UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2001

OR

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

Commission File No. 0-21341

Ocwen Financial Corporation
(Exact name of registrant as specified in its charter)

Florida	65-0039856
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1675 Palm Beach Lakes Boulevard, West Palm Beach, Florida 33401
(Address of principal executive offices) (Zip Code)

(561) 682-8000
(Registrant's telephone number, including area code)

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

Number of shares of Common Stock, $.01 par value, outstanding as of November 9, 2001: 67,289,313 shares

OCWEN FINANCIAL CORPORATION
FORM 10-Q

I N D E X

PART I - FINANCIAL INFORMATION
ITEM 1. INTERIM FINANCIAL STATEMENTS (Unaudited)

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Dollars in thousands, except share data)

	September 30, 2001	December 31, 2000
Assets:		
Cash and amounts due from depository institutions	$ 23,172	$ 18,749
Interest earning deposits	18,564	134,987
Federal funds sold and repurchase agreements	287,000	--
Trading securities, at fair value:		
Collateralized mortgage obligations (AAA-rated)	143,318	277,595
Subordinates, residuals and other securities	81,698	112,647
Loans available for sale, at lower of cost or market	1,339	10,610
Real estate held for sale	33,588	22,670
Low-income housing tax credit interests held for sale	27,618	87,083
Investment in real estate	99,379	122,761
Investments in low-income housing tax credit interests	80,496	55,729
Investment securities, at cost	4,659	13,257
Loan portfolio, net	73,650	93,414
Discount loan portfolio, net	219,182	536,028
Match funded loans and securities, net	82,315	116,987
Investments in unconsolidated entities	773	430
Real estate owned, net	121,865	146,419
Premises and equipment, net	44,472	43,152
Income taxes receivable	28,551	30,261
Deferred tax asset, net	12,919	95,991
Advances on loans and loans serviced for others	303,089	227,055
Mortgage servicing rights	90,368	51,426
Other assets	62,393	52,169
	$ 1,840,408	$ 2,249,420
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits	$ 806,539	$ 1,202,044
Escrow deposits on loans and loans serviced for others	92,344	56,316
Securities sold under agreements to repurchase	66,434	--
Bonds - match funded agreements	73,660	107,050
Obligations outstanding under lines of credit	110,573	32,933
Notes, debentures and other interest bearing obligations	169,130	173,330
Accrued interest payable	20,178	22,096
Excess of net assets acquired over purchase price	22,916	36,665
Accrued expenses, payables and other liabilities	31,391	36,030
Total liabilities	1,393,165	1,666,464
Company obligated, mandatorily redeemable securities of subsidiary trust holding solely junior subordinated debentures of the Company	61,159	79,530
Commitments and Contingencies (Note 11)		
Stockholders' equity:		
Preferred stock, $.01 par value; 20,000,000 shares authorized; 0 shares issued and outstanding	--	--
Common stock, $.01 par value; 200,000,000 shares authorized; 67,283,460 and 67,152,363 shares issued and outstanding at September 30, 2001, and December 31, 2000, respectively	673	672
Additional paid-in capital	224,090	223,163
Retained earnings	161,305	279,194
Accumulated other comprehensive income, net of taxes:		
Net unrealized foreign currency translation (loss) gain	16	397
Total stockholders' equity	386,084	503,426
	$ 1,840,408	$ 2,249,420

The accompanying notes are an integral part of these consolidated financial statements.

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except share data)

	Three Months		Nine Months	
For the periods ended September 30,	2001	2000	2001	2000
Net interest income:				
Income	$ 18,594	$ 45,287	$ 68,629	$ 143,832
Expense	22,307	44,433	73,915	133,491
Net interest income (expense) before provision for loan losses	(3,713)	854	(5,286)	10,341
Provision for loan losses	(388)	6,861	18,029	12,604
Net interest expense after provision for loan losses	(3,325)	(6,007)	(23,315)	(2,263)
Non-interest income:				
Servicing and other fees	35,952	25,318	100,809	72,043
Gain (loss) on interest earning assets, net	(1,851)	1,453	(3,260)	17,717
Gain (loss) on trading and match funded securities, net.	3,394	(2,406)	13,133	(2,406)
Impairment charges on securities available for sale	--	--	--	(11,597)
Loss on real estate owned, net	(715)	(5,011)	(3,804)	(15,760)
Gain (loss) on other non interest earning assets, net	(414)	16,682	(933)	21,864
Net operating gains (losses) on investments in real estate	(1,196)	9,543	2,068	23,894
Amortization of excess of net assets acquired over purchase price	4,583	2,995	13,749	8,788
Other income	1,989	962	6,472	3,172
	41,742	49,536	128,234	117,715
Non-interest expense:				
Compensation and employee benefits	21,531	22,134	63,775	61,114
Occupancy and equipment	3,055	3,141	9,322	9,356
Technology and communication costs	5,675	6,344	21,379	17,718
Loan expenses	4,192	3,583	11,262	10,500
Net operating losses on investments in certain low-income housing tax credit interests	4,005	3,691	11,823	6,030
Amortization of excess of purchase price over net assets acquired	778	778	2,334	2,346
Professional services and regulatory fees	3,882	2,425	11,632	9,016
Other operating expenses	1,484	2,604	6,787	8,538
	44,602	44,700	138,314	124,618
Distributions on Company-obligated, mandatorily redeemable securities of subsidiary trust holding solely junior subordinated debentures of the Company	1,663	2,730	5,413	8,842
Equity in income (losses) of investments in unconsolidated entities	(84)	(893)	100	(4,965)
Loss before income taxes and extraordinary gain	(7,932)	(4,794)	(38,708)	(22,973)
Income tax benefit (expense)	(65,000)	1,486	(81,587)	7,122
Loss before extraordinary gain	(72,932)	(3,308)	(120,295)	(15,851)
Extraordinary gain on repurchase of debt, net of taxes	--	2,628	2,406	8,674
Net loss	$ (72,932)	$ (680)	$ (117,889)	$ (7,177)
Earnings (loss) per share:				
Basic:				
Loss before extraordinary gain	$ (1.08)	$ (0.05)	$ (1.79)	$ (0.24)
Extraordinary gain	--	0.04	0.04	0.13
Net loss	$ (1.08)	$ (0.01)	$ (1.75)	$ (0.11)
Diluted:				
Loss before extraordinary gain	$ (1.08)	$ (0.05)	$ (1.79)	$ (0.24)
Extraordinary gain	--	0.04	0.04	0.13
Net loss	$ (1.08)	$ (0.01)	$ (1.75)	$ (0.11)
Weighted average common shares outstanding:				
Basic	67,269,343	67,152,363	67,206,688	67,519,428
Diluted	67,269,343	67,152,363	67,206,688	67,519,428

The accompanying notes are an integral part of these consolidated financial statements.

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(Dollars in thousands)

For the periods ended September 30,	Three Months 2001	Three Months 2000	Nine Months 2001	Nine Months 2000
Net loss	$ (72,932)	$ (680)	$(117,889)	$ (7,177)
Other comprehensive (loss) income, net of taxes:				
Reclassification adjustment to unrealized income (loss) on securities available for sale for gains recognized in other comprehensive loss in prior years	--	1,295	--	(163)
Net change in unrealized loss on securities available for sale (1)	--	1,295	--	(163)
Change in unrealized foreign currency translation adjustment arising during the period (2)	127	491	(381)	864
Change in accounting principle for derivative financial instruments	--	--	59	--
Adjustment to unrealized gain on derivative financial instruments	--	--	(59)	--
Change in unrealized gain on derivative financial instruments	--	--	--	--
Other comprehensive income (loss)	127	1,786	(381)	701
Comprehensive (loss) income	$ (72,805)	$ 1,106	$(118,270)	$ (6,476)
Disclosure of reclassification adjustment:				
Unrealized holding gains arising during the period on securities sold or impaired	$ --	$ 2,955	$ --	$ 9,499
Add: Adjustment for realized gains and impairment charges on securities available for sale included in net loss	--	(1,660)	--	(9,662)
Net reclassification adjustment for gains recognized in other comprehensive loss in prior years (3)	$ --	$ 1,295	$ --	$ (163)

(1) Net of tax (expense) benefit of $(950) and $123 for the three and nine months ended September 30, 2000, respectively.

(2) Net of tax benefit (expense) of $(73) and $(274) for the three months ended September 30,2001 and 2000, respectively, and $219 and $(475) for the nine months ended September 30, 2001 and 2000, respectively.

(3) Net of tax benefit (expense) of <$950, and $123 for the three and nine months ended September 30, 2000, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001
(Dollars in thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Taxes	Total
	Shares	Amount				
Balances at December 31, 2000	67,152,363	$ 672	$ 223,163	$ 279,194	$ 397	$ 503,426
Net loss	--	--	--	(117,889)	--	(117,889)
Directors' compensation	8,795	--	--	--	--	--
Stock options exercised	122,302	1	927	--	--	928
Other comprehensive loss, net of taxes:						
Change in unrealized foreign currency translation loss	--	--	--	--	(381)	(381)
Balances at September 30, 2001	67,283,460	$ 673	$ 224,090	$ 161,306	$ 16	$ 386,084

The accompanying notes are an integral part of these consolidated financial statements.

OCWEN FINANCIAL COPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

For the nine months ended September 30,	2001	2000
Cash flows from operating activities:		
Net loss	$ (117,889)	$ (7,177)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Net cash provided by trading securities	172,479	--
Proceeds from sales of loans available for sale	6,720	22,986
Principal payments received on loans available for sale	1,593	4,304
Premium amortization on securities, net	6,481	12,108
Depreciation and amortization	46,226	3,885
Provision for loan losses	18,029	12,604
Provision for real estate owned	12,140	24,556
(Gain) loss on interest-earning assets, net	3,260	(17,717)
(Gain) loss on trading and match funded securities	(13,133)	2,406
Impairment charges on securities available for sale	--	11,597
Extraordinary gain on repurchase of long-term debt	(3,819)	(12,572)
(Gain) loss on sale of other non-interest earning assets	933	(21,829)
Impairment charges on real estate held for investment	4,515	--
Impairment charges on low-income housing tax credits held for investment	11,097	3,062
Gain on sale of real estate owned, net	(12,632)	(16,793)
Equity in (income) losses of unconsolidated entities	(100)	4,965
(Increase) decrease in income taxes receivable	1,710	(22,827)
Decrease in income taxes payable	--	(6,369)
Decrease in deferred tax asset	83,072	5,491
Net cash advances on loans and loans serviced for others	(94,703)	(56,851)
(Increase) decrease in other assets, net	(11,709)	379
Decrease in accrued expenses, interest payable and other liabilities	(17,512)	(25,971)
Net cash provided (used) by operating activities	96,758	(79,763)
Cash flows from investing activities:		
Proceeds from sales of securities available for sale	--	550,121
Purchase of securities available for sale	--	(891,269)
Maturities of and principal payments received on securities available for sale	--	416,004
Redemption (acquisition) of Federal Home Loan Bank stock	8,598	(2,432)
Principal payments received on match funded loans	22,265	21,204
Investment in low-income housing tax credit investments	(9,744)	(24,702)
Proceeds from sales of low-income housing tax credit interests	42,202	22,588
Purchase of mortgage servicing rights	(58,732)	(14,218)
Proceeds from sales of discount loans, net	208,154	160,490
Proceeds from sale of real estate held for sale	1,000	80,757
Proceeds from sale of real estate held for investment	8,024	3,623
Proceeds from sales of loans held for investment	14,384	8,906
Purchase, originations and funded commitments of loans held for investment, net of undisbursed loan funds	(20,563)	(41,030)
Purchase and funded commitments of discount loans, net	(1,220)	(162,599)
(Increase) decrease in investment in unconsolidated entities	(243)	490
Purchase of and capital improvements to real estate held for investment	(3,873)	(98,903)
Principal payments received on loans held for investment	7,717	73,388
Capital improvements to real estate held for sale	--	(3,905)
Principal payments received on discount loans, net	54,827	117,987
Proceeds from sale of real estate owned	93,531	130,670
Capital improvements to real estate owned	(11,490)	(4,856)
Purchase of real estate owned in connection with discount loan purchases	--	(8,580)
Additions to premises and equipment	(9,316)	(2,743)
Net cash provided by investing activities	345,521	330,991

The accompanying notes are an integral part of these consolidated financial statements.

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS - (Continued)
(Dollars in thousands)

For the nine months ended September 30,	2001	2000
Cash flows from financing activities:		
Decrease in deposits and escrow deposits on loans and loans serviced for others	$ (359,477)	$ (237,646)
Increase (decrease) in securities sold under agreements to repurchase	66,434	(41,673)
Proceeds from (repayment of) obligations under lines of credit, net	77,640	(52,222)
Payments on bonds-match funded agreements	(34,319)	(24,556)
Repurchase of Capital Securities	(14,247)	(4,979)
Repurchases of notes and subordinated debentures	(4,265)	(36,537)
Exercise of stock options	955	--
Repurchase of common stock	--	(8,996)
Net cash used by financing activities	(267,279)	(406,609)
Net increase (decrease) in cash and cash equivalents	175,000	(155,381)
Cash and cash equivalents at beginning of period	153,736	381,858
Cash and cash equivalents at end of period	$ 328,736	$ 226,477
Reconciliation of cash and cash equivalents at end of period:		
Cash and amounts due from depository institutions	$ 23,172	$ 31,055
Interest-earning deposits	18,564	16,422
Federal funds sold and repurchase agreements	287,000	179,000
	$ 328,736	$ 226,477
Supplemental disclosure of cash flow information:		
Cash received (paid) during the period for:		
Interest	$ (75,834)	$ (128,369)
Income tax refunds (payments)	$ 2,461	$ (18,837)
Supplemental schedule of non-cash investing and financing activities:		
Real estate owned acquired through foreclosure	$ 51,814	$ 120,329
Reclassification of properties from investment in real estate to real estate held for sale	$ 13,418	$ 174,480
Reclassification of securities available for sale to trading securities	$ --	$ 496,295
Exchange of note receivables for real estate held for sale	$ --	$ 19,000
Reclassification of low-income housing tax credit interests held for sale (to) from investments in low-income housing tax credit interests, net	$ (20,272)	$ 75,478

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1: BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in conformity with the instructions to Form 10-Q and Article 10, Rule 10-01 of Regulation S-X for interim financial statements. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles ("GAAP") for complete financial statements. The Company's consolidated financial statements include the accounts of Ocwen Financial Corporation ("OCN" or the "Company") and its subsidiaries. The Company owns directly and indirectly all of the outstanding common and preferred stock of its primary subsidiaries, Ocwen Federal Bank FSB (the "Bank"), Investors Mortgage Insurance Holding Company ("IMI"), Ocwen Technology Xchange, Inc. ("OTX") and Ocwen Asset Investment Corp. ("OAC"). The Company also owns 99.6% of Ocwen Financial Services, Inc. ("OFS"), with the remaining 0.4% owned by the shareholders of Admiral Home Loan. All significant intercompany transactions and balances have been eliminated in consolidation.

The Bank is a federally chartered savings bank regulated by the Office of Thrift Supervision ("OTS"). The Company is a registered savings and loan holding company under the Home Owner's Loan Act and as such is also regulated by the OTS.

In the opinion of management, the accompanying unaudited financial statements contain all adjustments, consisting only of normal recurring accruals, necessary for a fair statement of the Company's financial condition at September 30, 2001 and December 31, 2000, the results of its operations for the three and nine months ended September 30, 2001 and 2000, its comprehensive (loss) income for the three and nine months ended September 30, 2001 and 2000, its changes in stockholders' equity for the nine months ended September 30, 2001 and its cash flows for the nine months ended September 30, 2001 and 2000. The results of operations and other data for the three and nine month periods ended September 30, 2001 and 2000, are not necessarily indicative of the results that may be expected for any other interim periods or the entire year ending December 31, 2001. The unaudited consolidated financial statements presented herein should be read in conjunction with the audited consolidated financial statements and related notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000. Certain reclassifications have been made to the prior periods' consolidated financial statements to conform to the September 30, 2001 presentation.

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the statements of financial condition and revenues and expenses for the periods covered. Actual results could differ from those estimates and assumptions.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Derivative Financial Instruments

The Company uses derivative financial instruments for the purpose of managing its exposure to adverse fluctuations in interest and foreign currency exchange rates. While these instruments are subject to fluctuations in value, such fluctuations are generally offset by the change in value of the underlying exposures being hedged. The Company does not enter into any derivative financial instruments for trading purposes.

All derivative instruments are recorded on the balance sheet at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive (loss) income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, depending on the type of hedge transaction and the effectiveness of the hedge.

For cash-flow hedge transactions in which the Company is hedging the variability of cash flows related to a variable-rate asset, liability or a forecasted transaction, the effective portions of the changes in the fair value of the derivative instruments are reported in other comprehensive (loss) income. The gains and losses on the derivative instrument that are reported in other comprehensive (loss) income are reclassified to earnings in the periods in which earnings are impacted by the variability of the cash flows of the hedged item.

For hedge transactions of net investments in foreign operations, the effective portions of the changes in fair value of the derivative instruments are recorded as a cumulative translation adjustment and included as a component of accumulated other comprehensive (loss) income in stockholders' equity.

The ineffective portions of all hedges are recognized in current period earnings.

All other derivative instruments used by the Company for risk management purposes that do not meet the hedge accounting criteria and, therefore, do not qualify for hedge accounting are accounted for at fair value with changes in fair value recorded in the consolidated income statement of operations.

NOTE 3: CURRENT ACCOUNTING PRONOUNCEMENTS

On January 1, 2001, the Company adopted the provision of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137 and SFAS No. 138 (collectively, "SFAS No. 133") and recorded a net of tax, a cumulative effect adjustment in accumulated other comprehensive income to recognize at fair value the interest rate swap that was designated as a cash-flow hedging of an outstanding line of credit. The swap matured in April 2001, and the Company has reclassified to earnings all of this transition adjustment.

Adoption of SFAS 133 did not have a material impact on the Company's use of futures contracts to hedge the net investments in its foreign subsidiaries, as the SFAS 133 accounting is similar to the pre-existing accounting. In addition, adoption of SFAS 133 did not have an impact on the Company's other risk management instruments that do not meet the hedge criteria as these derivatives were already accounted for at fair value with changes in fair value recognized currently in earnings.

As of December 31, 2000, the Company adopted the disclosure provisions of Statement of Financial Accounting Standards No. 140 ("SFAS 140"), "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," as they relate to recognition and reclassification of collateral and for disclosures relating to securitization transactions, mortgage servicing rights and collateral.

As of April 1, 2001, the Company adopted the other provisions of SFAS 140 as they relate to transfers and servicing of financial assets and extinguishments of liabilities. Adoption of SFAS 140 did not have a material impact on the Company's results of operations, financial position or cash flows.

The Emerging Issues Task Force issued EITF 99-20 "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Assets" effective for fiscal quarters beginning after March 15, 2001. On April 1, 2001, the Company adopted the provisions of EITF 99-20. Adoption of EITF 99-20 did not have a material impact on the Company's results of operations, financial position or cash flows.

The Financial Accounting Standards Board ("FASB") has issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations". SFAS No. 141 is effective for all business combinations initiated after June 30, 2001 and for all business combinations accounted for using the purchase method for which the date of acquisition is July 1, 2001, or later.

