 30, 2016. TRG's margin decreased 1 percentage point to 11% from 12% for the nine months ended September 30, 2017 compared to the same period in 2016 due to a decrease in earnings from equity investments primarily related to costs associated with the transition and start up of operations of Guaranteed Rate Affinity, partially offset by the reversal of a legal reserve.

Corporate and Other EBITDA for the nine months ended September 30, 2017 declined \$10 million to negative \$70 million primarily due to an \$8 million expense related to the settlement of the Strader legal matter, \$5 million related to the losses on the early extinguishment of debt primarily as a result of the refinancing transaction during the first quarter of 2017, a \$10 million increase in other costs due to professional fees supporting strategic initiatives and occupancy costs and a \$6 million increase in employee costs due to higher employee incentive accruals and investments in technology development. These expenses were partially offset by an \$11 million increase in the net benefit of former parent legacy items primarily as a result of the settlement of a Cendant legacy tax matter and the absence of \$6 million in restructuring charges incurred during the nine months ended September 30, 2016. EBITDA before restructuring charges was \$593 million for the nine months ended September 30, 2017 compared to \$618 million for the nine months ended September 30, 2016. EBITDA before restructuring charges by reportable segment for the nine months ended September 30, 2017 was as follows:

	Nine Months Ended September 30, 2017			2016		% Change
	EBITDA	Restructuring Charges	EBITDA Before Restructuring	EBITDA Before Restructuring		
RFG	\$427	\$ 1	\$ 428	\$ 398		8 %
NRT	113	8	121	146		(17)
Cartus	65	—	65	78		(17)
TRG	49	—	49	50		(2)
Corporate and Other	(70)	—	(70)	(54)		*
Total Company	\$584	\$ 9	\$ 593	\$ 618		(4 %)

* not meaningful

The following table reflects RFG and NRT results on a combined basis for the nine months ended September 30, 2017 and 2016. The EBITDA before restructuring margin for the combined segments decreased 1 percentage point to 14% from 15% due primarily to higher sales commission percentages paid to NRT's independent sales associates:

	Revenues (a)		% Change	EBITDA Before Restructuring (b)		% Change	Margin		Change
	2017	2016		2017	2016		2017	2016	
	RFG and NRT Combined	\$3,949		\$3,708	6 %		\$ 549	\$ 544		1 %	14 %	15 %	(1 )

Excludes transactions between segments, which consists of intercompany royalties and marketing fees paid by (a) NRT to RFG of \$238 million and \$225 million during the nine months ended September 30, 2017 and 2016, respectively.

(b) EBITDA for the combined RFG and NRT segments excludes \$9 million and \$19 million of restructuring charges for the nine months ended September 30, 2017 and 2016, respectively.

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Real Estate Franchise Services (RFG)

Revenues increased \$38 million to \$631 million and EBITDA increased \$33 million to \$427 million for the nine months ended September 30, 2017 compared with the same period in 2016.

The increase in revenue was driven by a \$12 million increase in third-party domestic franchisee royalty revenue due to a 6% increase in the average homesale price and a 1% increase in the number of homesale transactions, partially offset by a lower net effective royalty rate. Revenue also increased due to a \$12 million increase in royalties received from NRT as a result of volume increases at NRT, a \$4 million increase in other revenue primarily due to other marketing related activities and brand conferences and franchisee events and \$3 million increase in international revenues. Brand marketing revenue and related expense both increased \$6 million primarily due to the level of advertising spending during the nine months ended September 30, 2017 compared to the same period in 2016.

The intercompany royalties received from NRT of \$229 million and \$217 million during the nine months ended September 30, 2017 and September 30, 2016, respectively, are eliminated in consolidation to avoid the revenue from being double counted in NRT and RFG. See "Company Owned Real Estate Brokerage Services" for a discussion of the drivers related to intercompany royalties paid to RFG.

The \$33 million increase in EBITDA was principally due to the \$38 million increase in revenues discussed above and a \$3 million decrease in restructuring costs incurred in the first nine months of 2017 compared to the same period in 2016, partially offset by a \$6 million increase in brand marketing expense discussed above and a \$1 million increase in expenses related to the brand conferences and franchisee events.

Company Owned Real Estate Brokerage Services (NRT)

Revenues increased \$216 million to \$3,556 million and EBITDA declined \$18 million to \$113 million for the nine months ended September 30, 2017 compared with the same period in 2016.

The revenue increase of \$216 million was comprised of a \$151 million increase in commission income earned on homesale transactions by our existing brokerage operations and a \$65 million increase in commission income earned from acquisitions. The revenue increase was driven by a 2% increase in the number of homesale transactions and a 6% increase in the average price of homes, partially offset by a 2 basis points decrease in the average broker commission rate as well as a negative impact on homesale transaction volume attributable to the market disruption in Texas and Florida due to hurricanes during the third quarter of 2017. We believe our positive revenue growth is attributable to the recruiting and organic growth focus by NRT management as well as a shift from stabilization to sustained growth in the high end of the housing market. The improvement in the high end of the housing market had an adverse impact on the average homesale broker commission rate. In addition, homesale price is continuing to increase due to continued constrained inventory levels across the lower and mid price points in the markets served by NRT.