SFAS No. 141 eliminates the pooling-of-interests method of accounting for business combinations leaving only the purchase method of accounting. In addition, SFAS No. 141 requires that intangible assets be recognized separately from goodwill if they meet one of two criteria - the contractual-legal criterion or the separability criterion. SFAS No. 141 also expands upon disclosure requirements by requiring the disclosure of the primary reasons for the business combination, the allocation of the purchase price to the assets acquired and liabilities assumed and, if significant, the amount of goodwill by segment and the amount of the purchase price assigned to each major class of intangible asset. As of July 1, 2001, the Company adopted the provisions of SFAS No. 141. The impact from the adoption of SFAS No. 141 on the Company's results of operations, financial position or cash flows results from the anticipated reversal, as discussed below, of the unamortized balance of the excess of net assets acquired over purchase price upon the adoption of SFAS No. 142.

The FASB has also issued SFAS No. 142, "Goodwill and Other Intangible Assets." Except for goodwill and intangible assets acquired after June 30, 2001, which are immediately subject to its provisions, SFAS No. 142 is effective starting with fiscal years beginning after December 15, 2001.

Under SFAS No. 142, goodwill and intangible assets that have indefinite useful lives will no longer be amortized. Both goodwill and intangible assets that are not being amortized must be tested annually for impairment. In addition, SFAS No. 142 requires additional disclosures regarding goodwill and other intangible assets, including changes in the carrying amount of goodwill from period to period, the carrying amount of intangible assets by major intangible asset class and the estimated intangible asset amortization for the next five years.

The Company will adopt the provisions of SFAS No. 142 effective January 1, 2002. As a result, the Company will be required to reverse the unamortized balance of the excess of net assets acquired over purchase price. This reversal will result in a credit to income of approximately $18,000 on January 1, 2002 that will be reported as the effect of a change in accounting principle. The Company expects that the elimination of goodwill amortization after the adoption of SFAS No. 142 will positively impact pretax net income by approximately $3,000 in 2002. However, the Company has not yet fully determined the impact that the adoption of other elements of SFAS No. 142, including possible impairment charges on goodwill or other intangible assets, may have on its financial position or results of operations.

On October 3, 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS is effective for fiscal years beginning after December 15, 2001. SFAS No. 144 is designed to establish a single model for long-lived assets to be disposed of and, as such, supercedes SFAS 121, "Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions."

The Company will adopt the provision of SFAS No. 144 effective January 1, 2002. Adoption of SFAS No. 144 is not expected to have a material impact on the Company's results of operations, financial positions or cash flows.

NOTE 4: COMPANY OBLIGATED, MANDATORILY REDEEMABLE SECURITIES OF SUBSIDIARY TRUST HOLDING SOLELY JUNIOR SUBORDINATED DEBENTURES OF THE COMPANY

In August 1997, the Ocwen Capital Trust ("OCT") issued $125,000 of 10.875% Capital Securities (the "Capital Securities"). Proceeds from the issuance of the Capital Securities were invested in 10.875% Junior Subordinated Debentures issued by OCN. The Junior Subordinated Debentures, which represent the sole assets of OCT, will mature on August 1, 2027. To date, OCT has repurchased $63,841 of its Capital Securities. During the nine months ended September 30, 2001, OCT repurchased $18,371 of its Capital Securities in the open market, resulting in an extraordinary gain of $3,722 ($2,345 net of taxes). There were no such repurchases during the three months ended September 30, 2001.

Holders of the Capital Securities are entitled to receive cumulative cash distributions accruing from the date of original issuance and payable semiannually in arrears on February 1 and August 1 of each year, commencing on February 1, 1998, at an annual rate of 10.875% of the liquidation amount of $1,000 per Capital Security. Payment of distributions out of moneys held by OCT, and payments on liquidation of OCT or the redemption of Capital Securities, are guaranteed by the Company to the extent OCT has funds available. If the Company does not make principal or interest payments on the Junior Subordinated Debentures, OCT will not have sufficient funds to make distributions on the Capital Securities, in which event the guarantee shall not apply to such distributions until OCT has sufficient funds available therefore. Accumulated distributions payable on the Capital Securities amounted to $1,053 and $3,533 at September 30, 2001 and December 31, 2000, respectively, and are included in accrued interest payable.

The Company has the right to defer payment of interest on the Junior Subordinated Debentures at any time or from time to time for a period not exceeding 10 consecutive semiannual periods with respect to each deferral period, provided that no extension period may extend beyond the stated maturity of the Junior Subordinated Debentures. Upon the termination of any such extension period and the payment of all amounts then due on any interest payment date, the Company may elect to begin a new extension period. Accordingly, there could be multiple extension periods of varying lengths throughout the term of the Junior Subordinated Debentures. If interest payments on the Junior Subordinated Debentures are deferred, distributions on the Capital Securities will also be deferred and the Company may not, and may not permit any subsidiary of the Company to, (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, the Company's capital stock or (ii) make any payment of principal, interest or premium, if any, on or repay, repurchase or redeem any debt securities that rank pari passu with or junior to the Junior Subordinated Debentures. During an extension period, interest on the Junior Subordinated Debentures will continue to accrue at the rate of 10.875% per annum, compounded semiannually.

The Junior Subordinated Debentures are redeemable prior to maturity at the option of the Company, subject to the receipt of any necessary prior regulatory approval, (i) in whole or in part on or after August 1, 2007, at a redemption price equal to 105.438% of the principal amount thereof on August 1, 2007, declining ratably on each August 1 thereafter to 100% on or after August 1, 2017, plus accrued interest thereon, or (ii) at any time, in whole (but not in part), upon the occurrence and continuation of a special event (defined as a tax event, regulatory capital event or investment company event) at a redemption price equal to the greater of (a) 100% of the principal amount thereof or (b) the sum of the present values of the principal amount and premium payable with respect to an optional redemption of such Junior Subordinated Debentures on August 1, 2007, together with scheduled payments of interest from the prepayment date to August 1, 2007, discounted to the prepayment date on a semiannual basis at the adjusted Treasury rate plus accrued interest thereon to the date of prepayment. The Capital Securities are subject to mandatory redemption, in whole or in part, upon repayment of the Junior Subordinated Debentures at maturity or their earlier redemption, in an amount equal to the amount of the related Junior Subordinated Debentures maturing or being redeemed and at a redemption price equal to the redemption price of the Junior Subordinated Debentures, plus accumulated and unpaid distributions thereon to the date of redemption.

(Dollars in thousands, except per share data)

For financial reporting purposes, OCT is treated as a subsidiary of the Company and, accordingly, the accounts of OCT are included in the consolidated financial statements of the Company. Intercompany transactions between OCT and the Company, including the Junior Subordinated Debentures, are eliminated in the consolidated financial statements of the Company. The Capital Securities are presented as a separate caption between liabilities and stockholders' equity in the consolidated statement of financial condition of the Company as "Company-obligated, mandatorily redeemable securities of subsidiary trust holding solely Junior Subordinated Debentures of the company." Distributions on the Capital Securities are recorded as a separate caption immediately following non-interest expense in the consolidated statements of operations of the Company. The Company intends to continue this method of accounting going forward.

In connection with the issuance of the Capital Securities, the Company incurred certain costs, which have been capitalized and are being amortized over the term of the Capital Securities. The unamortized balance of these issuance costs amounted to $2,104 and $2,815 at September 30, 2001 and December 31, 2000, respectively, and is included in other assets.

NOTE 5: SECURITIZATION OF ASSETS

The residual and subordinate securities classified as trading securities at September 30, 2001 include retained interests with a fair value of $41,657 from securitizations of loans completed by the Company in prior years. The Company has not executed a securitization since 1999.

The key economic assumptions used to estimate the fair value of these retained interests as of September 30, 2001 were as follows:

	Weighted Average
Discount rate	18.60%
Projected prepayments	18.59%
Projected average life	3.40 years
Projected annual loss rates	3.02%
Static pool losses	14.50%

As of September 30, 2001, the effect on the fair value of the retained interests caused by immediate adverse changes in the assumptions shown above would be as follows:

	Decrease
Discount rate:	
Impact of a +10% change	$(2,554)
Impact of a +20% change	(4,834)
Prepayments:	
Impact of a -10% change	(518)
Impact of a -20% change	(1,066)
Loss rates:	
Impact of a +10% change	(3,987)
Impact of a +20% change	(5,478)

(Dollars in thousands, except per share data)

These sensitivities are hypothetical and are presented for illustrative purposes only. The changes in the assumptions regarding prepayments and loss rates were applied to the cash flows of the loans underlying the retained securities. Changes in assumptions regarding discount rates were applied to the cash flows of the securities. Changes in fair value based upon a change in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. The changes in assumptions presented in the table above were calculated without changing any other assumption. In reality, changes in one assumption may result in changes in another, which may magnify or offset the sensitivities presented. For example, changes in market interest rates may simultaneously impact prepayments, losses and the discount rate.

As of and for the nine months ended September 30, 2001, the following information is provided regarding securitized loans and related financial assets managed by the Company:

Current unpaid principal balance of securitized loans...........	$1,564,882
Delinquencies of securitized loans (30 days past due)...........	405,461
Losses, net of recoveries, on securitized loans.................	57,251

NOTE 6: DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments for the purpose of managing its exposure to adverse fluctuations in interest and foreign currency exchange rates.

Interest Rate Management

In managing its interest rate risk, the Company enters into interest rate swaps. The interest rate swap below has been used to alter the interest rate on current LIBOR rate debt incurred to fund the Company's acquisitions of real estate. This swap matured in April 2001. The terms of the outstanding interest rate swap at December 31, 2000 was as follows:

Maturity	Notional Amount	LIBOR Index	Fixed Rate	Floating Rate	Fair Value
April 2001............	$ 33,000	1-Month	6.00%	6.80%	$ 59

The Company has purchased amortizing caps and floors to hedge its interest rate exposure relating to its match funded loans and securities. During the quarter ended June 30, 2001, the Company determined that these caps and floors no longer qualified for hedge accounting; therefore, changes in fair value are recorded in the income statement. The terms of these outstanding caps and floors at September 30, 2001 and December 31, 2000 are as follows:

	Notional Amount	Maturity	Index	Strike Rate	Fair Value
September 30, 2001:					
Caps...........................	$ 129,711	October 2003	LIBOR 1-Month	7.00%	$ 44
Floors.........................	$ 34,984	October 2003	CMT 2-Year	4.35	513
					$ 557
December 31, 2000:					
Caps...........................	$ 141,674	October 2003	LIBOR 1-Month	7.00%	$ 345
Floors.........................	$ 37,787	October 2003	CMT 2-Year	4.35	154
					$ 499

(Dollars in thousands, except per share data)

Foreign Currency Management

The Company enters into foreign currency derivatives to hedge its investments in foreign subsidiaries which own residual interests backed by residential loans originated in the UK ("UK residuals") and in the shopping center located in Halifax, Nova Scotia (the "Nova Scotia Shopping Center"). It is the Company's policy to periodically adjust the amount of foreign currency derivative contracts it has entered into in response to changes in its recorded investments in these assets. As hedges of the Company's investment in foreign operations, changes in the fair value of these contracts are included in the net unrealized foreign currency translation in accumulated other comprehensive income. The following table sets forth the terms and values of these foreign currency financial instruments at September 30, 2001 and December 31, 2000:

	Position	Maturity	Notional Amount		Strike Rate	Fair Value
September 30, 2001:						
Canadian Dollar currency futures...........	Short	December 2001	C$	33,700	$0.6389	$ 207
British Pound currency futures.............	Short	December 2001	(pound)	17,688	$1.4658	(18)
						$ 189
December 31, 2000:						
Canadian Dollar currency futures...........	Short	March 2001	C$	33,000	$0.6795	$ (242)
British Pound currency futures.............	Short	March 2001	(pound)	14,688	$1.5139	(339)
						$ (581)

NOTE 7: REGULATORY REQUIREMENTS

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 and the regulations promulgated thereunder established certain minimum levels of regulatory capital for savings institutions subject to OTS supervision. The Bank must follow specific capital guidelines stipulated by the OTS which involve quantitative measures of the Bank's assets, liabilities and certain off-balance sheet items. An institution that fails to comply with its regulatory capital requirements must obtain OTS approval of a capital plan and can be subject to a capital directive and certain restrictions on its operations. At September 30, 2001, the minimum regulatory capital requirements were:

- Tangible and core capital of 1.50% and 3.00% of total adjusted assets, respectively, consisting principally of stockholders' equity, but excluding most intangible assets, such as goodwill and any net unrealized gains or losses on debt securities available for sale. The OTS minimum core capital ratio provides that only those institutions with a Uniform Financial Institution Rating System rating of "1" are subject to a 3% minimum core capital ratio. All other institutions are subject to a 4% minimum core capital ratio.

- Risk-based capital consisting of core capital plus certain subordinated debt and other capital instruments and, subject to certain limitations, general valuation allowances on loans receivable, equal to 8.00% of the value of risk-weighted assets.

At September 30, 2001, the Bank was "well capitalized" under the prompt corrective action regulations adopted by the OTS pursuant to the Federal Deposit Insurance Corporation Improvement Act of 1991. To be categorized as "well capitalized," the Bank must maintain minimum core capital, Tier 1 risk-based capital and risk-based capital ratios as set forth in the following table. The Bank's capital amounts and classification are subject to review by federal regulators about components, risk-weightings and other factors. There are no conditions or events since September 30, 2001 that management believes have changed the institution's category.

Following an examination by the OTS in late 1996 and early 1997, the Bank committed to the OTS to maintain a core capital (leverage) ratio and a total risk-based capital ratio of at least 9% and 13%, respectively. The Bank continues to be in compliance with this commitment and with the regulatory capital requirements of general applicability (as indicated below). Based on discussions with the OTS, the Bank believes that this commitment does not affect its status as a "well-capitalized" institution, assuming the Bank's continued compliance with the regulatory capital requirements required to be maintained by it pursuant to such commitment.

(Dollars in thousands, except per share data)

As a result of an examination in 2000, the Bank was required to submit a written plan to the OTS by October 16, 2000 to address issues raised by the agency under Part 570 of the rules and regulations. Under the plan, the Bank will take certain actions regarding its operations with respect to asset reviews and the management of interest rate risk exposure and will have periodic reporting obligations to the OTS. In addition, as part of the plan, the Bank submitted a business plan and budget outlining the Bank's operations through 2003. The business plan submitted reflects proposed changes in the Bank's deposit gathering strategies and potential future sources of revenue as the Bank continues its shift away from capital-intensive businesses into fee-based sources of income. On November 9, 2000 the OTS requested the Bank to supply additional information regarding the plan. The Bank responded to this request on November 29, 2000, December 28, 2000 and January 10, 2001, and the OTS approved the plan on February 2, 2001.

The following table summarizes the Bank's actual and required regulatory capital at September 30, 2001:

	Actual		Minimum For Capital Adequacy Purposes		To Be Well Capitalized For Prompt Corrective Action Provisions		Committed Capital Requirements
	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Stockholders' equity, and ratio to total assets	15.04%	$ 214,508					
Non-includable subsidiary......................		(1,189)					
Acquired real estate...........................		(71)					
Disallowed deferred tax assets.................		(19,949)					
Disallowed servicing assets....................		(8,983)					
Tier 1 (core) capital and ratio to adjusted total assets................................	13.20%	184,316	4.00%	$ 55,838	5.00%	$ 67,797	9.00%
Non-mortgage servicing assets..................		(3,650)					
Tangible capital and ratio to tangible assets..	12.98%	$ 180,666	1.50%	$ 20,939			
Tier 1 capital and ratio to risk-weighted assets.....................................	17.00%	$ 184,316			6.00%	$ 65,068	
Allowance for loan and lease losses............		13,574					
Qualifying subordinated debentures.............		40,200					
Tier 2 capital.................................		53,774					
Total risk-based capital and ratio to risk-weighted assets.............................	21.95%	$ 238,090	8.00%	$ 86,758	10.00%	$ 108,447	13.00%
Total regulatory assets........................		$1,426,051					
Adjusted total assets..........................		$1,395,947					
Tangible assets................................		$1,392,297					
Risk-weighted assets...........................		$1,084,474					

(Dollars in thousands, except per share data)

NOTE 8: NET INTEREST INCOME (EXPENSE) BEFORE PROVISION FOR LOAN LOSSES

	Three Months		Nine Months	
For the periods ended September 30,	2001	2000	2001	2000
Interest income:				
Federal funds sold and repurchase agreements	$ 1,942	$ 2,544	$ 6,040	$ 5,118
Trading securities:				
Collateralized mortgage obligations (AAA-rated)	1,112	--	5,589	--
Subordinates, residuals and other securities	3,489	--	8,885	--
Securities available for sale:				
Collateralized mortgage obligations (AAA-rated)	--	8,419	--	27,692
Subordinates, residuals and other securities	--	4,412	--	14,816
Loans available for sale	76	450	440	2,174
Investment securities and other	41	352	638	1,181
Loan portfolio	1,577	4,651	5,079	13,956
Match funded loans and securities	2,655	2,611	7,875	8,874
Discount loan portfolio	7,702	21,848	34,083	70,021
	18,594	45,287	68,629	143,832
Interest expense:				
Deposits	13,789	25,852	48,168	75,330
Securities sold under agreements to repurchase	244	2,761	244	10,685
Bonds - match funded agreements	1,391	2,948	6,099	9,095
Obligations outstanding under lines of credit	1,871	4,371	4,327	11,783
Notes, debentures and other interest bearing obligations	5,012	8,501	15,077	26,598
	22,307	44,433	73,915	133,491
Net interest income (expense) before provision for loan losses	$ (3,713)	$ 854	$ (5,286)	$ 10,341

NOTE 9: INCOME TAX PROVISION

During the nine months ended September 30, 2001, the Company recorded an additional valuation allowance of $83,000, including $65,000 during the third quarter, against the aggregate deferred tax asset of $168,520 to reduce the net deferred tax asset to $12,919. The aggregate valuation allowance of $155,601 has been recorded based on management's determination regarding the realizability of the deferred tax asset in the near future. Depending on the results of operations in future periods, additional provisions may be required or the valuation allowance may be reversed to income.

(Dollars in thousands, except per share data)

NOTE 10: BUSINESS SEGMENT REPORTING

An operating segment is defined as a component of an enterprise (a) that engages in business activities from which it may earn revenues and incur expenses, (b) whose operating results are regularly reviewed by the enterprise's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (c) for which discrete financial information is available. The Company conducts a variety of business activities within the following segments:

	Net Interest Income (Expense)	Provision for Loan Losses	Non-Interest Income	Non-Interest Expense	Net Income (Loss)	Total Assets
At or for the three months ended September 30, 2001:						
Residential discount loans	$ 4,062	$ (3,480)	$ (1,865)	$ 2,271	$ 2,112	$ 152,680
Commercial loans	(1,105)	2,780	(1,695)	2,522	(5,022)	396,327
Residential loan servicing	(4,445)	--	31,947	18,452	5,612	311,537
Affordable Housing	(1,672)	(10)	(266)	4,539	(3,445)	135,246
OTX	(100)	--	496	8,158	(4,813)	14,304
Commercial real estate	(629)	--	1,631	180	510	80,532
Subprime residential lending	1,113	--	2,475	703	1,789	86,959
Unsecured collections	7	322	605	1,579	(799)	814
Ocwen Realty Advisors	--	--	3,253	3,171	51	741
Corporate items and other	(944)	--	5,161	3,027	(68,927)	661,268
	$ (3,713)	$ (388)	$ 41,742	$ 44,602	$ (72,932)	$1,840,408
At or for the nine months ended September 30, 2001:						
Residential discount loans	$ 12,275	$ 5,799	$ (3,224)	$ 6,145	$ (1,794)	$ 152,680
Commercial loans	81	10,375	406	10,031	(12,349)	396,327
Residential loan servicing	(12,633)	--	89,734	51,028	16,165	311,537
Affordable Housing	(5,876)	11	(807)	14,589	(11,679)	135,246
OTX	(363)	--	1,487	30,445	(18,180)	14,304
Commercial real estate	(2,247)	--	4,359	645	909	80,532
Subprime residential lending	1,714	--	8,801	2,077	5,229	86,959
Unsecured collections	43	1,844	1,527	5,355	(3,490)	814
Ocwen Realty Advisors	--	--	8,362	7,933	266	741
Corporate items and other	1,720	--	17,589	10,066	(92,966)	661,268
	$ (5,286)	$ 18,029	$ 128,234	$ 138,314	$ (117,889)	$1,840,408

(Dollars in thousands, except per share data)

	Net Interest Income (Expense)	Provision for Loan Losses	Non-Interest Income	Non-Interest Expense	Net Income (Loss)	Total Assets
At or for the three months ended September 30, 2000:						
Residential discount loans	$ 6,680	$ 63	$ 3,216	$ 3,140	$ 4,149	$ 474,234
Commercial loans	(212)	4,842	3,200	4,613	(4,010)	760,456
Residential loan servicing	(2,253)	--	20,218	14,689	2,031	173,334
Affordable Housing	(2,347)	93	(48)	4,667	(2,357)	166,801
OTX	(162)	--	573	9,695	(5,756)	19,568
Commercial real estate	(5,130)	--	21,213	779	9,489	204,192
Subprime residential lending	(307)	--	(6,866)	621	(4,832)	142,883
Unsecured collections	(9)	1,863	608	2,339	(2,235)	11,708
Ocwen Realty Advisors (1)	--	--	2,484	2,955	(292)	1,327
Corporate items and other	4,594	--	4,938	1,202	3,133	888,680
	$ 854	$ 6,861	$ 49,536	$ 44,700	$ (680)	$2,843,183
At or for the nine months ended September 30, 2000:						
Residential discount loans	$ 20,284	$ (59)	$ 7,559	$ 9,184	$ 11,605	$ 474,234
Commercial loans	5,071	8,331	11,575	12,537	(2,570)	760,456
Residential loan servicing	(2,908)	--	59,401	42,842	8,463	173,334
Affordable Housing	(7,424)	(298)	502	8,911	(1,136)	166,801
OTX	(539)	--	1,461	25,927	(15,502)	19,568
Commercial real estate	(15,290)	--	36,994	2,049	12,187	204,192
Subprime residential lending	689	--	(19,942)	1,295	(12,740)	142,883
Unsecured collections	(92)	4,630	694	6,615	(6,599)	11,708
Ocwen Realty Advisors (1)	--	--	10,185	10,189	(2)	1,327
Corporate items and other	10,550	--	9,286	5,069	(883)	888,680
	$ 10,341	$ 12,604	$ 117,715	$ 124,618	$ (7,177)	$2,843,183

(1) Non-interest income for the three and nine months ended September 30, 2000 included $159 and $1,789, respectively, of intercompany and intersegment revenues, which have been eliminated in consolidation.

NOTE 11: COMMITMENTS AND CONTINGENCIES

At September 30, 2001, the Company had commitments of $5,032 to fund construction loans (including loans accounted for as investments in real estate) secured by multi-family and commercial properties. In addition, the Company, through the Bank, had commitments under outstanding letters of credit in the amount of $6,410. The Company, through its investment in subordinated securities and subprime residuals, which had a fair value of $81,698 September 30, 2001, supports senior classes of securities.

On April 20, 1999, a complaint was filed on behalf of a putative class of public shareholders of the Company in the Circuit Court of the Fifteenth Judicial Circuit, Palm Beach County, Florida against OCN and OAC. On April 23, 1999, a complaint was filed on behalf of a putative class of public shareholders of OAC in the Circuit Court of the Fifteenth Judicial Circuit, Palm Beach County, Florida, against OAC and certain directors of OAC. The plaintiffs in both complaints sought to enjoin consummation of the acquisition of OAC by OCN. The cases were consolidated, and on September 13, 1999 a consolidated amended complaint was filed. The injunction was denied, and on October 14, 1999 OCN was dismissed as a party. Plaintiffs' remaining claims are for damages for alleged breaches of common law fiduciary duties. On January 10, 2001, OAC was granted a protective order limiting the scope of discovery. Discovery is ongoing.

On June 3, 1999, Walton Street Capital, L.L.C. ("Walton") filed suit against OAC and Ocwen Partnership, L.P. in the Circuit Court of Cook County, Illinois. Walton has alleged that OAC committed an anticipatory breach of contract with respect to the proposed sale by OAC of all of its interest in its commercial mortgage-backed securities portfolio to Walton. Walton has claimed damages in an amount in excess of $20,000. As of October 20, 2000, both Walton and OAC filed motions for Summary Judgement. On December 21, 2000, the Circuit Court granted Walton's Limited Motion for Summary Judgement concerning liability. Ocwen filed a Motion for Certification of an Interlocutory Appeal and is seeking an Entry of Stay pending appeal. OAC believes this suit is without merit and continues to vigorously defend against the same.

The Company is subject to various other pending legal proceedings. In management's opinion, the resolution of these other claims will not have a material effect on the consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Dollars in thousands, except share data)

General

The Company's primary businesses are the servicing and special servicing of nonconforming, subperforming and nonperforming residential and commercial mortgage loans. Ocwen also specializes in the development of related loan servicing technology and software for the mortgage and real estate industries.

The Company is a registered savings and loan holding company subject to regulation by the OTS. The Bank is subject to regulation by the OTS, its chartering authority, and by the Federal Deposit Insurance Corporation (the "FDIC") as a result of its membership in the Savings Association Insurance Fund, which is administered by the FDIC and which insures the Bank's deposits up to the maximum extent permitted by law. The Bank is also subject to regulation by the Board of Governors of the Federal Reserve System and is currently a member of the Federal Home Loan Bank ("FHLB") of New York, one of the 12 regional banks that comprise the FHLB System.

The following discussion of the Company's consolidated financial condition, results of operations, capital resources and liquidity should be read in conjunction with the Interim Consolidated Financial Statements and related Notes included in Item 1 herein (which is incorporated herein by reference).

Selected Consolidated Financial Information

	September 30, 2001	December 31, 2000	Increase (Decrease)
Balance Sheet Data			
Total assets	$ 1,840,408	$ 2,249,420	(18)%
Trading securities, at fair value:			
Collateralized mortgage obligations (AAA-rated)	143,318	277,595	(48)
Subordinates, residuals and other securities	81,698	112,647	(27)
Real estate held for sale	33,588	22,670	48
Low-income housing tax credits held for sale	27,618	87,083	(68)
Investments in real estate	99,379	122,761	(19)
Investment in low-income housing tax credit interests	80,496	55,729	44
Loan portfolio, net	73,650	93,414	(21)
Discount loan portfolio, net	219,182	536,028	(59)
Match funded loans and securities, net	82,315	116,987	(30)
Real estate owned, net	121,865	146,419	(17)
Deferred tax asset, net	12,919	95,991	(87)
Advances on loans and loans serviced for others	303,089	227,055	33
Mortgage servicing rights	90,368	51,426	76
Total liabilities	1,393,165	1,666,464	(16)
Deposits	806,539	1,202,044	(33)
Escrow deposits on loans and loans serviced for others	92,344	56,316	64
Bonds-match funded agreements	73,660	107,050	(31)
Obligations outstanding under lines of credit	110,573	32,933	236
Notes, debentures and other interest bearing obligations	169,130	173,330	(2)
Capital Securities	61,159	79,530	(23)
Stockholders' equity	386,084	503,426	(23)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. (Dollars in thousands, except share data)

	At or for the Three Months Ended September 30, 2001	2000	Favorable (Unfavorable)
Operations Data			
Net interest income (expense)	$ (3,713)	$ 854	(535)%
Provision for loan losses	(388)	6,861	106%
Non-interest income	41,742	49,536	(16)%
Non-interest expense	44,602	44,700	(1)%
Distributions on Capital Securities	1,663	2,730	39%
Equity in income (losses) of investment in unconsolidated entities	(84)	(893)	91%
Income tax benefit (expense)	(65,000)	1,486	N/M
Extraordinary gain on repurchase of debt, net of taxes	--	2,628	(100)%
Net loss	(72,932)	(680)	N/M
Per Common Share			
Net loss:			
Basic	$ (1.08)	$ (0.01)	N/M
Diluted	(1.08)	(0.01)	N/M
Stock price:			
High	$ 11.20	$ 6.88	63%
Low	6.40	5.44	18%
Close	7.21	5.88	23%
Key Ratios			
Annualized return on average assets	(14.81)%	(0.09)%	N/M
Annualized return on average equity	(66.52)	(0.55)	N/M
Efficiency ratio (1)	117.4	90.31	(30)%
Core (leverage) capital ratio	13.20	11.23	18%
Risk-based capital ratio	21.95	19.15	15%

(1) The efficiency ratio represents non-interest expense divided by the sum of net interest income before provision for loan losses, non-interest income and equity in income (losses) of investment in unconsolidated entities.

N/M - Changes in excess of 1,000% are not considered meaningful.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. (Dollars in thousands, except share data)

	At or for the Nine Months Ended September 30,		
	2001	2000	Favorable (Unfavorable)
Operations Data			
Net interest income (expense)	$ (5,286)	$ 10,341	(151)%
Provision for loan losses	18,029	12,604	(43)%
Non-interest income	128,234	117,715	9%
Non-interest expense	138,314	124,618	(11)%
Distributions on Capital Securities	5,413	8,842	39%
Equity in income (losses) of investment in unconsolidated entities	100	(4,965)	102%
Income tax benefit (expense)	(81,587)	7,122	N/M
Extraordinary gain on repurchase of debt, net of taxes	2,406	8,674	(72)%
Net loss	(117,889)	(7,177)	N/M
Per Common Share			
Net loss:			
Basic	$ (1.75)	$ (0.11)	N/M
Diluted	(1.75)	(0.11)	N/M
Stock price:			
High	$ 11.20	$ 9.25	21%
Low	5.44	5.25	4%
Close	7.21	5.88	23%
Key Ratios			
Annualized return on average asset	(7.60)%	(0.29)%	N/M
Annualized return on average equity	(33.15)	(1.94)	N/M
Efficiency ratio (1)	112.41	101.24	(11)%
Core (leverage) capital ratio	13.20	11.23	18%
Risk-based capital ratio	21.95	19.15	15%

(1) The efficiency ratio represents non-interest expense divided by the sum of net interest income before provision for loan losses, non-interest income and equity in income (losses) of investment in unconsolidated entities.

N/M - Changes in excess of 1,000% are not considered meaningful.

Results of Operations: Three and Nine Months Ended September 30, 2001 versus Three and Nine Months Ended September 30, 2000

General. The Company recorded a net loss of $(72,932) or $(1.08) per share, for the third quarter of 2001, as compared to a net loss of $(680), or $(0.01) per share, for the third quarter of 2000. There were a number of key factors and transactions that contributed to the results for the third quarter of 2001 as compared to the third quarter of 2000, including: a decline in net interest income from $854 in the third quarter of 2000 to $(3,713) in the third quarter of 2001 primarily because of decreases in interest earning assets and related decreases in deposits and borrowings as the Company continues its transition from capital-intensive lines of business to fee-based lines of business; a decline in the provision for loan losses from $6,861 in the third quarter of 2000 to $(388) in the third quarter of 2001 resulting primarily from sales of single family residential discount loans offset by a strengthening of reserves on commercial discount loans in response to changes in credit quality; a decline in gains on sales of investments in real estate of $16,355 and in operating gains on investments in real estate of $10,740 as a result of impairment charges in 2001 and the sale of properties during 2000; a $65,000 provision recorded in the third quarter of 2001 to increase the valuation allowance on the deferred tax asset; and a $2,628 decline in extraordinary gains on repurchases of debt.

Segment Profitability. The following is a discussion of the contribution by business segment to the Company's net loss for the three and nine months ended September 30, 2001 and 2000:

o Residential Discount Loans. Segment net income declined from $4,149 for the three months ended September 30, 2000 to $2,112 for the three months ended September 30, 2001. Results for the third quarter of 2001 primarily resulted from $(1,950) of losses from the sale of loans with a book value of $63,585 and a $5,000 reversal of related loan loss reserves. Provisions for loan losses declined from $63 for the third quarter of 2000 to $(3,480) for the third quarter of 2000. Gains of $1,786 were earned from the loan sales during the third quarter of 2000. Losses from the sale and operation of real estate owned improved to $(455) for the third quarter of 2001 as compared to $(2,823) for the third quarter of 2000. Net trading gains on residential subordinate securities amounted to $530 and $4,143 for the third quarter of 2001 and 2000, respectively. The Company changed its policy for securities available for sale to begin accounting for them as trading securities effective September 30, 2000.

The segment had a net loss for the nine months ended September 30, 2001 of $(1,794) as compared to income of $11,605 for the three months ended September 30, 2000. Results for the nine months ended September 30, 2001 and 2000 included (losses) gains of $(836) and $14,055, respectively, from the sale of loans. The 2001 provision for loan losses increased to $5,799, as compared to $(59) for the same period in the prior year. Losses from the sale and operation of real estate owned declined to $(5,958) for the nine months ended September 30, 2001 from $(10,359) for the same period in 2000. Net trading gains on residential subordinate securities amounted to $3,028 and $4,143 for the nine months ended September 30, 2001, respectively.

- Commercial Loans. Segment losses increased from $(4,010) for the three months ended September 30, 2000 to $(5,022) for the three months ended September 30, 2001. Impairment charges of $3,044 on investments in real estate contributed to the loss for the third quarter of 2001. The results for the three months ended September 30, 2001 also reflect losses of $(152) from the sale and operation of real estate owned as compared to $(1,861) for the same period of 2000. Equity in earnings related to loans accounted for as investments in real estate declined from $4,723 during the three months ended September 30, 2000 to losses of $(139) during the three months ended September 30, 2001. The decline in equity in earnings is due to repayments of loans during 2000, which generated significant resolution gains, and an increase in non-performing loans in 2001. The provision for loan losses decreased to $2,780 in the third quarter of 2001 from $4,842 for the third quarter of 2000.

  Segment losses increased from $(2,570) for the nine months ended September 30, 2000 to $(12,349) for the nine months ended September 30, 2001. The provision for loan losses amounted to $10,375 for the nine months ended September 30, 2001, as compared to $8,331 for the same period of 2000. Losses from loan sales were $(2,485) for the nine months ended September 30, 2001, while gains of $272 were earned for the nine months ended September 30, 2000. The results for the nine months ended September 30, 2001 reflect an increase of $6,292 in gains from the sale and operation of real estate owned as compared to the same period of 2000. Impairment charges on investments in real estate amounted to $3,044 for the nine months ended September 30, 2001 as compared to $0 for the same period of 2000. Equity in earnings related to loans accounted for as investments in real estate amounted to $328 and $9,267 for the nine months ended September 30, 2001 and 2000, respectively.

- Residential Loan Servicing. Segment net income improved from $2,031 for the three months ended September 30, 2000 to $5,612 for the three months ended September 30, 2001. Residential servicing and other fees amounted to $31,516 for the three months ended September 30, 2001 as compared to $20,285 for the three months ended September 30, 2000, reflecting continued growth in residential loans serviced for others. The average balance of residential loans serviced for others amounted to $18,326,909 and $9,598,742 for the three months ended September 30, 2001 and 2000, respectively. Non-interest expenses for the third quarter of 2001 increased by $3,763 as compared to the third quarter of 2000.

  Similarly, segment net income improved to $16,165 for the nine months ended September 30, 2001 from $8,463 for the same period in 2000. Domestic residential servicing and other fees amounted to $88,956 for the nine months ended September 30, 2001 as compared to $59,439 for the nine months ended September 30, 2000. For the nine months ended September 30, 2001 the balance of loans serviced for others averaged $14,036,352 as compared to $9,774,863 for the same period of 2000. Non-interest expenses for the nine months ended September 30, 2001 increased by $8,186 as compared to the same period of 2000.

- Affordable Housing. Segment losses increased from $(2,357) for the three months ended September 30, 2000 to $(3,445) for the three months ended September 30, 2001. Similarly, segment losses increased from $(1,136) for the nine months ended September 30, 2000 to $(11,679) for the nine months ended September 30, 2000. Contributing to the losses were impairment charges of $3,738 and $3,062 for the three months ended September 30, 2001 and 2000, respectively, and $11,097 and $3,062 for the nine months ended September 30, 2001 and 2000, respectively, provided on projects held for sale and investment. The increase in impairment losses for the segment in 2001 was partially offset by a decline in operating losses on properties as a result of sales.

- OTX. Segment losses declined from $(5,756) for the three months ended September 30, 2000 to $(4,813) for the same period in 2001. Segment losses were $(18,180) and $(15,502) for the nine months ended September 30, 2001 and 2000, respectively. The net losses incurred by OTX reflect the Company's ongoing commitment to the development of its technology business.

Non-interest expenses for the third quarter of 2001 declined by $1,537 as compared to the third quarter of 2000. Losses for the nine months ended September 30, 2001 included $4,685 of nonrecurring expenses recorded during the first quarter, including $3,185 for a payment due in connection with the 1997 acquisition of Amos, Inc.

- Commercial Real Estate. Segment net income declined to $510 for the third quarter of 2001 from $9,489 for the third quarter of 2000. This decline was due in large part to $16,994 of gains earned during the third quarter of 2000 from sales of properties held for sale. There were no such gains recorded in the three months ended September 30, 2001. Results for the three months ended September 30, 2001 included $1,601 of net operating gains on investments in real estate, which compared to $4,177 for the three months ended September 30, 2000. Operating income from real estate properties declined in 2001 as a result of the sales in 2000. Partially offsetting the declines in gains from the sales and operation of real estate in the third quarter of 2001 was a $3,075 decline in interest expense on lines of credit.

  Segment net income was $909 and $12,187 for the nine months ended September 30, 2001 and 2000, respectively. Results for the nine months ended September 30, 2000 included a $2,768 gain on the sale of a subordinate security and $20,981 of gains from sales of properties held for sale. There were no such gains recorded during the nine months ended September 30, 2001. Net operating gains on investments in real estate declined to $4,223 for the nine months ended September 30, 2001 from $13,243 for the nine months ended September 30, 2000. Results for the nine months ended September 30, 2001 also included a charge of $1,471 to write-down a real estate property held for sale. In addition, interest expense on lines of credit declined by $7,781 during the nine months ended September 30, 2001 as compared to the same period in 2000.