EBITDA decreased \$18 million primarily due to:

- a \$206 million increase in commission expenses paid to independent sales associates from \$2,256 million for the nine months ended September 30, 2016 to \$2,462 million for the nine months ended September 30, 2017. The increase in commission expense is due to an increase of \$166 million by our existing brokerage operations due to the impact of initiatives focused on growing and retaining our productive independent sales associate base and higher homesale transaction volume, as well as a \$40 million increase related to acquisitions. The \$206 million increase in commission expense was impacted by the mix of business as approximately 46% of the increase was due to higher homesale transaction volume in the west region where we pay a greater proportion of commissions to independent sales associates;

- a \$14 million increase in other costs including occupancy costs of which \$6 million related to acquisitions;

- a \$12 million increase in royalties paid to RFG from \$217 million for the nine months ended September 30, 2016 to \$229 million for the nine months ended September 30, 2017;

- a \$6 million increase in employee-related costs due to a \$12 million increase attributable to acquisitions offset by a \$6 million decrease due to expense reduction initiatives; and

- a \$6 million increase in marketing expenses of which \$3 million related to acquisitions.

These EBITDA decreases were partially offset by:

- a \$216 million increase in revenues discussed above;

-

a \$7 million decrease in restructuring costs incurred during the nine months ended September 30, 2017 compared to the same period in 2016; and

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a \$1 million increase in earnings for our equity method investment in PHH Home Loans for the nine months ended September 30, 2017 compared to the same period in 2016 as a result of \$14 million of earnings from the first two phases of the sale of PHH Home Loans' assets to Guaranteed Rate Affinity partially offset by \$5 million of exit costs. In addition, there was a \$8 million decrease in earnings due to lower operating results as a result of lower origination volume, compressed industry margins and lower results due to the level of organizational change associated with the transition of the operations to Guaranteed Rate Affinity.

Relocation Services (Cartus)

Revenues decreased \$18 million to \$290 million and EBITDA decreased \$9 million to \$65 million for the nine months ended September 30, 2017 compared with the same period in 2016.

Revenues decreased \$18 million primarily as a result of an \$10 million decrease in international revenue as a result of an increasingly higher percentage of clients reducing their global relocation activity, as well as an \$8 million decrease in other revenue due to lower volume.

EBITDA decreased \$9 million primarily as a result of the \$18 million decrease in revenues discussed above and a \$3 million net negative impact from foreign currency exchange rates, partially offset by a \$5 million decrease in employee related costs, the absence of \$4 million of restructuring costs incurred during the nine months ended September 30, 2016 and a \$2 million decrease in other operating expenses as a result of lower volume.

Title and Settlement Services (TRG)

Revenues increased \$7 million to \$431 million and EBITDA remained flat at \$49 million for the nine months ended September 30, 2017 compared with the same period in 2016.

The increase in revenues was driven by a \$24 million increase in resale revenue of which \$16 million was related to acquisitions, partially offset by a \$9 million decrease in refinancing revenue and a \$5 million decrease of underwriter revenue due to an overall decrease in activity in the refinance market in the third quarter of 2017.

EBITDA remained flat as a result of an increase of \$11 million in employee-related costs primarily related to acquisitions, a \$3 million decrease earnings from equity investments primarily related to costs associated with the start up of operations of Guaranteed Rate Affinity and a \$2 million increase in other costs during the nine months ended September 30, 2017 compared with the same period in 2016. The decreases were offset by the \$7 million increase in revenues discussed above, a \$7 million decrease in variable operating costs primarily due to lower refinancing and underwriter volume and \$2 million related to the reversal of a legal reserve.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES**Financial Condition**

	September 30, 2017	December 31, 2016	Change
Total assets	\$ 7,521	\$ 7,421	\$ 100
Total liabilities	5,056	4,952	104
Total equity	2,465	2,469	(4)

For the nine months ended September 30, 2017, total assets increased \$100 million primarily due to a \$74 million increase in cash and cash equivalents, a \$45 million increase in trade and relocation receivables due to seasonal increases in volume, a \$29 million increase in other non-current assets primarily due to higher prepaid expenses and investments and a \$14 million increase in goodwill from acquisitions. These increases were partially offset by a \$72 million net decrease in franchise agreements and other amortizable intangible assets primarily due to amortization. Total liabilities increased \$104 million due to a \$129 million increase in deferred tax liabilities, a \$29 million increase in securitization obligations, a \$12 million increase in accounts payable and a \$7 million increase in accrued expenses and other current liabilities, partially offset by a \$32 million decrease in other non-current liabilities due to interest rate swaps and liabilities related to contingent consideration from acquisitions, a \$31 million decrease in corporate debt primarily due to amortization payments on the term loan facilities and a \$10 million decrease in the due to former parent liability primarily as a result of the resolution of a Cendant legacy tax matter.

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Total equity decreased \$4 million primarily due to a \$182 million decrease in additional paid in capital, primarily related to the Company's repurchase of \$180 million of common stock and \$37 million of dividend payments partially offset by stock-based compensation activity of \$34 million. The decrease in additional paid in capital was mostly offset by net income of \$176 million for the nine months ended September 30, 2017.

Liquidity and Capital Resources

Our primary liquidity needs have been to service our debt and finance our working capital and capital expenditures, which we have historically satisfied with cash flows from operations and funds available under our revolving credit facilities and securitization facilities. In January 2017, the Company increased the borrowing capacity under its Revolving Credit Facility from \$815 million to \$1,050 million.