- Subprime Single Family Residential Lending. Segment results improved from a loss of $(4,832) for the three months ended September 30, 2000 to $1,789 of income for the three months ended September 30, 2001. Results for the three months ended September 30, 2001 include $2,698 of net trading gains on subprime residual securities, including $1,404 of realized gains from sales, as compared to net trading losses of $(6,657) for the same period of 2000.

  Segment results for the nine month periods improved from a loss of $(12,740) for the nine months ended September 30, 2000 to $5,229 of income for the same period of 2001. Results for the nine months ended September 30, 2001 include $9,219 of net trading gains on subprime residual securities, including $5,948 of realized gains from sales, as compared to net trading losses of $(6,657) for the same period of 2000. Additionally, results for the nine months ended September 30, 2000 included $(10,930) of impairment charges on subprime residual securities. In 1999, the Company closed its domestic subprime origination business, which had been conducted primarily through OFS.

- Unsecured Collections. Segment losses were $(799) and $(2,235) for the three months ended September 30, 2001 and 2000, respectively. Unsecured collections is primarily comprised of activities related to the Company's charged-off unsecured credit card receivables which were acquired at a discount. Collections of unsecured credit card receivables are accounted for under the cost recovery method. Results for the three months ended September 30, 2001 included provisions for loan losses of $322 as compared to $1,863 for the three months ended September 30, 2000.

  Segment losses were $(3,490) and $(6,599) for the nine months ended September 30, 2001 and 2000, respectively. Results for the nine months ended September 30, 2001 included provisions for loan losses of $1,844 as compared to $4,630 for the nine months ended September 30, 2000. As a result of collections and additional reserves, the remaining net book value of unsecured receivables had been reduced to $814 at September 30, 2001 from $11,708 at September 30, 2000.

- Ocwen Realty Advisors. Segment income (loss) was $51 and $(292) for the three months ended September 30, 2001 and 2000, respectively, and $266 and $(2) for the nine months ended September 30, 2001 and 2000, respectively. Ocwen Realty Advisors ("ORA") provides property valuation services and real estate research for residential and commercial properties.

  Corporate Items and Other. Segment results were a loss of $(68,927) and income of $3,133 for the three months ended September 30, 2001 and 2000, respectively. This segment consists of the differential between the Company's consolidated effective tax rate and the rate applied to each business segment, extraordinary gains on repurchases of debt, amortization of the excess of net assets acquired over purchase price, business activities that are individually insignificant, amounts not allocated to the operating segments, distributions on the Capital Securities, transfer pricing mismatches, other general corporate expenses and the results of the collateralized mortgage obligation ("CMO") trading portfolio. The loss for the third quarter of 2001 includes a provision of $65,000 to increase the valuation allowance on the deferred tax asset. Net loss for the three months ended September 30, 2000 includes $2,628 of extraordinary gains, net of taxes, on repurchases of debt.

  For the nine months ended September 30, 2001 and 2000, segment losses were $(92,961) and $(883), respectively. Results for 2001 include a provision of $83,000 to increase the valuation allowance on the deferred tax asset. Net loss for the nine months ended September 30, 2000 includes $8,674 of extraordinary gains, net of taxes, on repurchases of debt as compared to $2,406 of such gains, net of taxes, during the same period of 2001.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. (Dollars in thousands, except share data)

See Note 9 to the Consolidated Financial Statements, included in Item 1 herein (which is incorporated herein by reference), for additional information related to the Company's operating segments.

Net Interest Income (Expense): Net interest income (expense) is the difference between interest income earned from interest-earning assets and interest expense incurred on interest-bearing liabilities. Net interest income (expense) is determined by net interest spread (i.e., the difference between the yield earned on interest-earning assets and the rates incurred on interest-bearing liabilities), the relative amount of interest-earning assets and interest-bearing liabilities and the degree of mismatch in the maturity and repricing characteristics of its interest-earning assets and interest-bearing liabilities.

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The following tables set forth, for the periods indicated, information regarding the total amount of income from interest-earning assets and the resultant average yields, the interest expense associated with interest-bearing liabilities, expressed in dollars and rates, and the net interest spread and net interest margin. Information is based on average daily balances during the indicated periods:

	Three Months Ended September 30,					
	2001			2000		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
Average Assets:						
Federal funds sold and repurchase agreements........	$ 215,525	$ 1,942	3.60%	$ 140,534	$ 2,544	7.24%
Trading securities (1):						
CMOs (AAA-rated)................................	74,553	1,112	5.97	--	--	--
Subordinates, residuals and other................	92,854	3,489	15.03	--	--	--
Securities available for sale (1):						
CMOs (AAA-rated)................................	--	--	--	498,730	8,419	6.75
Subordinates, residuals and other................	--	--	--	130,358	4,412	13.54
Loans available for sale (2)........................	5,036	76	6.04	28,564	450	6.30
Investment securities and other.....................	3,904	41	4.20	27,476	352	5.12
Loan portfolio (2)..................................	80,098	1,578	7.88	145,590	4,651	12.78
Match funded loans and securities (2)..............	94,303	2,655	11.26	138,619	2,611	7.53
Discount loan portfolio (2).........................	316,257	7,702	9.74	790,051	21,848	11.06
Total interest earning assets....................	882,530	18,595	8.43	1,899,922	45,287	9.53
Non-interest earning cash...........................	101,918			34,855		
Allowance for loan losses...........................	(26,744)			(27,756)		
Investment in low-income housing tax credit interests..	87,155			144,689		
Investment in unconsolidated entities...............	395			30,279		
Real estate owned, net..............................	127,835			179,666		
Low-income housing tax credit interests held for sale...	28,163			933		
Investment in real estate...........................	115,879			160,029		
Real estate held for sale...........................	20,164			193,854		
Escrow advances on loans and loans serviced for others...	339,414			200,578		
Mortgage servicing rights, net......................	86,121			18,601		
Other assets..	206,689			259,192		
Total assets....................................	$1,969,519			$3,094,842		
Average Liabilities and Stockholders' Equity:						
Interest-bearing demand deposits....................	$ 11,881	$ 89	3.00%	$ 13,349	$ 157	4.70%
Savings deposits....................................	1,411	8	2.27	1,405	8	2.28
Certificates of deposit.............................	843,168	13,692	6.50	1,573,785	25,687	6.53
Total interest-bearing deposits..................	856,460	13,789	6.44	1,588,539	25,852	6.51
Securities sold under agreements to repurchase......	29,932	244	3.26	159,335	2,761	6.93
Bonds-match funded agreements.......................	77,142	1,391	7.21	118,437	2,948	9.96
Obligations outstanding under lines of credit.......	112,661	1,871	6.64	178,121	4,370	9.81
Notes, debentures and other.........................	169,130	5,013	11.86	280,231	8,502	12.14
Total interest-bearing liabilities..............	1,245,325	22,308	7.17	2,324,663	44,433	7.65
Non-interest bearing deposits.......................	22,630			7,035		
Escrow deposits.....................................	92,754			62,815		
Excess of net assets acquired over purchase price...	26,787			49,900		
Other liabilities...................................	82,292			59,545		
Total liabilities...............................	1,469,788			2,503,958		
Capital Securities..................................	61,159			100,422		
Stockholders' equity................................	438,572			490,462		
Total liabilities and stockholders' equity.......	$1,969,519			$3,094,842		
Net interest income (expense).......................		$ (3,713)			$ 854	
Net interest spread.................................			1.26%			1.88%
Net interest margin.................................			(1.68)%			0.18%
Ratio of interest-earning assets to interest-bearing liabilities......................	71%			82%		

(1). Excludes effect of unrealized gains or losses on securities.

(2). The average balances include non-performing loans, interest on which is recognized on a cash basis.

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	Nine Months Ended September 30,					
	2001			2000		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
Average Assets:						
Federal funds sold and repurchase agreements	$ 190,659	$ 6,040	4.22%	$ 104,976	$ 5,118	6.50%
Trading securities (1):						
CMOs (AAA-rated)	115,995	5,589	6.42	--	--	--
Subordinates, residuals and other	106,213	8,885	11.15	--	--	--
Securities available for sale (1):						
CMOs (AAA-rated)	--	--	--	571,486	27,692	6.46
Subordinates, residuals and other	--	--	--	144,475	14,815	13.67
Loans available for sale (2)	8,904	440	6.59	37,112	2,174	7.81
Investment securities and other	10,765	638	7.90	25,819	1,181	6.10
Loan portfolio (2)	84,333	5,079	8.03	155,781	13,956	11.94
Match funded loans and securities (2)	109,225	7,875	9.61	147,479	8,874	8.02
Discount loan portfolio (2)	416,880	34,083	10.90	871,808	70,022	10.71
Total interest earning assets	1,042,974	68,629	8.77	2,058,936	143,832	9.31
Non-interest earning cash	71,155			47,708		
Allowance for loan losses	(21,817)			(27,511)		
Investment in low-income housing tax credit interests	66,547			147,363		
Investment in unconsolidated entities	400			32,666		
Real estate owned, net	132,193			181,699		
Low-income housing tax credit interests held for sale	62,248			311		
Investment in real estate	117,867			224,354		
Real estate held for sale	21,013			130,160		
Escrow advances on loans and loans serviced for others	303,028			187,222		
Mortgage servicing rights, net	70,867			15,102		
Other assets	202,046			266,837		
Total assets	$2,068,521			$3,264,847		
Average Liabilities and Stockholders' Equity:						
Interest-bearing demand deposits	$ 15,237	$ 328	2.87%	$ 9,677	$ 410	5.65%
Savings deposits	1,380	24	2.32	1,520	28	2.46
Certificates of deposit	985,730	47,816	6.47	1,569,044	74,892	6.36
Total interest-bearing deposits	1,002,347	48,168	6.41	1,580,241	75,330	6.36
Securities sold under agreements to repurchase	9,977	246	3.29	220,843	10,685	6.45
Bonds-match funded agreements	91,005	6,099	8.94	127,771	9,095	9.49
Obligations outstanding under lines of credit	76,959	4,327	7.50	179,998	11,783	8.73
Notes, debentures and other	170,569	15,075	11.78	292,556	26,598	12.12
Total interest-bearing liabilities	1,350,857	73,915	7.30	2,401,409	133,491	7.41
Non-interest bearing deposits	15,210			7,320		
Escrow deposits	70,518			131,917		
Excess of net assets acquired over purchase price	30,963			52,837		
Other liabilities	65,670			69,365		
Total liabilities	1,533,218			2,662,848		
Capital Securities	66,248			106,329		
Stockholders' equity	469,055			495,670		
Total liabilities and stockholders' equity	$2,068,521			$3,264,847		
Net interest income (expense)		$ (5,286)			$ 10,341	
Net interest spread			1.47%			1.90%
Net interest margin			(0.68)%			0.67%
Ratio of interest-earning assets to interest-bearing liabilities	77%			86%		

(1) Excludes effect of unrealized gains or losses on securities.

(2) The average balances include non-performing loans, interest on which is recognized on a cash basis.

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The following table describes the extent to which changes in interest rates and changes in volume of interest-earning assets and interest-bearing liabilities have affected the Company's interest income and expense during the periods indicated. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (i) changes in volume (change in volume multiplied by prior rate), (ii) changes in rate (change in rate multiplied by prior volume) and (iii) total change in rate and volume. Changes attributable to both volume and rate have been allocated proportionately to the change due to volume and the change due to rate.

	Three Months			Nine Months		
	2001 vs. 2000			2001 vs. 2000		
	Increase (Decrease) Due to			Increase (Decrease) Due To		
For the periods ended September 30,	Rate	Volume	Total	Rate	Volume	Total
Interest-Earning Assets:						
Federal funds sold and repurchase agreements.........	$ (1,609)	$ 1,007	$ (602)	$ (4,182)	$ 5,104	$ 922
Trading securities:						
CMO (AAA-rated)..................................	(615)	1,727	1,112	--	5,589	5,589
Subordinates, residuals and other................	467	3,022	3,489	--	8,885	8,885
Securities available for sale:						
CMO (AAA-rated)..................................	(878)	(7,541)	(8,419)	(155)	(27,537)	(27,692)
Subordinates, residuals and other................	438	(4,850)	(4,412)	(2,305)	(12,510)	(14,815)
Loans available for sale............................	(18)	(356)	(374)	(296)	(1,438)	(1,734)
Investment securities and other.....................	(54)	(257)	(311)	641	(1,184)	(543)
Loan portfolio......................................	(1,414)	(1,659)	(3,073)	(3,700)	(5,177)	(8,877)
Match funded loans and securities...................	1,041	(997)	44	3,112	(4,111)	(999)
Discount loan portfolio.............................	(2,348)	(11,798)	(14,146)	3,120	(39,059)	(35,939)
Total interest-earning assets....................	(4,990)	(21,702)	(26,692)	(3,765)	(71,438)	$ (75,203)
Interest-Bearing Liabilities:						
Interest-bearing demand deposits....................	$ (52)	$ (16)	$ (68)	$ (425)	$ 343	$ (82)
Savings deposits....................................	--	--	--	(2)	(2)	(4)
Certificates of deposit.............................	(130)	(11,865)	(11,995)	3,018	(30,094)	(27,076)
Total interest-bearing deposits..................	(182)	(11,881)	(12,063)	2,591	(29,753)	(27,162)
Securities sold under agreements to repurchase.......	(1,389)	(1,128)	(2,517)	(3,542)	(6,897)	(10,439)
Bonds-match funded agreements.......................	(687)	(870)	(1,557)	(506)	(2,490)	(2,996)
Obligations outstanding under lines of credit........	(1,169)	(1,330)	(2,499)	(1,475)	(5,981)	(7,456)
Notes, debentures and other interest-bearing obligations.......................................	(192)	(3,297)	(3,489)	(723)	(10,800)	(11,523)
Total interest-bearing liabilities.............	(3,619)	(18,506)	(22,125)	(3,655)	(55,921)	(59,576)
	$ (1,371)	$ (3,196)	$ (4,567)	$ (110)	$ (15,517)	$ (15,627)

The Company's net interest expense before provision for loan losses amounted to $(3,713) for the three months ended September 30, 2001 as compared to net interest income of $854 for the three months ended September 30, 2000, a decline of $4,567 or 535%. The decrease was due to a decrease in average interest-earning assets and a decrease in net interest spread, offset by a decrease in average interest-bearing liabilities. Average interest-earning assets decreased by $1,017,392 or 54% during the three months ended September 30, 2001 and reduced interest income by $21,702. Average interest-bearing liabilities decreased by $1,079,338 or 46% during the three months ended September 30, 2001 and decreased interest expense by $18,506. The impact of these volume changes resulted in an $3,196 decrease in net interest income. The net interest spread decreased 62 basis points as a result of a 110 basis-point decrease in the weighted average rate on interest-earning assets, offset by a 48 basis-point decrease in the weighted average rate on interest-bearing liabilities. The impact of these rate changes resulted in a $1,371 decrease in net interest income.

The Company's net interest expense before provision for loan losses amounted to $(5,286) for the nine months ended September 30, 2001 as compared to net interest income of $10,341 for the nine months ended September 30, 2000, a decline of $15,627 or 151%. The decrease was due to a decrease in average interest-earning assets and a decrease in the net interest spread, offset by a decrease in average interest-bearing liabilities. Average interest-earning assets decreased by $1,015,962 or 49% during the nine months ended September 30, 2001 and reduced interest income by $71,438. Average interest-bearing liabilities decreased by $1,050,552 or 44% during the nine months ended September 30, 2001 and decreased interest expense by $55,921. The impact of these volume changes resulted in a $15,517 decrease in net interest income. The net interest spread decreased 43 basis points as a result of a 54 basis-point decrease in the weighted average rate on interest-earning assets, offset by an 11 basis-point decrease in the weighted average rate on interest-bearing liabilities. The impact of these rate changes resulted in a $110 decrease in net interest income.

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For the three months ended September 30,	Average Balance 2001	Average Balance 2000	Increase (Decrease) $	Annualized Average Yield 2001	Annualized Average Yield 2000	Increase (Decrease) Basis Points
Federal funds sold and repurchase agreements	$ 215,525	$ 140,534	$ 74,991	3.60%	7.24%	(364)
Trading securities:						
CMOs (AAA-rated)	74,553	--	74,553	5.97%	--	597
Subordinates, residuals and other	92,854	--	92,854	15.03%	--	1,503
Securities available for sale:						
CMOs (AAA-rated)	--	498,730	(498,730)	--	6.75%	(675)
Subordinates, residuals and other	--	130,358	(130,358)	--	13.54%	(1,354)
Loans available for sale	5,036	28,564	(23,528)	6.04%	6.30%	(26)
Investment securities and other	3,904	27,476	(23,572)	4.20%	5.12%	(92)
Loan portfolio	80,098	145,590	(65,492)	7.88%	12.78%	(490)
Match funded loans and securities	94,303	138,619	(44,316)	11.26%	7.53%	373
Discount loan portfolio	316,257	790,051	(473,794)	9.74%	11.06%	(132)
	$ 882,530	$ 1,899,922	$(1,017,392)	8.43%	9.53%	(110)

For the nine months ended September 30,	Average Balance 2001	Average Balance 2000	Increase (Decrease) $	Annualized Average Yield 2001	Annualized Average Yield 2000	Increase (Decrease) Basis Points
Federal funds sold and repurchase agreements	$ 190,659	$ 104,976	$ 85,683	4.22%	6.50%	(228)
Trading securities:						
CMOs (AAA-rated)	115,995	--	115,995	6.42%	--	642
Subordinates, residuals and other	106,213	--	106,213	11.15%	--	1,115
Securities available for sale:						
CMOs (AAA-rated)	--	571,486	(571,486)	--	6.46%	(646)
Subordinates, residuals and other	--	144,475	(144,475)	--	13.67%	(1,367)
Loans available for sale	8,904	37,112	(28,208)	6.59%	7.81%	(122)
Investment securities and other	10,765	25,819	(15,054)	7.90%	6.10%	180
Loan portfolio	84,333	155,781	(71,448)	8.03%	11.94%	(391)
Match funded loans and securities	109,225	147,479	(38,254)	9.61%	8.02%	159
Discount loan portfolio	416,880	871,808	(454,928)	10.90%	10.71%	19
	$ 1,042,974	$ 2,058,936	$(1,015,962)	8.77%	9.31%	(54)

Interest income on trading securities amounted to $4,601 and $14,474 during the three and nine months ended September 30, 2001, respectively, as compared to $0 during the same periods of 2000. This increase resulted from the Company's change in its policy for securities available for sale on September 30, 2000 to account for them as trading.

Interest income on securities available for sale amounted to $12,831 and $42,507 during the three and nine months ended September 30, 2000, respectively as compared to $0 for the same periods of 2001. As noted above, on September 30, 2000 the Company changed its policy for securities available for sale and transferred those securities to the trading category.

The decline in the average balance of CMOs during 2000 and 2001 reflects a planned reduction in the use of these securities to meet the Qualified Thrift Lender requirements. The decline in average balance of subordinates, residuals and other securities during 2001 was primarily due to sales of subprime residuals during the second and third quarters and amortization.

Interest income on the loan portfolio decreased by $3,073 or 66% during the three months ended September 30, 2001 versus the same period in 2000 due to a $65,492 or 45% decrease in the average balance and a 490 basis-point decrease in the average yield. Interest income on the loan portfolio decreased by $8,877 or 64% during the nine months ended September 30, 2001 versus the same period in 2000 due to a $71,448 or 46% decrease in the average balance and a 391 basis-point decrease in the average yield. During 1999, the Company ceased origination of multifamily and commercial loans. See "Changes in Financial Condition - Loan Portfolio."

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Interest income on match funded loans and securities is comprised of income earned on match funded loans acquired in connection with the acquisition of OAC in October 1999 and on four unrated residual securities transferred by the Company to Ocwen NIMS Corp. in exchange for non-recourse notes. The loans were previously securitized by OAC under a securitization accounted for as a financing transaction. See "Changes in Financial Condition - Match Funded Loans and Securities."

Interest income on discount loans decreased by $14,146 or 65% during the three months ended September 30, 2001 as compared to the same period in 2000 as a result of a $473,794 or 60% decline in the average balance and a 132 basis-point decrease in the average yield. Interest income on discount loans decreased by $35,939 or 51% during the nine months ended September 30, 2001 as compared to the same period in 2000 as a result of a $454,928 or 52% decline in the average balance partially offset by a 19 basis-point increase in the average yield. Sales, foreclosures and the absence of acquisitions have resulted in the declines in the average balance of discount loans during 2001. The yield on the discount loan portfolio is likely to fluctuate from period to period as a result of the timing of resolutions, particularly the resolution of large multi-family residential and commercial real estate loans, and the mix of the overall portfolio between performing and non-performing loans. See "Changes in Financial Condition - Discount Loans, Net."

For the three months ended September 30,	Average Balance 2001	Average Balance 2000	Increase (Decrease) $	Annualized Average Rate 2001	Annualized Average Rate 2000	Increase (Decrease) Basis Points
Interest-bearing deposits	$ 856,460	$ 1,588,539	$ (732,079)	6.44%	6.51%	(7)
Securities sold under agreements to repurchase	29,932	159,335	(129,403)	3.26%	6.93%	(367)
Bonds-match funded agreements	77,142	118,437	(41,295)	7.21%	9.96%	(275)
Obligations outstanding under lines of credit	112,661	178,121	(65,460)	6.64%	9.81%	(317)
Notes, debentures and other	169,130	280,231	(111,101)	11.86%	12.14%	(28)
	$ 1,245,325	$ 2,324,663	$(1,079,338)	7.17%	7.65%	(48)

For the nine months ended September 30,	Average Balance 2001	Average Balance 2000	Increase (Decrease) $	Average Rate 2001	Average Rate 2000	Increase (Decrease) Basis Points
Interest-bearing deposits	$ 1,002,347	$ 1,580,241	$ (577,894)	6.41%	6.36%	5
Securities sold under agreements to repurchase	9,977	220,843	(210,866)	3.29%	6.45%	(316)
Bonds-match funded agreements	91,005	127,771	(36,766)	8.94%	9.49%	(55)
Obligations outstanding under lines of credit	76,959	179,998	(103,039)	7.50%	8.73%	(123)
Notes, debentures and other	170,569	292,556	(121,987)	11.78%	12.12%	(34)
	$ 1,350,857	$ 2,401,409	$(1,050,552)	7.30%	7.41%	(11)

Interest expense on interest-bearing deposits decreased $12,063 or 47% during the three months ended September 30, 2001 as compared to the same period in 2000 primarily due to a $732,079 or 46% decrease in the average balance. Interest expense on interest-bearing deposits decreased $27,162 or 36% during the nine months ended September 30, 2001 as compared to the same period in 2000 primarily due to a $577,894 or 37% decrease in the average balance. The decline in the average balance was primarily related to certificates of deposit. The decline in average deposits is consistent with the decline in average assets as the Company moves from capital-intensive businesses to fee-based businesses. See "Changes in Financial Condition - Deposits."

Interest expense on securities sold under agreements to repurchase declined $2,517 or 91% during the third quarter of 2001 as a result of a $129,403 or 81% decrease in the average balance and a 367 basis-point decline in the average rate. For the nine months ended September 30, 2001 interest expense on securities sold under agreements to repurchase declined $10,439 or 97% due to a $210,866 or 95% decrease in the average balance and a 316 basis-point decline in the average rate. Securities sold under agreements to repurchase have been used primarily to fund the purchase of CMOs, the average balance of which has declined significantly during 2001 as compared to 2000.

Interest expense on bonds-match funded agreements is comprised of interest incurred on bonds-match funded agreements acquired as a result of the OAC acquisition in October 1999 and on non-recourse notes which resulted from the Company's transfer of four unrated residual securities in December 1999 to Ocwen NIMS Corp. in exchange for non-recourse notes. See "Changes in Financial Condition - Bonds - Match Funded Agreements."

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Interest expense on obligations outstanding under lines of credit decreased $2,499 or 57% during the three months ended September 30, 2001 as compared to the same period in 2000 due to a $65,460 or 37% decrease in the average balance and a 317 basis-point decline in the average rate. Interest expense on obligations outstanding under lines of credit decreased $7,456 or 63% during the nine months ended September 30, 2001 as compared to the same period in 2000 primarily due to a $103,039 or 57% decrease in the average balance. Average balances outstanding under lines of credit decreased between the nine months ended September 30, 2000 and the same period in 2001, primarily because of the sales of real estate properties and commercial loans. During the nine months ended September 30, 2001, lines of credit were used to fund the investments in real estate and commercial construction loans and, beginning in the second quarter of 2001, to fund servicing advances that were purchased in connection with the acquisition of loans serviced for others under servicing agreements entered into by the Company. See "Changes in Financial Condition - Obligations Outstanding Under Lines of Credit."

Interest expense on notes, debentures and other interest bearing obligations decreased $3,489 or 41% during the three months ended September 30, 2001 as compared to the same period in 2000 primarily due to a $111,101 or 40% decrease in the average balance. Interest expense on notes, debentures and other interest bearing obligations decreased $11,523 or 43% during the nine months ended September 30, 2001 as compared to the same period in 2000 primarily due to a $121,987 or 42% decrease in the average balance. The decrease in the average balances is primarily due to the Company's repurchases of debt during 2001 and 2000. See "Changes in Financial Condition - Notes, Debentures and Other."

Provisions for Loan Losses. Provisions for losses on loans are charged to operations to maintain an allowance for losses on the loan portfolio, the discount loan portfolio and match funded loans at a level which management considers adequate based upon an evaluation of known and inherent risks in such portfolios. Management's periodic evaluation is based on an analysis of the discount loan portfolio, the loan portfolio and match funded loans, historical loss experience, current economic conditions and trends, collateral values and other relevant factors.

The following table presents the provisions for loan losses by loan portfolio type for the periods indicated:

	Three Months		Nine Months	
For the periods ended September 30,	2001	2000	2001	2000
Discount loan portfolio	$ (1,549)	$ 5,989	$ 14,599	$ 13,209
Loan portfolio	1,115	938	3,201	(477)
Match funded loans	46	(66)	229	(128)
	$ (388)	$ 6,861	$ 18,029	$ 12,604

The negative provision recorded on the discount loan portfolio during the third quarter of 2001 is due to sales of single family loans, a significant portion of which were non-performing, offset in part by an increase in reserves on commercial loans. Overall, reserves on both the discount loan and loan portfolios have been strengthened as a percentage of loan value in response to changes in loss experience and credit quality of the loans.

The following table sets forth the allowance for loan losses as a percentage of the respective loan balances at the dates indicated:

	September 30, 2001		December 31, 2000		September 30, 2000	
	Allowance	Allowance as a % of loans	Allowance	Allowance as a % of loans	Allowance	Allowance as a % of loans
Discount loan portfolio	$ 21,265	8.84%	$ 20,871	3.75%	$ 23,047	3.18%
Loan portfolio	4,055	5.22%	2,408	2.51%	4,871	4.06%
Match funded loans	211	0.35%	285	0.35%	367	0.42%
	$ 25,531	5.59%	$ 23,564	3.21%	$ 28,285	3.03%

For additional information regarding the Company's allowance for loan losses on the above portfolios, see "Changes in Financial Condition - Allowance for Loan Losses." For information relating to the Company's valuation allowance on real estate owned, see "Changes in Financial Condition - Real Estate Owned."

Non-Interest Income. The following table sets forth the principal components of the Company's non-interest income during the periods indicated:

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For the periods ended September 30,	Three Months 2001	Three Months 2000	Nine Months 2001	Nine Months 2000
Servicing and other fees	$ 35,952	$ 25,318	$ 100,809	$ 72,043
Gain (loss) on interest-earning assets, net	(1,851)	1,453	(3,260)	17,717
Gain (loss) on trading and match funded securities, net	3,394	(2,406)	13,133	(2,406)
Impairment charges on securities available for sale	--	--	--	(11,597)
Loss on real estate owned, net	(715)	(5,011)	(3,804)	(15,760)
Gain (loss) on other non-interest earning assets, net	(414)	16,682	(933)	21,864
Net operating gains (losses) on investments in real estate	(1,196)	9,543	2,068	23,894
Amortization of excess of net assets acquired over purchase price	4,583	2,995	13,749	8,788
Other income	1,989	962	6,472	3,172
Total	$ 41,742	$ 49,536	$ 128,234	$ 117,715

Servicing and other fees are primarily comprised of fees from investors for servicing residential mortgage loans. Servicing and other fees for the three months ended September 30, 2001 increased $10,634 largely due to the growth in loans serviced for others. The average unpaid principal balance of loans serviced for others amounted to $19,411,350 during the three months ended September 30, 2001 as compared to $10,627,495 for the three months ended September 30, 2000. In addition to servicing fees, the increase in servicing and other fees during the third quarter of 2001 included a $2,676 increase in late charges on residential loans. Servicing and other fees are reported net of amortization of servicing rights, which amounted to $8,029 and $2,304 for the three months ended September 30, 2001 and 2000, respectively.

Servicing and other fees for the nine months ended September 30, 2001 increased $28,766 as compared to the same period in 2000. The average unpaid principal balance of loans serviced for others amounted to $14,991,626 during the nine months ended September 30, 2001 as compared to $10,750,712 for the nine months ended September 30, 2000. Interest earned on custodial accounts during the holding period between collection of borrower payments and remittance to investors, late charges on residential loans and other miscellaneous servicing related fees also contributed to the increase in servicing and other fees during the nine months ended September 30, 2001. Amortization of servicing rights amounted to $19,790 and $5,840 for the nine months ended September 30, 2001 and 2000, respectively.

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The following table sets forth the Company's loans serviced for others at the dates indicated:

	Discount Loans		Subprime Loans		Other Loans		Total	
	Amount	No. of Loans	Amount	No. of Loans	Amount	No. of Loans	Amount	No. of Loans
September 30, 2001 (1):								
Loans securitized:								
Residential loans	$ 737,189	12,488	$ 525,702	5,690	$ --	--	$ 1,262,891	18,178
Commercial loans	3,192	21	--	--	--	--	3,192	21
	$ 740,381	12,509	$ 525,702	5,690	$ --	--	$ 1,266,083	18,199
Loans serviced for third parties:								
Residential loans	$ 612,122	12,229	$19,493,316	264,098	$ 31,102	352	$20,136,540	276,679
Commercial loans	69,171	60	172,729	449	972,017	1,616	1,213,917	2,125
	$ 681,293	12,289	$19,666,045	264,547	$ 1,003,119	1,968	$21,350,457	278,804
Total loans serviced for others:								
Residential loans	$ 1,349,311	24,717	$20,019,018	269,788	$ 31,102	352	$21,399,431	294,857
Commercial loans	72,363	81	172,729	449	972,017	1,616	1,217,109	2,146
	$ 1,421,674	24,798	$20,191,747	270,237	$ 1,003,119	1,968	$22,616,540	297,003
December 31, 2000 (2):								
Loans securitized:								
Residential loans	$ 858,549	14,232	$ 719,231	7,456	$ --	--	$ 1,577,780	21,688
Commercial loans	6,884	38	--	--	--	--	6,884	38
	$ 865,433	14,270	$ 719,231	7,456	$ --	--	$ 1,584,664	21,726
Loans serviced for third parties:								
Residential loans	$ 668,736	13,397	$ 8,210,658	128,964	$ 37,510	402	$ 8,916,904	142,763
Commercial loans	77,551	81	1,422	16	779,983	167	858,956	264
	$ 746,287	13,478	$ 8,212,080	128,980	$ 817,493	569	$ 9,775,860	143,027
Total loans serviced for others:								
Residential loans	$ 1,527,285	27,629	$ 8,929,889	136,420	$ 37,510	402	$10,494,684	164,451
Commercial loans	84,435	119	1,422	16	779,983	167	865,840	302
	$ 1,611,720	27,748	$ 8,931,311	136,436	$ 817,493	569	$11,360,524	164,753

(1) Does not include approximately 12,800 loans with an aggregate unpaid principal balance of $433,800 that were acquired under servicing agreements during the first nine months of 2001, but had not been boarded in the Company's loan servicing system as of September 30, 2001.

(2) Does not include approximately 38,500 loans with an unpaid principal balance of approximately $1,027,600 that were acquired on December 31, 2000 but were not boarded in the Company's loan servicing system until 2001.

For the three months ended September 30, 2001, net loss on interest-earning assets of $(1,851) was primarily comprised of $(2,153) of losses on the sale of loans, primarily single family discount loans. Net gain on interest-earning assets for the three months ended September 30, 2000 of $1,453 resulted primarily from the sale of single family discount and subprime loans. For the nine months ended September 30, 2001, net loss on interest-earning assets of $(3,260) was primarily comprised of $(3,670) of losses on the sale of single family subprime loans and both commercial and single family discount loans. Net gain on interest-earning assets for the nine months ended September 30, 2000 of $17,717 was primarily comprised of $12,254 of gains on the sale of loans, primarily single family discount and subprime loans, and a gain of $2,768 on the sale of a commercial subordinate security.

The gain or loss on trading and match funded securities, net, includes both unrealized gains and losses on securities and realized gains and losses resulting from sales thereof. For trading securities, changes in fair value are reported in income in the period of change. The net gain on trading and match funded securities of $3,394 for the three months ended September 30, 2001 is primarily comprised of a $1,644 of unrealized gains on trading and match funded securities and $1,404 of gains resulting from sales of subprime residual securities. The net gain on trading and match funded securities of $13,133 for the nine months ended September 30, 2001 is primarily comprised of the $5,948 gains resulting from the sale of subprime residual securities in the second and third quarters (see above) and an increase in net unrealized gains. The unrealized losses on trading and match funded securities of $(2,406) for the three and nine months ended September 30, 2000 resulted from the Company's change, on September 30, 2000, in its policy for securities available for sale to account for them as trading.

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Impairment charges on securities available for sale during the three and nine months ended September 30, 2000 represent declines in fair value that were deemed to be other-than-temporary. See "Changes in Financial Condition - Trading Securities."

The following table sets forth the results of the Company's real estate owned (which does not include investments in real estate that are discussed below), during the periods indicated:

For the periods ended September 30,	Three Months 2001	Three Months 2000	Nine Months 2001	Nine Months 2000
Gains on sales	$ 3,109	$ 5,110	$ 12,632	$ 16,793
Provision for losses in fair value	(2,438)	(7,593)	(12,141)	(24,556)
Carrying costs, net	(1,386)	(2,528)	(4,295)	(7,997)
Loss on real estate owned, net	$ (715)	$ (5,011)	$ (3,804)	$ (15,760)

See "Changes in Financial Condition - Real Estate Owned" for additional information regarding real estate owned.

Losses on other non-interest earning assets during the three and nine months ending September 30, 2001 resulted primarily from sales of investments in low-income housing tax credit interests. For the three and nine months ending September 30, 2000, gains on other non-interest earning assets resulted primarily from $16,355 and $21,568, respectively, of gains on sales of investments in real estate.

The following table sets forth the results of the Company's investment in real estate operations during the periods indicated:

For the periods ended September 30,	Three Months 2001	Three Months 2000	Nine Months 2001	Nine Months 2000
Operating income, net (1)	$ 1,987	$ 4,820	$ 6,255	$ 14,627
Equity in earnings (losses) of loans accounted for as investments in real estate (2)	(139)	4,723	328	9,267
Impairment write-down (3)	(3,044)	--	(4,515)	--
	$ (1,196)	$ 9,543	$ 2,068	$ 23,894

(1) The decrease in operating income from investments in real estate during 2001 is primarily due to sales of properties during 2000.

(2) The decline in equity in earnings related to certain loans accounted for as investments in real estate during 2001 is primarily due to the repayment of loans during 2000, which generated significant resolution gains, and an increase in non-performing loans in 2001.

(3) Write-down of $1,471 during the second quarter of 2001 of the carrying value of the Company's investment in a shopping center in Bradenton, Florida that is classified as real estate held for sale, and a $3,044 write-down of the carrying value of the Company's investment in three assisted living facilities during the third quarter of 2001. The assisted living facilities were reclassified from held for investment to held for sale during the third quarter of 2001. See "Changes in Financial Condition - Investments in Real Estate" and "Changes in Financial Condition - Real Estate Held for Sale."

The amortization of excess of net assets acquired over purchase price resulted from the Company's acquisition of OAC on October 7, 1999. The acquisition resulted in an excess of net assets acquired over the purchase price of $60,042, which is being amortized on a straight-line basis. Effective October 1, 2000, the amortization period was reduced from 60 months to 39 months, which accounts for the increase in amortization for the 2001 periods as compared to 2000. The unamortized balance of the excess of net assets acquired over purchase price at September 30, 2001 was $22,916, as compared to $36,665 at December 31, 2000.

The increase in other income during 2001 as compared to 2000 was primarily due to consulting revenues generated by a joint venture in Jamaica and real estate commission income generated from the sale of REO properties during 2001.

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Non-Interest Expense. The following table sets forth the principal components of the Company's non-interest expense during the periods indicated:

For the periods ended September 30,	Three Months 2001	Three Months 2000	Nine Months 2001	Nine Months 2000
Compensation and employee benefits	$ 21,531	$ 22,134	$ 63,775	$ 61,114
Occupancy and equipment	3,055	3,141	9,322	9,356
Technology and communication costs	5,675	6,344	21,379	17,718
Loan expenses	4,192	3,583	11,262	10,500
Net operating losses on investments in certain low-income housing tax credit interests	4,005	3,691	11,823	6,030
Amortization of excess of purchase price over net assets acquired	778	778	2,334	2,346
Professional services and regulatory fees	3,882	2,562	11,632	9,366
Other operating expenses	1,484	2,467	6,787	8,188
Total	$ 44,602	$ 44,700	$ 138,314	$ 124,618

The $2,661 increase in compensation and employee benefits for the nine months ended September 30, 2001 as compared to the same period in 2000 was due in large part to the reversal of accrued profit sharing expense in the amount of $6,012 during the first quarter of 2000 resulting from the Company's decision to suspend its long-term incentive plan. Excluding the $6,012 accrual reversal, compensation and employee benefits actually declined by $3,351 during the nine months ended September 30, 2001 as compared to the same period in 2000. This decrease is primarily due to a $2,914 decline in compensation expense related to contract programmers.

Occupancy and equipment costs consist primarily of rent, depreciation and office operations costs.