We intend to use future cash flow primarily to acquire stock under our share repurchase program, pay dividends, fund acquisitions, enter into strategic relationships and reduce indebtedness. In February 2016, the Company's Board of Directors authorized a share repurchase program of up to \$275 million of the Company's common stock. In February 2017, our Board authorized a new share repurchase program of up to an additional \$300 million of the Company's common stock. Repurchases under these programs may be made at management's discretion from time to time on the open market, pursuant to Rule 10b5-1 trading plans or privately negotiated transactions. The size and timing of these repurchases will depend on price, market and economic conditions, legal and contractual requirements and other factors. The repurchase programs have no time limit and may be suspended or discontinued at any time. As of September 30, 2017, the Company had repurchased and retired 13 million shares of common stock for an aggregate of \$275 million under the February 2016 share repurchase program and \$102 million under the February 2017 share repurchase program at a total weighted average market price of \$29.07 per share.

Included in the 13 million shares of common stock repurchased to date, the Company repurchased 5.9 million shares of common stock for \$178 million at a weighted average market price of \$30.40 per share during the first nine months of 2017. As of September 30, 2017, approximately \$198 million of authorization remains available for the repurchase of shares under the February 2017 share repurchase program.

During the period October 1, 2017 through November 1, 2017, we repurchased an additional 0.5 million shares at a weighted average market price of \$33.11. Giving effect to these repurchases, we had approximately \$181 million of remaining capacity authorized under the February 2017 share repurchase program as of November 1, 2017.

In April 2007, the Company established a standby irrevocable letter of credit for the benefit of Avis Budget Group in accordance with the Separation and Distribution Agreement. The letter of credit was utilized to support the Company's payment obligations with respect to its share of Cendant contingent and other corporate liabilities. In September 2017, the standby irrevocable letter of credit was terminated pursuant to the governing agreement as the aggregate value of the Cendant contingent and other liabilities fell below \$30 million with the resolution of a Cendant legacy tax matter in the third quarter of 2017, reducing the capacity and outstanding letters of credit under the Unsecured Letter of Credit Facility. At September 30, 2017, the aggregate value of the former parent contingent liabilities was \$18 million. We also initiated and paid a quarterly cash dividend of \$0.09 per share in August 2016 and paid \$0.09 per share cash dividends in every subsequent quarter. During the first nine months of 2017, we returned \$37 million to stockholders through the payment of cash dividends. The declaration and payment of any future dividend will be subject to the discretion of the Board of Directors and will depend on a variety of factors, including the Company's financial condition and results of operations, contractual restrictions, including restrictive covenants contained in the Company's credit agreement, and the indenture governing the Company's outstanding debt securities, capital requirements and other factors that the Board of Directors deems relevant.

We may also from time to time seek to repurchase our outstanding notes through tender offers, open market purchases, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors.

We are currently experiencing growth in the residential real estate market; however, if the residential real estate market or the economy as a whole does not continue to improve or weakens, our business, financial condition and liquidity may be materially adversely affected, including our ability to access capital and grow our business.

Historically, operating results and revenues for all of our businesses have been strongest in the second and third quarters of the calendar year. A significant portion of the expenses we incur in our real estate brokerage operations are

related to

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marketing activities and commissions and therefore, are variable. However, many of our other expenses, such as interest payments, facilities costs and certain personnel-related costs, are fixed and cannot be reduced during a seasonal slowdown. Consequently, our debt balances are generally at their highest levels at or around the end of the first quarter of every year.

Our liquidity position has significantly improved but continues to be impacted by our remaining interest expense and would be adversely impacted by: (i) stagnation or a downturn of the residential real estate market, (ii) a significant increase in LIBOR or ABR, or (iii) our inability to access our relocation securitization programs.

We will continue to evaluate potential refinancing and financing transactions. There can be no assurance as to which, if any, of these alternatives we may pursue as the choice of any alternative will depend upon numerous factors such as market conditions, our financial performance and the limitations applicable to such transactions under our existing financing agreements and the consents we may need to obtain under the relevant documents. There can be no assurance that financing will be available to us on acceptable terms or at all.

Cash Flows

At September 30, 2017, we had \$348 million of cash and cash equivalents, an increase of \$74 million compared to the balance of \$274 million at December 31, 2016. The following table summarizes our cash flows for the nine months ended September 30, 2017 and 2016:

	Nine Months Ended		
	September 30,		
	2017	2016	Change
Cash provided by (used in):			
Operating activities	\$444	\$411	\$ 33
Investing activities	(96)	(163)	67
Financing activities	(276)	(438)	162
Effects of change in exchange rates on cash and cash equivalents	2	(1)	3
Net change in cash and cash equivalents	\$74	\$(191)	\$ 265

For the nine months ended September 30, 2017, \$33 million more cash was provided by operating activities compared to the same period in 2016. The change was principally due to \$14 million of additional cash provided by operating results, \$15 million less cash used for accounts payable, accrued expenses and other liabilities and \$19 million more cash received as dividends from unconsolidated entities primarily from PHH Home Loans, partially offset by \$13 million more cash used due to an increase in other assets.

For the nine months ended September 30, 2017, we used \$67 million less cash for investing activities compared to the same period in 2016 primarily due to \$82 million less cash used for acquisition related payments and \$22 million more cash provided by other investing activities, partially offset by \$34 million of cash used for our investment in Guaranteed Rate Affinity and \$8 million more cash used for property and equipment additions.

For the nine months ended September 30, 2017, \$276 million of cash was used for financing activities compared to \$438 million of cash used during the same period in 2016. For the nine months ended September 30, 2017, \$276 million of cash was used for:

\$180 million for the repurchase of our common stock;

\$37 million of dividend payments;

\$31 million of quarterly amortization payments on the term loan facilities;

\$19 million of other financing payments primarily related to capital leases and interest rate swaps;

\$18 million for payments of contingent consideration;

\$11 million of tax payments related to net share settlement for stock-based compensation;

\$10 million repayment of borrowings under the Revolving Credit Facility; and

\$6 million of debt issuance costs;

partially offset by,

• \$29 million net decrease in securitization borrowings; and

• \$7 million proceeds from exercise of stock options.

For the nine months ended September 30, 2016, \$438 million of cash was used for financing activities as a result of:

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the repayment of \$758 million to reduce the Term Loan B facility;
 the repayment of \$500 million to retire the 3.375% Senior Notes at maturity;
 the net repayment of \$45 million of borrowings under the Revolving Credit Facility;
 \$134 million for the purchase of our common stock;
 \$31 million of amortization payments on the term loan facilities;
 \$23 million for payments of contingent consideration; and
 \$28 million of other financing payments partially related to capital leases and interest rate swaps;
 \$15 million of debt issuance costs;
 \$13 million of dividend payments; and
 \$6 million of tax payments related to net share settlement for stock-based compensation;
 partially offset by,
 \$750 million of proceeds from the issuance of \$250 million of 5.25% Senior Notes and \$500 million of 4.875% Senior Notes;
 \$355 million of proceeds from issuance of the Term Loan A-1 facility; and
 a \$9 million net increase in securitization borrowings.

Financial Obligations

Indebtedness Table

As of September 30, 2017, the Company's borrowing arrangements were as follows:

	Interest Rate	Expiration Date	Principal Amount	Unamortized Discount and Debt Issuance Costs	Net Amount
Senior Secured Credit Facility:					
Revolving Credit Facility (1)	(2)	October 2020	\$ 190	\$ *	\$ 190
Term Loan B	(3)	July 2022	1,086	21	1,065
Term Loan A Facility:					
Term Loan A	(4)	October 2020	397	2	395
Term Loan A-1	(5)	July 2021	344	3	341
Senior Notes	4.50%	April 2019	450	7	443
Senior Notes	5.25%	December 2021	550	4	546
Senior Notes	4.875%	June 2023	500	4	496
Securitization obligations: (6)					
Apple Ridge Funding LLC (7)		June 2018	223	*	223
Cartus Financing Limited (8)		August 2018	11	*	11
Total (9)			\$ 3,751	\$ 41	\$ 3,710

*The debt issuance costs related to our Revolving Credit Facility and securitization obligations are classified as a deferred financing asset within other assets.

As of September 30, 2017, the Company had \$1,050 million of borrowing capacity under its Revolving Credit Facility leaving \$860 million of available capacity. The revolving credit facility expires in October 2020, but is (1) classified on the balance sheet as current due to the revolving nature of the facility. On November 1, 2017, the Company had \$70 million in outstanding borrowings under the Revolving Credit Facility, leaving \$980 million of available capacity.

(2) Interest rates with respect to revolving loans under the Senior Secured Credit Facility at September 30, 2017 are based on, at the Company's option, (a) adjusted LIBOR plus an additional margin or (b) ABR plus an additional margin, in each case subject to adjustment based on the then current senior secured leverage ratio. Based on the

previous quarter senior secured leverage ratio, the LIBOR margin was 2.00% and the ABR margin was 1.00% for the three months ended September 30, 2017.

(3) The Term Loan B provides for quarterly amortization payments totaling 1% per annum of the original principal amount. The interest rate with respect to term loans under the Term Loan B is based on, at the Company's option, (a) adjusted LIBOR plus 2.25% (with a LIBOR floor of 0.75%) or (b) JPMorgan Chase Bank, N.A.'s prime rate ("ABR") plus 1.25% (with an ABR floor of 1.75%).

(4) The Term Loan A provides for quarterly amortization payments, which commenced March 31, 2016, totaling per annum 5%, 5%, 7.5%, 10.0% and 12.5% of the original principal amount of the Term Loan A in 2016, 2017, 2018, 2019 and 2020, respectively. The

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interest rates with respect to term loans under the Term Loan A are based on, at the Company's option, (a) adjusted LIBOR plus an additional margin or (b) ABR plus an additional margin, in each case subject to adjustment based on the then current senior secured leverage ratio. Based on the previous quarter senior secured leverage ratio, the LIBOR margin was 2.00% and the ABR margin was 1.00% for the three months ended September 30, 2017.

The Term Loan A-1 provides for quarterly amortization payments, which commenced on September 30, 2016, totaling per annum 2.5%, 2.5%, 5%, 7.5% and 10.0% of the original principal amount of the Term Loan A-1, with the last amortization payment made on June 30, 2021. The interest rates with respect to term loans under the Term (5) Loan A-1 are based on, at the Company's option, (a) adjusted LIBOR plus an additional margin or (b) ABR plus an additional margin, in each case subject to adjustment based on the then current senior secured leverage ratio. Based on the previous quarter senior secured leverage ratio, the LIBOR margin was 2.00% and the ABR margin was 1.00% for the three months ended September 30, 2017.