Technology and communication costs consists primarily of depreciation of computer hardware and software, technology-related consulting fees (primarily OTX) and telephone expense. The $3,661 increase in technology and communication costs for the nine months ended September 30, 2001 is primarily due to $4,685 of nonrecurring expenses recorded during the first quarter, including a $3,185 charge to record a payment due on the 1997 acquisition of AMOS, Inc. Also affecting technology costs for the three and nine months ended September 30, 2001 were declines in consulting fees and an increase in document imaging costs.

Net operating losses on investments in certain low-income housing tax credit interests increased by $314 and $5,793 during the three and nine months ended September 30, 2001 as compared to the same periods in 2000. These increases are largely the result of impairment charges of $3,738 and $11,096 recorded during the three and nine months ended September 30, 2001, respectively. Impairment charges for the same periods of 2000 amounted to $3,062. Partially offsetting the increase in impairment charges was a decline in operating losses on the properties as a result of sales. See "Changes in Financial Condition - Investment in Low-Income Housing Tax Credit Interests."

Professional services and regulatory fees are primarily comprised of non-technology related consulting fees, legal fees, audit fees and FDIC insurance. The increases during the 2001 periods were primarily due to increases in FDIC insurance premiums and an increase in consulting costs related to the Jamaican joint venture.

Other operating expenses are primarily comprised of marketing costs, depository expenses and travel expense.

Distributions on Company Obligated, Mandatorily Redeemable Securities of Subsidiary Trust Holding Solely Junior Subordinated Debentures of the Company. Cash distributions on the Capital Securities are payable semi-annually in arrears on February 1 and August 1 of each year at an annual rate of 10.875%. The Company recorded $1,663 and $2,730 of distributions to holders of the Capital Securities during the three months ended September 30, 2001 and 2000, respectively, and $5,413 and $8,842 during the nine months ended September 30, 2001 and 2000, respectively. The decline in distributions is the result of repurchases during 2000 and 2001. See Note 4 to the Consolidated Financial Statements included in Item 1 (which is incorporated herein by reference) and "Changes in Financial Condition - Company-Obligated, Mandatorily Redeemable Securities of Subsidiary Trust Holding Solely Junior Subordinated Debentures of the Company."

Equity in Income (Losses) of Investments in Unconsolidated Entities. During the three and nine months ended September 30, 2001, the Company recorded equity in the income (losses) of investments in unconsolidated entities of $(84) and $100, respectively.

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This compares to losses of $(893) and $(4,965) for the three and nine months ended September 30, 2000, respectively. The three and nine months ended September 30, 2000 included equity in losses of Kensington Group plc of $(891) and $(5,002), respectively, including goodwill amortization. The Company sold its equity investment in Kensington on November 22, 2000.

Income Tax (Expense) Benefit.

The following table provides details of the Company's income tax (expense) benefit and effective tax rates for the periods indicated:

For the periods ended September 30,	Three Months 2001	Three Months 2000	Nine Months 2001	Nine Months 2000
Income tax benefit on loss before taxes and extraordinary gain	$ 3,341	$ 1,486	$ 15,141	$ 7,122
Provision for valuation allowance on current year's deferred tax asset	(3,341)	--	(13,728)	--
Provision for valuation allowance on prior year's deferred tax asset	(65,000)	--	(83,000)	--
Income tax benefit (expense)	(65,000)	1,486	(81,587)	7,122
Income tax expense on extraordinary gain	--	(1,180)	(1,413)	(3,897)
Total income tax benefit (expense)	$ (65,000)	$ 306	$ (83,000)	$ 3,225

For the three and nine months ended September 30, 2001, the Company's effective tax rate before the provision for the deferred tax valuation allowance was 42% and 39%, respectively, and reflected tax credits of $564 and $1,517, respectively, resulting from the Company's investment in low-income housing tax credit interests. For the three and nine months ended September 30, 2000, the Company's effective tax rate before the provision for the valuation allowance on the deferred tax asset was 31% and reflects tax credits of $2,080 and $6,979, respectively.

The provision for deferred tax asset valuation allowance is a non-cash charge increasing the aggregate valuation allowance to $155,601 based on management's estimate of the amount of the deferred tax asset that more likely than not will be realized under the applicable accounting rules. See "Changes in Financial Condition - Deferred Tax Asset, Net."

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Extraordinary Gain on Repurchase of Debt, Net of Taxes. The following table sets forth the components of the extraordinary gain resulting from the repurchase of the Company's debt securities during the periods indicated:

	Three Months		Nine Months	
For the periods ended September 30,	2001	2000	2001	2000
Capital Securities:				
Face amount repurchased	$ --	$ 2,000	$ 18,371	$ 10,610
Extraordinary gain	--	828	3,722	4,499
Income taxes	--	(256)	(1,377)	(1,395)
Net extraordinary gain	$ --	$ 572	$ 2,345	$ 3,104
11.875% Notes due October 1, 2003:				
Face amount repurchased	$ --	$ --	$ 4,200	$ --
Extraordinary gain	--	--	97	--
Income taxes	--	--	(36)	--
Net extraordinary gain	$ --	$ --	$ 61	$ --
11.5% Redeemable Notes due July 1, 2005:				
Face amount repurchased	$ --	$ 15,050	$ --	$ 44,930
Extraordinary gain	--	2,980	--	8,072
Income taxes	--	(924)	--	(2,502)
Net extraordinary gain	$ --	$ 2,056	$ --	$ 5,570
Total Debt Repurchases:				
Face amount repurchased	$ --	$ 17,328	$ 22,571	$ 55,540
Extraordinary gain	--	3,808	3,819	12,571
Income taxes	--	(1,180)	(1,413)	(3,897)
Net extraordinary gain	$ --	$ 2,628	$ 2,406	$ 8,674

Changes in Financial Condition

Trading Securities. The following table sets forth the fair value of the Company's trading securities at the dates indicated:

	September 30, 2001	December 31, 2000
Mortgage-related securities:		
Collateralized mortgage obligations (AAA-rated) (1)	$ 143,318	$ 277,595
Subordinates, residuals and other securities (2):		
Single family residential:		
BB-rated subordinates	4,165	4,563
B-rated subordinates	2,691	2,911
Unrated subordinates	8,859	9,361
Unrated subprime residuals	63,406	93,176
Multi-family residential and commercial:		
Unrated subordinates	2,577	2,636
	81,698	112,647
Trading securities	$ 225,016	$ 390,242

(1) During the nine months ended September 30, 2001, CMO trading securities declined $134,277. This decline was primarily due to $144,639 of maturities and principal repayments and $117,934 of sales offset in part by purchases of $127,071.

(2) During the nine months ended September 30, 2001, subordinate, residual and other trading securities declined by $30,949. This decline was primarily due to $8,087 of maturities and principal repayments, $28,939 of sales and $6,819 of net premium amortization, partially offset by an increase in fair value.

Residual and subordinate securities at September 30, 2001 and December 31, 2000 include retained interests with a fair value of $41,657 and $43,016, respectively, from securitizations of loans completed by the Company in prior years. The Company determines the present value of anticipated cash flows utilizing valuation assumptions appropriate for each particular transaction. The significant valuation assumptions have included the anticipated prepayment speeds and the anticipated credit losses related to the underlying mortgages. In order to determine the present value of this estimated excess cash flow, the Company currently applies a discount rate of 11% to 21% to the projected cash flows on the unrated classes of securities. The annual prepayment rate of the securitized loans is a function of full and partial prepayments and defaults. The Company makes assumptions as to the prepayment rates of the underlying loans, which the Company believes are reasonable, in estimating fair values of the subordinate securities and residual securities retained. During 2001, the Company utilized proprietary prepayment curves (reaching an approximate range of annualized rates of 11% to 45%). During 2001, the Company estimated annual losses of between 0.9% and 5.5% of the unpaid principal balance of the underlying loans. See Note 5 to the Interim Consolidated Financial Statements included in Item 1 herein.

Subordinate and residual interests are affected by the rate and timing of payments of principal (including prepayments, repurchase, defaults and liquidations) on the mortgage loans underlying a series of mortgage-related securities. The rate of principal payments may vary significantly over time depending on a variety of factors, such as the level of prevailing mortgage loan interest rates and economic, demographic, tax, legal and other factors. Prepayments on the mortgage loans underlying a series of mortgage-related securities are generally allocated to the more senior classes of mortgage-related securities. Although in the absence of defaults or interest shortfalls all subordinates receive interest, amounts otherwise allocable to residuals generally are used to make payments on more senior classes or to fund a reserve account for the protection of senior classes until overcollateralization or the balance in the reserve account reaches a specified level. In general, in periods of declining interest rates, rates of prepayments on mortgage loans generally increase, and if the rate of prepayments is faster than anticipated, then the yield on subordinates will be positively affected and the yield on residuals will be negatively affected.

The Company periodically assesses the carrying value of its subordinate securities and residual securities retained. There can be no assurance that the Company's estimates used to determine the value of the subordinate securities and residual securities retained will remain appropriate for the life of each securitization. If actual loan prepayments or defaults exceed the Company's estimates, the carrying value of the Company's subordinate securities and residual securities retained may be decreased during the period management recognizes the disparity. Other factors may also result in a write-down of the Company's subordinate securities and residual securities in subsequent months. During the nine months ended September 30, 2000, but prior to the transfer of securities available for sale to trading, the Company recorded $11,597 of impairment charges on its portfolio of subordinate and residual securities as a result of declines in value that were deemed to be "other-than-temporary."

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. (Dollars in thousands, except share data)

The following tables detail the Company's residual and subordinate trading securities portfolio at September 30, 2001, and its estimates of expected yields on such securities, taking into consideration expected prepayment and loss rates together with other factors:

Securitization (issuer)	Security	Issue Date	Rating	Rating Agencies	Class Size Issuance	Class Size 9/30/01	Interest %	Subordination/OC Level at: 9/30/01	Anticipated Yield to Maturity at Purchase	Anticipated Yield to Maturity at 9/30/01	Prospective Yield at 9/30/01
Single-family residential Subordinates:											
BCF 1996 R1(1).........	B3	Oct-96	UR	(a), (b)	$ 70,773	$ 31,930	50.00%	None	15.70%	8.86%	39.74%
CSFB 1996-1R (ITT 94-P1) (2)........	4B2	Oct-96	UR	(b), (c)	1,046	83	100.00	None	N/A	N/A	(A)
BCF 1997 R2 (1)........	B4	Jun-97	Ba2, BB	(b), (c)	6,358	5,396	73.54	7.72%	9.58	10.31	50.60
	B5		B2,B		6,264	5,317	73.54	2.84	10.74	12.49	N/M
	B6		UR		13,883	3,088	73.54	None	15.98	6.39	(A)
SBMS 1997-HUD1 (3)	B5	Apr-97	B2, n.a.	(b), (d)	9,785	5,092	100.00	--	16.87	18.72	97.72
ORMBS 1998 R1 (4)......	B4	Mar-98	UR	(b), (d)	101,774	31,971	82.48	None	20.50	(27.23)	44.38
ORMBS 1998 R2 (4)......	B4A	Jun-98	Ba2	(b)	1,058	935	100.00	5.64	13.22	5.44	N/M
	B4F		Ba2		937	834	100.00	4.65	19.23	(10.34)	73.52
	B5A		B2		880	765	100.00	3.34	23.78	9.05	N/M
	B5F		B2		937	834	100.00	1.48	11.78	13.90	N/M
	B6A		UR		3,896	1,109	100.00	None	16.72	26.25	N/M
	B6F		UR		3,345	389	100.00	None	19.50	(21.16)	(A)
ORMBS 1998 R3 (4)......	B4	Sep-98	Ba2, BB	(b), (d)	11,765	4,998	85.87	--	11.71	(44.95)	82.64
ORMBS 1999 R1 (4)......	B5A	Mar-99	B2, B	(b), (d)	1,630	1,473	100.00	3.11	17.73	34.06	52.55
	B5F		B2, B		1,843	1,517	100.00	2.53	17.74	40.93	N/M
	B6A		UR		3,586	1,034	100.00	None	18.00	58.28	(29.98)
	B6F		UR		4,299	1,252	100.00	None	18.00	100.99	(A)
ORMBS 1999 R2 (4)	B4	Jun-99	BB	(a),(c),(d)	10,530	10,074	100.00	0.35	13.45	36.32	57.08
	B5		B		4,680	266	100.00	--	18.45	85.55	(A)
Subprime residuals:											
SBMS 1996 3 (5)........	R	Jun-96	UR	(a), (b)	130,062	17,842	100.00	32.31OC	15.52	2.04	18.90
MLM1 1996 1 (6)........	R	Sep-96	UR	(a), (b)	81,142	9,265	100.00	54.51OC	15.16	3.24	26.56
MS 1997 1 (7)..........	X1	Jun-97	UR	(a), (b)	17,727	6,828	100.00	4.35OC	21.47	16.24	21.86
	X2				87,118	8,693	100.00	35.64OC	20.38	(1.51)	10.85
1997 OFS 2 (8).........	X	Sep-97	UR	(a), (b)	102,201	15,724	100.00	12.04OC	19.65	(0.06)	16.09
1997 OFS 3 (8).........	X	Dec-97	UR	(a), (b)	208,784	41,310	100.00	18.93OC	19.59	5.93	20.41
1998 OFS 1 (8).........	X	Mar-98	UR	(b), (d)	161,400	31,302	100.00	3.89OC	18.00	(2.23)	14.34
1998 OFS 2 (8).........	X	Jun-98	UR	(a), (b)	382,715	86,418	100.00	14.62OC	19.46	0.05	10.99
1998 OFS 3 (8).........	X	Sep-98	UR	(a), (d)	261,649	84,906	100.00	7.21OC	18.00	4.05	31.25
1998 OFS 4 (8).........	X	Dec-98	UR	(a),(b),(c)	349,000	148,426	100.00	1.09OC	18.00	0.31	5.76
1999 OFS 1 (8)	X	Jun-99	UR	(a), (b)	148,628	83,696	100.00	6.14OC	18.00	(6.31)	(8.03)
PANAM 1997-1 (9).......	X	Dec-97	UR	(a), (b)	113,544	16,474	100.00	17.00OC	22.45	(0.62)	18.48
	Prepay Pen.		UR						25.69	1.26	(20.89)

Securitization (issuer)	Security	Issue Date	Rating	Rating Agencies	Class Size Issuance	Class Size 9/30/01	Interest %	Subordi-nation/OC Level at: 9/30/01	Anticipated Yield to Maturity at Purchase	Anticipated Yield to Maturity at 9/30/01	Prospective Yield at 9/30/01
Single-family residential											
EQUICON 1994-2 (10)....	B Fix,	Oct-94	UR	(a),(b),(c)	78,846	$12,553	100.00%	6.75%OC	18.00%	104.13%	16.28%
	B Var.		UR		32,306	939	100.00	94.34OC	18.00	31.42	27.85
EQUICON 1995-1 (10)....	B Fix,	May-95	UR	(a),(b),(c)	70,024	7,883	100.00	12.42OC	18.00	26.58	(A)
	B Var.		UR		40,519	3,558	100.00	15.15OC	18.00	103.89	(A)
EQUICON 1995-2 (10)....	B Fix,	Oct-95	UR	(a),(b)	79,288	11,747	100.00	11.88OC	18.00	34.36	N/M
	B Var.		UR		39,667	2,571	100.00	15.43OC	18.00	97.35	(A)
ACCESS 1996-1 (11).....	B Fix,	Feb-96	UR	(a),(b)	120,015	19,481	100.00	9.79OC	18.00	25.92	N/M
	B Var.		UR		55,362	4,061	100.00	12.38OC	18.00	34.63	(A)
ACCESS 1996-2 (11).....	B-I,BI-S	May-96	UR	(a),(b)	142,259	24,645	100.00	11.45OC	18.00	25.47	(A)
	B-II BII-S		UR		68,345	5,174	100.00	21.68OC	18.00	12.78	N/M
ACCESS 1996-3 (11).....	B-I,BI-S	Aug-96	UR	(a),(b)	107,712	18,342	100.00	17.49OC	18.00	15.41	N/M
	B-II BII-S		UR		99,885	7,300	100.00	25.33OC	18.00	13.30	(A)
UK Subprime Subordinates:											
CMR1 (12)..............	Deferred Comp	Apr-96	UR	(a),(c)	48,450(B)	9,652(C)	100.00	17.95RF	18.69	20.49	23.15
CMR2 (12)..............	Deferred Comp	Oct-96	UR	(a),(c)	97,627(B)	22,000(C)	100.00	18.01RF	18.69	33.19	45.40
CMR3 (12)..............	Deferred Comp	Oct-96	UR	(a),(c)	176,047(B)	36,451(C)	100.00	27.51RF	18.69	69.05	817.85
CMR4 (12)..............	Deferred Comp	Jan-97	UR	(a),(c)	103,031(B)	24,019(C)	100.00	13.36RF	18.69	37.53	64.85
CMR5 (12)..............	Deferred Comp	Jan-97	UR	(a),(c)	54,686(B)	13,692(C)	100.00	66.22RF	N/A	N/A	N/M
CMR6 (12)..............	Deferred Comp	Apr-97	UR	(a),(c)	90,498(B)	18,463(C)	100.00	15.07RF	16.87	18.72	97.72
Commercial Subordinates:											
BT97-SI (13)...........	Equity Cert.	Dec-97	UR	None	57,750	35,191	25.00	--	22.15	12.10	14.06