(6) Available capacity is subject to maintaining sufficient relocation related assets to collateralize these securitization obligations.

In June 2017, Realogy Group extended the existing Apple Ridge Funding LLC securitization program utilized by (7) Cartus until June 2018. As of September 30, 2017, the Company had \$325 million of borrowing capacity under the Apple Ridge Funding LLC securitization program leaving \$102 million of available capacity.

Consists of a £10 million revolving loan facility and a £5 million working capital facility. As of September 30, (8) 2017, the Company had \$20 million of borrowing capacity under the Cartus Financing Limited securitization program leaving \$9 million of available capacity. In September 2017, Realogy Group extended the existing Cartus Financing Limited securitization program to August 2018.

(9) Not included in this table, is the Company's Unsecured Letter of Credit Facility which had a capacity of \$74 million with \$71 million utilized at a weighted average rate of 3.24% at September 30, 2017.

See Note 5, "Short and Long-Term Debt", to the Condensed Consolidated Financial Statements for additional information on the Company's indebtedness.

Covenants under the Senior Secured Credit Facility, Term Loan A Facility and Indentures

The Senior Secured Credit Facility, Term Loan A Facility, the Unsecured Letter of Credit Facility and the indentures governing the Unsecured Notes contain various covenants that limit (subject to certain exceptions) Realogy Group's ability to, among other things:

- incur or guarantee additional debt or issue disqualified stock or preferred stock;
- pay dividends or make distributions to Realogy Group's stockholders, including Realogy Holdings;
- repurchase or redeem capital stock;
- make loans, investments or acquisitions;
- incur restrictions on the ability of certain of Realogy Group's subsidiaries to pay dividends or to make other payments to Realogy Group;
- enter into transactions with affiliates;
- create liens;
- merge or consolidate with other companies or transfer all or substantially all of Realogy Group's and its material subsidiaries' assets;
- transfer or sell assets, including capital stock of subsidiaries; and
- prepay, redeem or repurchase subordinated indebtedness.

As a result of the covenants to which we remain subject, we are limited in the manner in which we conduct our business and we may be unable to engage in favorable business activities or finance future operations or capital needs. In addition, the Senior Secured Credit Facility and Term Loan A Facility require us to maintain a senior secured leverage ratio.

The senior secured leverage ratio is tested quarterly and may not exceed 4.75 to 1.00. The senior secured leverage ratio is measured by dividing Realogy's Group total senior secured net debt by the trailing twelve month EBITDA calculated on a Pro Forma Basis, as those terms are defined in the senior secured credit facilities. Total senior secured net debt does not include unsecured indebtedness, including the Unsecured Notes, or the securitization obligations. EBITDA calculated on a Pro Forma Basis, as defined in the senior secured credit facilities, includes adjustments to

EBITDA for restructuring costs, former parent legacy cost (benefit) items, net, loss on the early extinguishment of debt, non-cash charges and incremental securitization interest costs, as well as pro forma cost savings for restructuring initiatives, the pro forma effect of business optimization initiatives and the pro forma effect of acquisitions and new franchisees, in each case calculated as of the beginning of the twelve-month period. The Company was in compliance with the senior secured leverage ratio covenant at September 30, 2017.

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See Note 5, "Short and Long-Term Debt—Senior Secured Credit Facility" and "Short and Long-Term Debt—Term Loan A Facility" to the Condensed Consolidated Financial Statements for additional information.

Non-GAAP Financial Measures

The SEC has adopted rules to regulate the use in filings with the SEC and in public disclosures of "non-GAAP financial measures," such as EBITDA and Operating EBITDA. These measures are derived on the basis of methodologies other than in accordance with GAAP.

EBITDA is defined by us as net income (loss) before depreciation and amortization, interest expense, net (other than relocation services interest for securitization assets and securitization obligations) and income taxes and is our primary non-GAAP measure. Operating EBITDA is defined by us as EBITDA before restructuring, loss on the early extinguishment of debt and former parent legacy items and is used as a supplementary financial measure.

We present EBITDA and Operating EBITDA because we believe they are useful as supplemental measures in evaluating the performance of our operating businesses and provide greater transparency into our results of operations. Our management, including our chief operating decision maker, uses EBITDA as a factor in evaluating the performance of our business. EBITDA and Operating EBITDA should not be considered in isolation or as a substitute for net income or other statement of operations data prepared in accordance with GAAP.

We believe EBITDA facilitates company-to-company operating performance comparisons by backing out potential differences caused by variations in capital structures (affecting net interest expense), taxation, the age and book depreciation of facilities (affecting relative depreciation expense) and the amortization of intangibles, which may vary for different companies for reasons unrelated to operating performance. We further believe that EBITDA is frequently used by securities analysts, investors and other interested parties in their evaluation of companies, many of which present an EBITDA measure when reporting their results.

EBITDA and Operating EBITDA have limitations as analytical tools, and you should not consider EBITDA and Operating EBITDA either in isolation or as substitutes for analyzing our results as reported under GAAP. Some of these limitations are:

- these measures do not reflect changes in, or cash required for, our working capital needs;
- these measures do not reflect our interest expense (except for interest related to our securitization obligations), or the cash requirements necessary to service interest or principal payments on our debt;
- these measures do not reflect our income tax expense or the cash requirements to pay our taxes;
- these measures do not reflect historical cash expenditures or future requirements for capital expenditures or contractual commitments;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often require replacement in the future, and these measures do not reflect any cash requirements for such replacements; and
- other companies may calculate these measures differently so they may not be comparable.

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Set forth in the table below is a reconciliation of net income attributable to Realogy to EBITDA and Operating EBITDA for the three-month periods ended September 30, 2017 and 2016:

	Three Months Ended	
	September 30, 2017	September 30, 2016
Net income attributable to Realogy	\$ 95	\$ 106
Income tax expense	67	74
Income before income taxes	162	180
Interest expense, net	41	37
Depreciation and amortization (a)	51	53
EBITDA	254	270
EBITDA adjustments:		
Restructuring costs	2	9
Former parent legacy cost, net	1	—
Loss on the early extinguishment of debt	1	—
Operating EBITDA	\$ 258	\$ 279

Depreciation and amortization for the three months ended September 30, 2017 includes \$1 million of amortization (a) expense related to Guaranteed Rate Affinity's purchase accounting included in the "Equity in earnings of unconsolidated entities" line on the Condensed Consolidated Statement of Operations.

Contractual Obligations

All future contractual obligations as of September 30, 2017 have not changed materially from the amounts reported in our 2016 Form 10-K.

Critical Accounting Policies

In presenting our financial statements in conformity with generally accepted accounting principles, we are required to make estimates and assumptions that affect the amounts reported therein. Several of the estimates and assumptions we are required to make relate to matters that are inherently uncertain as they pertain to future events. However, events that are outside of our control cannot be predicted and, as such, they cannot be contemplated in evaluating such estimates and assumptions. If there is a significant unfavorable change to current conditions, it could result in a material adverse impact to our combined results of operations, financial position and liquidity. We believe that the estimates and assumptions we used when preparing our financial statements were the most appropriate at that time. These Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements included in the Annual Report on Form 10-K for the year ended December 31, 2016, which includes a description of our critical accounting policies that involve subjective and complex judgments that could potentially affect reported results.

Recently Issued Accounting Pronouncements

See Note 1, "Basis of Presentation", to the Condensed Consolidated Financial Statements for a discussion of recently issued accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures about Market Risks.

We are exposed to market risk from changes in interest rates primarily through our senior secured debt. At September 30, 2017, our primary interest rate exposure was to interest rate fluctuations, specifically LIBOR, due to its impact on our variable rate borrowings of our Revolving Credit Facility and Term Loan B under the Senior Secured Credit Agreement and the Term Loan A Facility. Given that our borrowings under the Senior Secured Credit Agreement and Term Loan A Facility are generally based upon LIBOR, this rate will be the Company's primary market risk exposure for the foreseeable future. We do not have significant exposure to foreign currency risk nor do we expect to have significant exposure to foreign currency risk in the foreseeable future.

We assess our market risk based on changes in interest rates utilizing a sensitivity analysis. The sensitivity analysis measures the potential impact on earnings, fair values and cash flows based on a hypothetical change (increase and

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decrease) in interest rates. We exclude the fair values of relocation receivables and advances and securitization borrowings from our sensitivity analysis because we believe the interest rate risk on these assets and liabilities is mitigated as the rate we earn on relocation receivables and advances and the rate we incur on our securitization borrowings are based on similar variable indices.

At September 30, 2017, we had variable interest rate long-term debt from our outstanding term loans and revolver of \$2,017 million, which excludes \$234 million of securitization obligations. The weighted average interest rate on the outstanding term loans and revolver at September 30, 2017 was 3.36%. The interest rate with respect to the Term Loan B is based on adjusted LIBOR plus 2.25% (with a LIBOR floor of 0.75%). The interest rates with respect to the Revolving Credit Facility and term loans under the Term Loan A Facility are based on adjusted LIBOR plus an additional margin subject to adjustment based on the current senior secured leverage ratio. Based on the September 30, 2017 senior secured leverage ratio, the LIBOR margin was 2.00%. At September 30, 2017, the one-month LIBOR rate was 1.23%; therefore, we have estimated that a 0.25% increase in LIBOR would have a \$5 million impact on our annual interest expense.

We have entered into interest rate swaps with a notional value of \$1,475 million to manage a portion of our exposure to changes in interest rates associated with our \$2,017 million of variable rate borrowings. Our interest rate swaps are as follows:

Notional Value (in millions)	Commencement Date	Expiration Date
\$225	July 2012	February 2018
\$200	January 2013	February 2018
\$600	August 2015	August 2020
\$450	November 2017	November 2022

The swaps help protect our outstanding variable rate borrowings from future interest rate volatility. The fixed interest rates on the swaps range from 2.07% to 2.89%. The Company had a liability for the fair value of the interest rate swaps of \$24 million at September 30, 2017. The fair value of these interest rate swaps is subject to movements in LIBOR and will fluctuate in future periods. We have estimated that a 0.25% increase in the LIBOR yield curve would increase the fair value of our interest rate swaps by \$10 million and would decrease interest expense. While these results may be used as a benchmark, they should not be viewed as a forecast of future results.

Item 4. Controls and Procedures.

Controls and Procedures for Realogy Holdings Corp.