Securitization (issuer)	Weighted Average Coupon at 9/30/01	Weighted Average LTV at 9/30/01	Total Delinquency at 9/30/01	Actual Life To Date CPR at 9/30/01	Actual Life To Date Losses at 9/30/01	Product Type at 9/30/01	Collateral Balance Issuance	Collateral Balance 9/30/01
Single-family residential Subordinates:								
BCF 1996 R1 (1).........	9.99%	100.46%	12.84%	13.73%	$33,913	98% Fixed, 2% ARM	$505,513	$214,007
CSFB 1996 1R (ITT 94-P1) (2)	N/A	N/A	N/A	N/A	N/A	100% 1-Year CMT	32,487	12,564
BCF 1997 R2 (1).........	8.20	77.97	17.93	14.02	9,840	25% Fixed, 75% ARM	251,790	108,850
SBMS 1997-HUD1 (3)......	9.75	109.00	11.50	15.75	20,128	97% Fixed, 3% ARM	326,147	136,633
ORMBS 1998 R1 (4).......	8.85	114.47	26.49	12.49	65,631	99% Fixed, 1% ARM	565,411	333,954
ORMBS 1998 R2 (4).......	8.90	82.88	27.35	16.80	5,088	44% Fixed, 56% ARM	123,917	59,518
ORMBS 1998 R3 (4).......	8.82	119.93	36.09	14.47	40,396	98% Fixed, 2% ARM	261,452	155,746
ORMBS 1999 R1 (4).......	8.97	80.87	31.24	16.64	4,643	60% Fixed, 40% ARM	147,101	82,719
ORMBS 1999 R2 (4).......	9.21	106.63	39.79	14.81	11,012	100% Fixed	117,004	75,677
Subprime residuals:								
SBMS 1996 3 (5).........	11.08	68.03	18.18	31.05	3,841	68% Fixed, 32% ARM	130,062	17,842
MLM1 1996 1 (6).........	11.59	71.11	24.90	34.80	2,588	37% Fixed, 63% ARM	81,142	9,265
MS 1997 1 (7) X1........	11.28	73.95	24.22	35.82	3,770	100% Fixed,	17,727	6,828
MS 1997 1 (7) X2........						100% ARM	87,118	8,693
1997 OFS 2 (8)..........	11.22	76.13	21.85	36.98	4,584	32% Fixed, 68% ARM	102,201	15,724
1997 OFS 3 (8)..........	10.97	89.86	30.87	34.68	9,196	28% Fixed, 72% ARM	208,784	41,310
1998 OFS 1 (8)..........	11.25	79.62	32.34	37.10	7,648	23% Fixed, 77% ARM	161,400	31,302
1998 OFS 2 (8)..........	11.25	76.13	22.24	36.22	14,519	55% Fixed, 45% ARM	382,715	86,418
1998 OFS 3 (8)..........	10.78	76.74	32.89	30.84	11,459	44% Fixed, 56% ARM	261,649	84,906
1998 OFS 4 (8)..........	10.42	77.93	28.95	26.01	19,938	54% Fixed, 46% ARM	349,000	148,426
1999 OFS 1 (8)..........	9.81	78.41	18.86	21.93	4,865	72% Fixed, 28% ARM	148,628	83,696
PANAM 1997-1(9).........	11.53	84.80	32.70	40.10	7,053	100% ARM	113,544	16,474
EQUICON 1994-2 (10).....	9.98	80.30	16.28	28.85	2,876	100% Fixed	78,846	12,553
						100% ARM	32,306	939
EQUICON 1995-1 (10).....	11.90	113.18	33.79	27.61	5,754	100% Fixed	70,024	7,883
						100% ARM	40,519	3,558
EQUICON 1995-2 (10).....	10.92	81.21	30.51	30.81	4,045	100% Fixed	79,288	11,747
						100% ARM	39,667	2,571
ACCESS 1996-1 (11)......	10.87	75.83	29.92	29.84	6,969	100% Fixed	120,015	19,481
						100% ARM	55,362	4,061
ACCESS 1996-2 (11)......	11.12	24.20	35.55	30.70	7,862	100% Fixed	142,259	24,645
						100% ARM	68,345	5,174
ACCESS 1996-3 (11)......	11.63	75.25	40.19	33.85	7,264	100% Fixed	107,712	18,342
						100% ARM	99,885	7,300
UK Subprime Subordinates:								
CMR1 (12)...............	13.36	N/A	40.03	24.56	1,230	100% ARM	48,450(B)	9,652(C)
CMR2 (12)...............	12.35	N/A	31.67	24.58	1,685	9% Fixed, 91% ARM	97,627(B)	22,000(C)
CMR3 (12)...............	13.35	N/A	17.82	24.16	4,334	28% Fixed, 72% ARM	176,047(B)	36,451(C)
CMR4 (12)...............	13.64	N/A	39.35	25.23	2,481	13% Fixed, 87% ARM	103,031(B)	24,019(C)
CMR5 (12)...............	15.66	N/A	62.19	23.89	7,807	19% Fixed, 81% ARM	54,686(B)	13,692(C)
CMR6 (12)...............	13.65	N/A	37.96	28.12	1,537	5% Fixed, 95% ARM	90,498(B)	18,463(C)
Commercial Subordinates:								
BT97-SI (13)............	7.37	N/A	65.06	N/A	10,619	N/A	295,925	64,285

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Issuers:

(1) BlackRock Capital Finance L.P.
(2) Credit Suisse First Boston (ITT Federal Bank, FSB)
(3) Salomon Brothers Mortgage Securities
(4) Ocwen Residential MBS Corporation
(5) Salomon Brothers Mortgage Securities VII
(6) Merrill Lynch Mortgage Investors, Inc.
(7) Morgan Stanley ABS Capital I, Inc.
(8) Ocwen Mortgage Loan Asset Backed Certificates
(9) Pan American Bank, FSB
(10) Equicon Mortgage Loan Trust
(11) Access Financial Mortgage Loan Trust
(12) City Mortgage Receivable
(13) Bankers Trust Corporation Mortgage Investors Trust

Rating Agencies:

(a) S&P
(b) Moody's
(c) Fitch
(d) DCR

Other:
N/A - Not Available
N/M - As a result of impairment charge write-downs of the security while classified as available for sale, the prospective yield at 9/30/01 is not meaningful.
(A) - As a result of impairment charge write-downs of the security while classified as available for sale, the book value is zero, therefore, there is no prospective yield on the security.
(B) - Dollar equivalent of amounts in British pounds at the rate of exchange that prevailed at the time of issuance.
(C) - Dollar equivalent of amounts in British pounds at the rate of exchange at 9/30/01.

The following table sets forth the principal amount of mortgage loans by the geographic location of the property securing the mortgages that underlie the Company's subordinate and residual trading securities at September 30, 2001:

Description	California	Florida	Texas	U.K.	New York	Other (1)	Total
Single family residential.......	$ 363,232	$ 154,958	$ 154,414	$ 124,277	$ 116,498	$1,050,994	$1,964,373
Commercial......................	19,271	--	--	--	--	45,094	64,365
Multi-family....................	453	22	34	--	4,282	3,839	8,630
Total	$ 382,956	$ 154,980	$ 154,448	$ 124,277	$ 120,780	$1,099,927	$2,037,368
Percentage (2)..................	18.80%	7.61%	7.58%	6.10%	5.93%	53.98%	100.00%

(1) Consists of properties located in 46 other states, none of which aggregated over $94,186 in any one state.

(2) Based on a percentage of the total unpaid principal balance of the underlying loans.

The following table presents information regarding subordinate and residual trading securities summarized by classification and rating at September 30, 2001:

Rating/Description	Fair Value	Percent Owned	Original Anticipated Yield to Maturity	Anticipated Yield to Maturity at 9/30/01 (1)	Coupon	Anticipated Weighted Average Remaining Life (2)	Prospective Yield at 9/30/01
Single-family residential:							
BB-rated subordinates.......	$ 4,165	90.40%	11.59%	12.85%	7.03%	2.59	55.55%
B-rated subordinates........	2,691	90.78	15.46	21.24	7.47	1.52	84.67
Unrated subordinates........	8,859	68.41	17.72	(5.46)	8.17	2.51	3.89
Unrated subprime residuals..	63,406	100.00	18.50	6.31	N/A	5.43	30.97
Commercial:							
Unrated subordinates........	2,577	25.00	22.15	12.10	7.37	1.90	14.06
	$ 81,698						

(1) Changes in the September 30, 2001 anticipated yield to maturity from that originally anticipated are primarily the result of changes in prepayment assumptions, loss assumptions and charges taken to reduce the value of the securities while classified as available for sale.

(2) Equals the weighted average life based on the September 30, 2001 amortized cost.

The following is a glossary of terms included in the above tables:

Actual Life to Date CPR - The Constant Prepayment Rate is used to measure the average prepayment rate for the underlying mortgage pool(s) over the period of time lapsed since the issuance of the securities through the date indicated and is calculated as follows:

$$\text{Actual Life to Date CPR} = 100 \times \left[\left(\frac{1-\text{Final Aggregate Balance}_{\text{actual}}}{\text{Final Aggregate Balance}_{\text{scheduled}}} \right) \times \left(\frac{12}{\text{Months In Period}} \right) \right]$$

Actual Life-to-Date Losses - Represents cumulative losses of the original collateral at the indicated date.

Anticipated Yield to Maturity at September 30, 2001- Effective yield based on the purchase price, actual cash flows received from inception until the respective date, and the then current estimate of future cash flows under the assumptions at the respective date.

Anticipated Yield to Maturity at Purchase - Effective yield from inception to maturity based on the purchase price and anticipated future cash flows under pricing assumptions.

Class Size - Represents the dollar size of a particular class. Class Size for subprime residuals is equal to the Collateral Balance at the respective date.

Collateral Balance - Represents the unpaid principal balance including arrearage of the underlying collateral of the entire securities at the indicated date.

Interest Percentage - Represents the percentage of the particular class of security owned by the Company.

Issue Date - Represents the date on which the indicated securities were issued.

Over-Collaterization Level - For residual interest in residential mortgage-backed securities, over-collateralization ("OC") is the amount by which the collateral balance exceeds the sum of the bond principal amounts. OC is achieved by applying monthly a portion of the interest payments of the underlying mortgages toward the reduction of the class certificate principal amounts, causing them to amortize more rapidly than the aggregate loan balance. The OC percentage, expressed as a percentage of the outstanding collateral balance, represents the first tier of loss protection afforded to the non-residual holders. The OC percentage also determines whether the over-collateralization target has been satisfied as of a specific date, such that cash flows to the residual holder are warranted. To the extent not consumed by losses on more highly rated bonds, OC is remitted to the residual holders.

Prospective Yield - Effective yield based on the amortized cost of the investment, after impairments, and the then current estimate of the future cash flows under the assumptions at the respective date.

Rating - Refers to the credit rating designated by the rating agency for each securitization transaction. Classes designated "A" have a superior claim on payment to those rated "B", which are superior to those rated "C." Additionally, multiple letters have a superior claim to designations with fewer letters. Thus, for example, "BBB" is superior to "BB," which in turn is superior to "B." The lower class designations in any securitization will receive interest payments subsequent to senior classes and will experience losses prior to any senior class. The lowest potential class designation is not rated ("UR") which, if included in a securitization, will always receive interest last and experience losses first.

Securitization - Series description.

Security - Represents the name of the class associated with each securitization held by the Company. This has no relationship to a formal rating but is for identification purposes (although the names are usually in alphabetical or numeric order from the highest rated to the lowest rated).

Subordination Level - Represents the credit support for each mortgage-backed security by indicating the percentage of outstanding bonds whose right to receive payment is subordinate to the referenced security. The subordinate classes must experience a complete loss before any additional losses would affect the particular referenced security.

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Total Delinquency - Represents the total unpaid principal balance of loans more than 30 days delinquent at the indicated date as a percentage of the unpaid principal balance of the collateral at such date.

Weighted Average Coupon - Represents the interest rate of the underlying mortgage loans weighted by the unpaid principal balance of the underlying mortgage loans at the respective date.

Weighted Average LTV - Represents the ratio of the unpaid principal balance including arrearage to the value of the underlying collateral and applies to the single-family residential securities.

Real Estate Held for Sale. The Company's real estate held for sale consisted of the following at the dates indicated:

	September 30, 2001	December 31, 2000
Shopping centers (1)	$ 20,170	$ 22,670
Assisted living facilities (2)	$ 13,418	$ -
	$ 33,588	$ 22,670

(1) At September 30, 2001, consisted of one shopping center in Bradenton, Florida with 291,220 square feet of space which was 94.65% leased. Impairment charges of $1,471 were recorded on this property during the second quarter of 2001. During the first quarter of 2001, the Company sold its other shopping center located in Havre, Montana, which had a carrying value of $1,034, for no gain.

(2) Three assisted living facilities were transferred from held for investment during the third quarter of 2001. Impairment charges of $2,225 were recorded on these properties at the time of transfer.

Low-Income Housing Tax Credit Interests Held for Sale. During 2000, the Company entered into transactions to sell twenty-five of its low-income housing tax credit properties, together with the related tax credits. Although these transactions resulted in the transfer of tax credits and operating results for these properties to the purchaser, they did not qualify as sales for accounting purposes. As a result, the Company has reclassified these properties as held for sale and has valued them at the lower of cost or fair value less disposal costs. During the nine months ended September 30, 2001, seven of these projects with an aggregate carrying value of $39,906 were transferred back to held for investment, and twelve of these projects with an aggregate carrying value of $30,776 qualified as sales for accounting purposes. Three additional projects with an aggregate carrying value of $15,885 were transferred from held for investment.

The carrying value of the Company's investments in low-income housing tax credit interests held for sale are as follows at the dates indicated:

	September 30 2001	December 31, 2000
Investments solely as a limited partner made prior to May 18, 1995	$ 22,336	$ 32,229
Investments solely as a limited partner made on or after May 18, 1995	--	8,922
Investments both as a limited and, through subsidiaries, as a general partner	5,282	45,932
	$ 27,618	$ 87,083

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Investments in Real Estate. The Company's investment in real estate consisted of the following at the dates indicated:

	September 30, 2001	December 31, 2000
Properties held for investment (1):		
Office buildings	$ 32,128	$ 32,112
Retail	8,975	9,515
Building improvements	13,259	11,346
Tenant improvements and lease commissions	3,702	1,744
Furniture and fixtures	53	52
	58,117	54,769
Accumulated depreciation	(3,288)	(2,359)
	54,829	52,410
Loans accounted for as investments in real estate (2):		
Multi-family residential	97	97
Nonresidential	36,476	45,689
	36,573	45,786
Properties held for lease (3):		
Land and land improvements	--	1,256
Building	--	15,641
Accumulated depreciation	--	(855)
	--	16,042
Investment in real estate partnerships (4)	7,977	8,523
	$ 99,379	$ 122,761

(1) The Company's properties held for investment at September 30, 2001 consist of the following:

Date Acquired	Property	Location	Square Feet	Property Type	% Leased	Carrying Value
07/22/98	841 Prudential Drive	Jacksonville, FL	480,817	Office Bldg.	99.1%	$ 37,719
04/09/98	7075 Bayers Road	Halifax, Nova Scotia	406,343	Shopping Ctr.	65.4	20,398
			Accumulated depreciation			(3,288)
						$ 54,829

(2) Certain acquisition, development and construction loans were acquired in January 2000 in which the Company participates in the expected residual profits of the underlying real estate and the borrower has not contributed substantial equity to the project. As such, the Company has accounted for these loans under the equity method of accounting as though it had an investment in a real estate limited partnership. The decline in the balance during 2001 is primarily due to principal repayments and impairment write-downs.

(3) During the third quarter of 2001, the Company recorded an impairment charge of $2,225 on its investment in three assisted living facilities and transferred the balance of its investment, or $13,418, to held for sale.

(4) Consists of interests in four limited partnerships operating as real estate ventures, consisting of multi-family type properties.

Investments in Low-Income Housing Tax Credit Interests. The Company invested in multi-family residential projects which have been allocated low-income housing tax credits under Section 42 of the Internal Revenue Code of 1986, as amended, by a state tax credit allocating agency.

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The carrying values of the Company's investments in low-income housing tax credit interests are as follows at the dates indicated:

	September 30, 2001	December 31, 2000
Investments solely as a limited partner made prior to May 18, 1995	$ 1,190	$ 21,170
Investments solely as a limited partner made on or after May 18, 1995	6,919	6,263
Investments both as a limited and, through subsidiaries, as a general partner	72,387	28,296
Total (1)	$ 80,496	$ 55,729

(1) The increase in the balance during the nine months ended September 30, 2001 is due to the transfer from held for sale of seven projects that, at December 31, 2000, had an aggregate carrying value of $39,906. Also contributing to the increase was additional investment in existing projects. Offsetting these increases were impairment charges of $11,097 including $3,738 during the third quarter of 2001, and the transfer of three projects with an aggregate carrying value of $15,885 at December 31, 2000 to be held for sale. See "Low-Income Housing Tax Credit Interests Held for Sale."

The qualified affordable housing projects underlying the Company's investments in low-income housing tax credit interests are geographically located throughout the United States. At September 30, 2001, the Company's largest single investment was $14,106, which relates to a project located in Sacramento, California.

Investments by the Company in low-income housing tax credit interests made on or after May 18, 1995, in which the Company invests solely as a limited partner, are accounted for using the equity method in accordance with the consensus of the Emerging Issues Task Force as recorded in Issue Number 94-1. Limited partnership investments made prior to May 18, 1995, are accounted for under the effective yield method as a reduction of income tax expense. Low-income housing tax credit partnerships in which the Company invests both as a limited and, through a subsidiary, as general partner are presented on a consolidated basis.

Income on the Company's limited partnership investments made prior to May 18, 1995 is recorded under the level yield method as a reduction of income tax expense, and amounted to $59 and $509 for the third quarter of 2001 and 2000, respectively. For limited partnership investments made after May 18, 1995, and for investments as a limited partner and, through subsidiaries, as a general partner, the Company recognized tax credits of $505 and $1,571 for the third quarter of 2001 and 2000, respectively, which are also reported as a reduction of income tax expense. The Company also recorded a loss from operations on the underlying real estate after depreciation of $4,005 and $3,691 for the third quarter of 2001 and 2000, respectively. The loss for the third quarter of 2001 included $3,738 of impairment charges. For the nine months ended September 30, 2001 and 2000, income on the Company's limited partnership investments made prior to May 18, 1995 amounted to $332 and $1,849, respectively. For limited partnership investments made after May 18, 1995, and for investments as a limited partner and, through subsidiaries, as a general partner, the Company recognized tax credits of $1,185 and $6,647 for the nine months ended September 30, 2001 and 2000, respectively. Losses from operations on the underlying real estate were $11,823 and $6,030 for the nine months ended September 30, 2001 and 2000, respectively. The loss for the nine months ended September 30, 2001 included the $11,097 of impairment charges noted above. See "Low-Income Housing Tax Credit Interests Held for Sale" above.

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Loan Portfolio, Net.

Composition of Loan Portfolio. The following table sets forth the composition of the Company's loan portfolio by type of loan at the dates indicated:

	September 30, 2001	December 31, 2000
Single family residential loans	$ 460	$ 848
Multi-family residential loans:		
Permanent	3,000	6,083
Construction	21,336	39,123
Total multi-family residential	24,336	45,206
Commercial real estate:		
Hotels:		
Construction	30,272	38,153
Office buildings	25,144	20,817
Land	--	1
Total commercial real estate	55,416	58,971
Consumer	26	48
Unsecured	200	--
Loans, gross	80,438	105,073
Undisbursed loan proceeds	(2,579)	(8,879)
Unamortized deferred fees	(154)	(372)
Total loans	77,705	95,822
Allowance for loan losses	(4,055)	(2,408)
Loans, net	$ 73,650	$ 93,414

The loan portfolio is secured by mortgages on properties located throughout the United States. The following table sets forth the five states in which the largest amount of properties securing the Company's loans were located at September 30, 2001:

	Single Family Residential	Multi-family Residential	Commercial Real Estate	Consumer	Unsecured	Total
New York	$ --	$ 2,724	$ 15,790	$ 9	$ --	$ 18,523
Delaware	244	--	14,495	--	--	14,739
Connecticut	--	--	12,800	7	--	12,807
Virginia	--	--	7,650	--	--	7,650
California	--	5,644	--	--	200	5,844
Other (1)	216	15,968	4,681	10	--	20,875
Total	$ 460	$ 24,336	$ 55,416	$ 26	$ 200	$ 80,438

(1) Consists of properties located in 8 other states, none of which aggregated over $5,636 in any one state.

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Activity in the Loan Portfolio. The following table sets forth the activity in the Company's gross loan portfolio during the periods indicated:

	Three Months		Nine Months	
For the periods ended September 30,	2001	2000	2001	2000
Balance at beginning of period	$ 77,105	$ 148,490	$ 93,414	$ 157,408
Originations:				
Commercial non-mortgage and consumer loans	200	--	200	--
Commercial real estate loans	105	16,595	14,064	30,241
Total loans originated (1)	305	16,595	14,264	30,241
Sales	--	(3,162)	(16,160)	(10,913)
Principal repayments and other	(3,818)	(47,005)	(22,493)	(73,388)
Transfer to real estate owned	(246)	(1,346)	(246)	(2,051)
Decrease in undisbursed loan proceeds	1,357	1,566	6,300	10,788
Decrease (increase) in unamortized deferred fees	62	(603)	218	630
Decrease (increase) in allowance for loan losses	(1,115)	568	(1,647)	2,388
Net decrease in loans	(3,455)	(33,387)	(19,764)	(42,305)
Balance at end of period	$ 73,650	$ 115,103	$ 73,650	$ 115,103

(1) Originations for the periods presented represent loans to facilitate sales of assets and fundings on previously originated construction loans.