Realogy Holdings Corp. ("Realogy Holdings") maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its filings under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the periods specified in the rules and forms of the Securities and Exchange Commission. Such information is accumulated and communicated to its management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Realogy Holdings' management, including the Chief Executive Officer and the Chief Financial Officer, recognizes that any set of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

As of the end of the period covered by this quarterly report on Form 10-Q, Realogy Holdings has carried out an evaluation, under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that Realogy Holdings' disclosure controls and procedures are effective at the "reasonable assurance" level.

There has not been any change in Realogy Holdings' internal control over financial reporting during the period covered by this quarterly report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

Controls and Procedures for Realogy Group LLC

Realogy Group LLC ("Realogy Group") maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its filings under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the periods specified in the rules and

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forms of the Securities and Exchange Commission. Such information is accumulated and communicated to its management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Realogy Group's management, including the Chief Executive Officer and the Chief Financial Officer, recognizes that any set of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

As of the end of the period covered by this quarterly report on Form 10-Q, Realogy Group has carried out an evaluation, under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that Realogy Group's disclosure controls and procedures are effective at the "reasonable assurance" level.

There has not been any change in Realogy Group's internal control over financial reporting during the period covered by this quarterly report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

Other Financial Information

The Condensed Consolidated Financial Statements as of September 30, 2017 and for the three and nine-month periods ended September 30, 2017 and 2016 have been reviewed by PricewaterhouseCoopers LLP, an independent registered public accounting firm. Their reports, dated November 3, 2017, are included on pages 4 and 5. The reports of PricewaterhouseCoopers LLP state that they did not audit and they do not express an opinion on that unaudited financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. PricewaterhouseCoopers LLP is not subject to the liability provisions of Section 11 of the Securities Act of 1933 (the "Act") for their report on the unaudited financial information because that report is not a "report" or a "part" of the registration statement prepared or certified by PricewaterhouseCoopers LLP within the meaning of Sections 7 and 11 of the Act.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

See Note 9, "Commitments and Contingencies—Litigation", to the Condensed Consolidated Financial Statements included elsewhere in this Report for additional information on the Company's legal proceedings, including a description of the Dodge, et al. v. PHH Corporation, et al. litigation, which we refer to as the Strader legal matter. The Company believes that it has adequately accrued for legal matters as appropriate. The Company records litigation accruals for legal matters which are both probable and estimable.

Litigation and other disputes are inherently unpredictable and subject to substantial uncertainties and unfavorable resolutions could occur. In addition, class action lawsuits or regulatory proceedings challenging practices that have broad impact can be costly to defend and, depending on the class size and claims, could be costly to settle. As such, the Company could incur judgments or enter into settlements of claims with liability that are materially in excess of amounts accrued and these settlements could have a material adverse effect on the Company's financial condition, results of operations or cash flows in any particular period.

Litigation and claims against other participants in the residential real estate industry may impact the Company when the rulings in those cases cover practices common to the broader industry. Examples may include claims associated with RESPA compliance, broker fiduciary duties, and sales agent classification. One such case is PHH Corp. vs. Consumer Financial Protection Bureau, No. 15-1177. On October 11, 2016, a three-judge panel of the United States Court of Appeals for the D.C. Circuit issued a decision in that case addressing the constitutionality of the CFPB's structure as a single-Director independent agency where the CFPB Director can only be removed by the President of the U.S. for "cause" as well as various important RESPA issues, including that: (1) Section 8(c)(2) of RESPA (which permits "bona fide" payments for goods and services actually performed), remains a viable exception under RESPA and does not constitute a payment for a referral in violation of RESPA where the amount paid does not exceed the reasonable market value of the goods or services; (2) new CFPB interpretations of RESPA cannot be enforced on a retroactive basis where there is reliance on prior regulatory interpretations; and (3) the CFPB is bound by the three-year statute of limitations for government enforcement of RESPA. On February 16, 2017, the full D.C. Circuit Court of Appeals agreed to hear an appeal of the October 11, 2016 decision and vacated that decision pending the appeal. Oral arguments were held on May 24, 2017. A decision from the full D.C. Circuit Court is pending.

The Company also may be impacted by litigation and other claims against companies in other industries. Rulings on matters such as the enforcement of arbitration and class waiver agreements and worker classification may adversely affect the Company and other residential real estate industry participants as a result of the classification of sales associates as independent contractors, irrespective of the fact that the parties subject to the rulings are in a different industry. To the extent the defendants are unsuccessful in these types of litigation matters, and we or our franchisees cannot distinguish our or their practices (or our industry's practices), we and our franchisees could face significant liability and could be required to modify certain business relationships, either of which could materially and adversely impact our financial condition and results of operations. There also are changing employment-related regulatory interpretations at both the federal and state levels that could create risks around historic practices and that could require changes in business practices, both for us and our franchisees.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(c) The following table sets forth information relating to repurchase of shares of our common stock during the quarter ended September 30, 2017:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Programs ⁽¹⁾	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs ⁽¹⁾
July 1 - 31, 2017	452,691	\$33.14	452,691	\$241,402,984

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August 1 - 31, 2017	516,900	\$34.33	516,900	\$223,657,807
September 1 - 30, 2017 ⁽²⁾	759,600	\$33.91	759,600	\$197,899,771

(1) In February 2016, the Company's Board of Directors authorized a share repurchase program of up to \$275 million of the

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Company's common stock. As of April 30, 2017, all of the capacity under this program had been utilized. In February 2017, our Board authorized a new share repurchase program of up to an additional \$300 million of the Company's common stock. Repurchases under these programs may be made at management's discretion from time to time on the open market, pursuant to Rule 10b5-1 trading plans or privately negotiated transactions. The size and timing of these repurchases will depend on price, market and economic conditions, legal and contractual requirements and other factors. The repurchase programs have no time limit and may be suspended or discontinued at any time. All of the repurchased common stock has been retired.

(2) Includes 77,900 of shares purchased for which the trade date occurred in late September 2017 while settlement occurred in October 2017.

During the period October 1, 2017 through November 1, 2017, we repurchased an additional 0.5 million shares at a weighted average market price of \$33.11. Giving effect to these repurchases, we had approximately \$181 million of remaining capacity authorized under the February 2017 share repurchase program as of November 1, 2017.

Item 5. Other Information.

On November 2, 2017, the Board of Directors of Realogy Holdings Corp. (the "Board") approved the Fourth Amended and Restated Bylaws of the Company (the "Bylaws"), which include amendments to:

- remove certain provisions that are inapplicable following the Company's de-classification of the Board;
- add the positions of Chairman of the Board and Lead Independent Director to Article III (Board of Directors) of the Bylaws and make related ancillary changes; and
- align statutory officer positions in Article IV (Officers) with Company practice, including the elimination of the statutory officer roles of Treasurer and Chief Accounting Officer, and make related ancillary changes.

The foregoing description of the amendments to the Bylaws is qualified in its entirety by reference to the Bylaws, which are attached to this Quarterly Report on Form 10-Q as Exhibit 3.1 and are incorporated herein by reference.

On November 2, 2017, the Board approved Amendment Number 1 (the "Plan Amendment") to the Realogy Holdings Corp. Amended and Restated 2012 Long-Term Incentive Plan (the "Amended and Restated 2012 LTIP") to allow for the elimination of fractional shares by rounding up or down in the discretion of plan administrator (which is generally the Compensation Committee of the Board). On November 2, 2017, the Compensation Committee amended outstanding performance restricted stock unit, performance share unit and restricted stock unit awards (the "Amended Awards") granted to employees, including executive officers, prior to the date of the Plan Amendment, to provide for the rounding up of fractional shares upon the final vesting of the Amended Awards.

The foregoing description of the Plan Amendment is qualified in its entirety by reference to the Plan Amendment, which is attached to this Quarterly Report on Form 10-Q as Exhibit 10.1 and is incorporated herein by reference.

Item 6. Exhibits.

See Exhibit Index.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

REALOGY HOLDINGS CORP.

and

REALOGY GROUP LLC

(Registrants)

Date: November 3, 2017

/S/ ANTHONY E. HULL

Anthony E. Hull

Executive Vice President and

Chief Financial Officer

Date: November 3, 2017

/S/ TIMOTHY B. GUSTAVSON

Timothy B. Gustavson

Senior Vice President,

Chief Accounting Officer and

Controller

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EXHIBIT INDEX

Exhibit Description

- 3.1* Fourth Amended and Restated Bylaws of Realogy Holdings Corp., as adopted by the Board of Directors, effective November 2, 2017.
Employment Agreement dated October 17, 2017 between Realogy Holdings Corp. and Ryan M. Schneider
10.1 (Incorporated by reference to Exhibit 10.1 to Registrants' Current Report on Form 8-K filed on October 23, 2017).
Non-Plan Inducement Stock Option Agreement dated October 23, 2017 between Realogy Holdings Corp. and
10.2 Ryan M. Schneider (Incorporated by reference to Exhibit 10.2 to Registrants' Current Report on Form 8-K filed on October 23, 2017).
Non-Plan Inducement Restricted Stock Unit Agreement dated October 23, 2017 between Realogy Holdings Corp.
10.3 and Ryan M. Schneider (Incorporated by reference to Exhibit 10.3 to Registrants' Current Report on Form 8-K filed on October 23, 2017).
Amendment dated October 23, 2017 to Employment Agreement dated March 13, 2017, between Realogy
10.4 Holdings Corp. and Richard A. Smith (Incorporated by reference to Exhibit 10.5 to Registrants' Current Report on Form 8-K filed on October 23, 2017).
10.5* Amendment No. 1 dated November 2, 2017 to the Amended and Restated Realogy Holdings Corp. 2012 Long-Term Incentive Plan.
15.1* Letter Regarding Unaudited Interim Financial Statements.
31.1* Certification of the Chief Executive Officer of Realogy Holdings Corp. pursuant to Rules 13(a)-14(a) and 15(d)-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
31.2* Certification of the Chief Financial Officer of Realogy Holdings Corp. pursuant to Rules 13(a)-14(a) and 15(d)-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
31.3* Certification of the Chief Executive Officer of Realogy Group LLC pursuant to Rules 13(a)-14(a) and 15(d)-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
31.4* Certification of the Chief Financial Officer of Realogy Group LLC pursuant to Rules 13(a)-14(a) and 15(d)-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
32.1* Certification for Realogy Holdings Corp. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2* Certification for Realogy Group LLC pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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 Taxonomy Extension Label Linkbase Document.
101.PRE ^ XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith.

^Furnished electronically with this report.