The following table sets forth certain information relating to the Company's non-performing loans in its loan portfolio at the dates indicated:

	September 30, 2001	December 31, 2000
Non-performing loans:		
Single family residential loans	$ --	$ 316
Multi-family residential loans (1)	18,576	13,373
Commercial real estate and other (2)	4,693	4,581
Total	$ 23,269	$ 18,270
Non-performing loans as a percentage of:		
Total loans	29.95%	19.07%
Total assets	1.26%	0.81%
Allowance for loan losses as a percentage of:		
Total loans	5.22%	2.51%
Non-performing loans	17.43%	13.18%

(1) Non-performing multi-family residential loans at September 30, 2001 were comprised of 7 loans, all of which management believes are adequately collateralized and reserved.

(2) Non-performing commercial real estate loans at September 30, 2001 were comprised of 7 loans, all of which management believes are adequately collateralized and reserved.

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Discount Loan Portfolio, Net.

Composition of the Discount Loan Portfolio. The following table sets forth the composition of the Company's discount loan portfolio by type of loan at the dates indicated:

	September 30, 2001	December 31, 2000
Single family residential loans	$ 67,412	$ 289,883
Multi-family residential loans	13,710	105,591
Commercial real estate loans:		
Office buildings	72,059	77,608
Hotels	36,870	63,967
Retail properties	66,320	85,924
Other properties	18,781	36,511
	194,030	264,010
Unsecured (1)	11,750	17,188
Discount loans, gross	286,902	676,672
Unaccreted discount:		
Single family residential loans	(19,074)	(74,184)
Multi-family residential loans	(815)	(5,176)
Commercial real estate and other loans	(26,566)	(40,413)
	(46,455)	(119,773)
Total discount loans	240,447	556,899
Allowance for loan losses	(21,265)	(20,871)
Discount loans, net	$ 219,182	$ 536,028

(1) Balances represent charged-off unsecured credit card receivables, which were acquired at a discount. Collections are accounted for under the cost recovery method.

The discount loan portfolio is secured by mortgages on property located throughout the United States. The following table sets forth the five states in which the largest amount of properties securing the Company's total discount loans were located at September 30, 2001:

	Single Family Residential	Multi-Family Residential	Commercial Real Estate and Other	Total
California	$ 5,128	$ --	$ 46,244	$ 51,372
Wisconsin	161	--	34,507	34,668
New York	2,959	--	26,901	29,860
Tennessee	1,015	--	26,663	27,678
Florida	2,403	217	10,538	13,158
Other (1)	36,672	12,678	34,361	83,711
Total	$ 48,338	$ 12,895	$ 179,214	$ 240,447

(1) Consists of properties located in 40 other states, none of which aggregated over $11,931 in any one state.

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Activity in the Discount Loan Portfolio. The following table sets forth the activity in the Company's net discount loan portfolio during the periods indicated:

For the periods ended September 30,	Three Months 2001	Three Months 2000	Nine Months 2001	Nine Months 2000
Amount:				
Balance at beginning of period	$ 306,942	$ 803,446	$ 536,028	$ 913,229
Acquisitions (1):				
Single family residential loans	--	6,722	--	155,881
Multi-family residential loans	--	28	--	21,322
Commercial real estate loans	--	1,000	--	19,119
Unsecured	--	--	--	10,030
	--	7,750	--	206,352
Resolutions and repayments (2)	(17,852)	(55,437)	(66,146)	(147,154)
Loans transferred to real estate owned	(18,265)	(39,919)	(83,596)	(163,985)
Sales	(89,850)	(42,538)	(240,028)	(173,563)
Decrease in undisbursed loan proceeds	--	201	--	--
Decrease in discount	33,793	29,099	73,318	70,929
Decrease (increase) in allowance for loan losses	4,414	(661)	(394)	(3,867)
Balance at end of period	$ 219,182	$ 701,941	$ 219,182	$ 701,941

For the periods ended September 30,	Three Months 2001	Three Months 2000	Nine Months 2001	Nine Months 2000
Number of Loans:				
Balance at beginning of period	2,395	6,363	4,021	8,064
Acquisitions (1):				
Single family residential loans	--	144	--	2,110
Multi-family residential loans	--	1	--	9
Commercial real estate loans	--	1	--	6
Other	--	--	--	1
	--	146	--	2,126
Resolutions and repayments (2)	(133)	(559)	(524)	(1,237)
Loans transferred to real estate owned	(124)	(550)	(683)	(1,971)
Sales	(1,095)	(402)	(1,771)	(1,984)
Balance at end of period	1,043	4,998	1,043	4,998

(1) Acquisitions during the nine months ended September 30, 2000 exclude certain commercial and multi-family loans which are accounted for as investments in real estate. See "Changes in Financial Condition - Investments in Real Estate."

(2) Resolutions and repayments consists of loans which were resolved in a manner which resulted in partial or full repayment of the loan to the Company, as well as principal payments on loans which have been brought current in accordance with their original or modified terms (whether pursuant to forbearance agreements or otherwise) or on other loans which have not been resolved.

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Payment Status of Discount Loans. The following table sets forth certain information relating to the payment status of loans in the Company's discount loan portfolio at the dates indicated:

	September 30, 2001	December 31, 2000
Principal Amount		
Loans without Forbearance Agreements:		
Current	$ 152,393	$ 295,616
Past due 31 days to 89 days	2,723	6,295
Past due 90 days or more	80,036	295,226
Subtotal	235,152	597,137
Loans with Forbearance Agreements:		
Current	1,261	3,888
Past due 31 days to 89 days	1,909	2,090
Past due 90 days or more(1)	48,580	73,557
Subtotal	51,750	79,535
Total	$ 286,902	$ 676,672

(1) For loans with forbearance agreements that are contractually past due 90 or more days, the following table indicates the payment status of the loans under the terms of their forbearance agreements:

	September 30, 2001	December 31, 2000
Current	$ 38,870	$ 50,719
Past due 31 days to 89 days	2,455	2,278
Past due 90 days or more	7,255	20,560
	$ 48,580	$ 73,557

	September 30, 2001	December 31, 2000
Percentage of Loans		
Loans without Forbearance Agreements:		
Current	53.12%	43.69%
Past due 31 days to 89 days	0.95	0.93
Past due 90 days or more	27.90	43.63
Subtotal	81.97	88.25
Loans with Forbearance Agreements:		
Current	0.44	0.57
Past due 31 days to 89 days	0.67	0.31
Past due 90 days or more	16.92	10.87
Subtotal	18.03	11.75
Total	100.00%	100.00%

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The following table sets forth certain information relating to the Company's allowance for loan losses on discount loans as of the dates indicated:

	September 30, 2001	December 31, 2000
Allowances for loan losses as a percentage of:		
Total loans	8.84%	3.75%
Total assets	1.16%	0.93%

See "Changes in Financial Condition - Allowance for Loan Losses" below for additional information regarding the allowance for discount loan losses.

Match Funded Loans and Securities. Match funded loans and securities are comprised of the following at the dates indicated:

	September 30, 2001	December 31, 2000
Single family residential loans (1)	$ 60,571	$ 80,834
Allowance for loan losses	(211)	(285)
Match funded loans, net	60,360	80,549
Match funded securities	21,955	36,438
Total	$ 82,315	$ 116,987

(1) Includes $5,245 and $2,831 of non-performing loans at September 30, 2001 and December 31, 2000, respectively.

Match funded loans were securitized and transferred by OAC to a real estate mortgage investment conduit on November 13, 1998. The transfer did not qualify as a sale for accounting purposes. Accordingly, the proceeds received from the transfer are reported as a liability (bonds-match funded agreements). The $20,263 decline in the balance during the third quarter of 2001 was due to repayment of loan principal.

Match funded securities resulted from the Company's transfer of four unrated residual securities to a trust on December 16, 1999 in exchange for non-recourse notes. The transfer did not qualify as a sale for accounting purposes. Accordingly, the amount of proceeds from the transfer are reported as a liability (bonds-match funded agreements). The decline of $14,483 in the balance during 2001 was due to principal repayments and amortization, offset by a decrease in unrealized losses.

For a glossary of the terms included in the tables below, see "Changes in Financial Condition -- Trading Securities."

The match funded loans are secured by mortgages on properties located throughout the United States. The following table sets forth the five states in which the largest amount of properties securing the Company's loans were located at September 30, 2001:

Michigan	$ 9,653
California	7,425
Texas	4,386
Florida	3,615
Massachusetts	3,169
Other (1)	32,323
Total	$ 60,571

(1) Consists of properties located in 41 other states, none of which aggregated over $2,633 in any one state.

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The following tables detail the Company's match funded securities at September 30, 2001, and its estimates of expected yields on such securities, taking into consideration expected prepayment and loss rates together with other factors:

Securitization	Security	Issue Date	Class Designation Letter	Rating Agencies	Collateral Balance Issuance	Collateral Balance 9/30/01	Over Collateralization Level at 9/30/01	Product Type at 9/30/01
SASCO 1998-2(1)	X	Jan-98	NR	S&P, Fitch	$ 600,052	$116,068	2.37% OC	43% Fixed, 57% ARM
SASCO 1998-3(1)	X	Mar-98	NR	S&P, Fitch	769,671	129,217	3.50% OC	79% Fixed, 21% ARM
MLMI 1998-FFI(2)	X	Jun-98	NR	S&P, Fitch	198,155	21,734	13.68% OC	100% ARM
LHELT 1998-2(3)	X	Jun-98	NR	Moody's, Fitch	209,225	63,894	7.50% OC	54% Fixed, 46% ARM
					$1,777,103	$330,913		

Securitization	Security	Weighted Average Interest Rate at 9/30/01	Weighted Average LTV at 9/30/01	Actual Delinquency at 9/30/01	Actual Life to Date CPR at 9/30/01	Actual Life to Date Losses at 9/30/01	Yield to Maturity at Purchase	Yield to Maturity at 9/30/01
SASCO 1998-2(1)	X	11.13%	N/A	22.17%	35.68%	$16,666	16.00%	(1.04)%
SASCO 1998-3(1)	X	10.45	N/A	25.73	39.57	14,692	17.04	(1.96)
MLMI 1998-FFI(2)	X	10.70	77.46%	30.59	48.14	2,021	18.57	3.23
LHELT 1998-2(3)	X	10.42	N/A	19.32	29.37	3,611	18.55	16.43

Issuers:

(1) Structured Asset Securities Corp.
(2) Merrill Lynch Mortgage Investors, Inc.
(3) Lehman Home Equity Loan Trust

The following table sets forth the principal amount of mortgage loans by the geographic location of the property securing the mortgages that underlie the Company's match-funded securities at September 30, 2001:

Description	California	Florida	Illinois	Washington	Oregon	Other (1)	Total
Single family residential.....	$ 50,376	$ 36,961	$ 15,851	$ 14,063	$ 13,110	$191,220	$321,581
Multi-family..................	1,758	735	696	--	869	5,274	9,332
Total	$ 52,134	$ 37,696	$ 16,547	$ 14,063	$ 13,979	$196,494	$330,913
Percentage (2)................	15.75%	11.39%	5.00%	4.25%	4.22%	59.39%	100.00%

(1) Consists of properties located in 45 other states, none of which aggregated over $12,656 in any one state.

(2) Based on a percentage of the total unpaid principal balance of the underlying loans.

The following table presents additional information regarding match funded securities at September 30, 2001:

	Fair Value	Percent Owned	Original Anticipated Yield to Maturity	Anticipated Yield to Maturity at 9/30/01 (1)	Coupon	Anticipated Weighted Average Remaining Life(2)
Match-funded securities......................	$21,955	100.00%	17.54%	3.27%	N/A	5 .09 years

(1) Changes in the September 30, 2001 anticipated yield to maturity from that originally anticipated are primarily the result of changes in prepayment assumptions and, to a lesser extent, loss assumptions.

(2) Equals the weighted average duration based on the September 30, 2001 book value.

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Allowances for Loan Losses. The Company maintains an allowance for loan losses for each of its loan, discount loan and match funded loan portfolios at a level which management considers adequate to provide for inherent losses in each portfolio based upon an evaluation of known and inherent risks in such portfolios. The following table sets forth the breakdown of the allowance for loan losses on the Company's loan portfolio, discount loans and match funded loans by loan category and the percentage of allowance and loans in each category to totals in the respective portfolios at the dates indicated:

	September 30, 2001				December 31, 2000			
	Allowance		Loan Balance		Allowance		Loan Balance	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Loan portfolio:								
Single family........	$ 2	0.1%	$ 444	0.6%	$ 10	0.4%	$ 812	0.8%
Multi-family.........	1,068	26.3	23,181	29.8	993	41.2	38,942	40.6
Commercial real estate and other.....	2,985	73.6	54,080	69.6	1,405	58.4	56,068	58.6
	$ 4,055	100.0%	$ 77,705	100.0%	$ 2,408	100.0%	$ 95,822	100.0%
Discount loans:								
Single family........	$ 4,071	19.1%	$ 48,338	20.1%	$ 3,483	16.7%	$ 215,698	38.7%
Multi-family.........	776	3.7	12,895	5.4	1,805	8.6	100,414	18.0
Commercial real estate and other.....	5,483	25.8	167,464	69.6	6,813	32.7	223,599	40.2
Unsecured............	10,935	51.4	11,750	4.9	8,770	42.0	17,188	3.1
	$ 21,265	100.0%	$ 240,447	100.0%	$ 20,871	100.0%	$ 556,899	100.0%
Match funded loans:								
Single family........	$ 211	100.0%	$ 60,572	100.0%	$ 285	100.0%	$ 80,834	100.0%

The allocation of the allowance to each category is not necessarily indicative of future losses and does not restrict the use of the allowance to absorb losses in any other category.

The following table sets forth an analysis of activity in the allowance for loan losses relating to the Company's loan portfolio, discount loan portfolio and match funded loans during the nine months ended September 30, 2001:

	Balance December 31, 2000	Provision	Charge-offs	Recoveries	Balance September 30, 2001
Loan portfolio:					
Single family............................	$ 10	$ 165	$ (173)	$ --	$ 2
Multi-family.............................	993	947	(872)	--	1,068
Commercial real estate and other..........	1,405	2,089	(509)	--	2,985
	$ 2,408	$ 3,201	$ (1,554)	$ --	$ 4,055
Discount loans:					
Single family............................	$ 3,483	$ 5,083	$ (4,816)	$ 321	$ 4,071
Multi-family.............................	1,805	(1,029)	--	--	776
Commercial real estate and other..........	6,813	8,380	(9,775)	65	5,483
Unsecured................................	8,770	2,165	--	--	10,935
	$ 20,871	$ 14,599	$ (14,591)	$ 386	$ 21,265
Match funded loans:					
Single family............................	$ 285	$ 229	$ (303)	$ --	$ 211

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Real Estate Owned, Net. Real estate owned consists almost entirely of properties acquired by foreclosure or deed-in-lieu thereof on loans in the Company's discount loan portfolio.

The following table sets forth certain information relating to the Company's real estate owned at the dates indicated:

	September 30, 2001	December 31, 2000
Discount loan portfolio:		
Single family residential	$ 23,427	$ 55,751
Multi-family residential	--	149
Commercial real estate	97,471	88,214
Total	120,898	144,114
Loan portfolio	377	1,384
Loans available for sale	590	921
Total	$ 121,865	$ 146,419

The following table sets forth certain geographical information by type of property at September 30, 2001 related to the Company's real estate owned:

	Single Family Residential		Commercial Real Estate		Total	
	Amount	No. of Properties	Amount	No. of Properties	Amount	No. of Properties
Florida	$ 1,354	23	$ 53,149	4	$ 54,503	27
Michigan	2,047	49	21,046	2	23,093	51
Georgia	872	10	14,361	1	15,233	11
Minnesota	337	6	4,915	1	5,252	7
Washington	373	6	2,447	1	2,820	7
Other (1)	19,034	429	1,930	5	20,964	434
Total	$ 24,017	523	$ 97,848	14	$ 121,865	537

(1) Consists of properties located in 41 other states, none of which aggregated over $2,789 in any one state.

The following tables set forth the activity in the real estate owned during the periods indicated:

For the periods ended September 30,	Three Months 2001	Three Months 2000	Nine Months 2001	Nine Months 2000
Amount:				
Balance at beginning of period	$ 129,042	$ 182,676	$ 146,419	$ 167,506
Properties acquired through foreclosure or deed-in-lieu thereof:				
Discount loans	18,265	39,919	83,596	163,985
Loans available for sale	27	336	254	4,399
Loan portfolio	246	1,346	246	2,051
Less discount transferred	(7,271)	(13,285)	(32,283)	(50,299)
Add advances transferred	987	2,609	6,389	9,346
	11,267	28,316	51,813	120,136
Capital improvements	4,244	2,089	11,490	4,856
Acquired in connection with acquisitions of discount loans	--	--	--	8,593
Sales	(23,696)	(45,795)	(96,608)	(136,689)
Decrease (increase) in valuation allowance	21	(695)	2,362	(4,548)
Balance at end of period	$ 121,865	$ 169,200	$ 121,865	$ 169,200

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For the periods ended September 30,	Three Months 2001	Three Months 2000	Nine Months 2001	Nine Months 2000
Number of Properties:				
Balance at beginning of period	743	1,732	1,298	1,672
Properties acquired through foreclosure or deed-in-lieu thereof:				
Discount loans	124	550	683	1,971
Loans available for sale	2	2	6	41
Loan portfolio	1	2	1	7
	127	554	690	2,019
Acquired in connection with acquisitions of discount loans	--	--	--	157
Sales	(333)	(767)	(1,451)	(2,329)
Balance at end of period	537	1,519	537	1,519

The following table sets forth the amount of time that the Company had held its real estate owned at the dates indicated:

	September 30, 2001	December 31, 2000
One to two months	$ 3,628	$ 17,832
Three to four months	4,656	11,450
Five to nine months	4,084	9,494
Seven to 12 months	28,497	18,426
Over 12 months	81,000	89,217
	$ 121,865	$ 146,419

The Company actively manages its real estate owned. Sales of real estate owned resulted in gains (losses), net of the provision for loss in fair value, of $671 and $491 during the three and nine months ended September 30, 2001, respectively, as compared to $(2,483) and $(7,763) during the three and nine months ended September 30, 2000, respectively, which are included in determining the Company's (loss) income on real estate owned. The average period during which the Company held the $96,608 and $136,689 of real estate owned which was sold during the nine months ended September 30, 2001 and 2000 was 8 and 6 months, respectively.

The following table sets forth the activity, in the aggregate, in the valuation allowances on real estate owned during the periods indicated:

For the periods ended September 30,	Three Months 2001	Three Months 2000	Nine Months 2001	Nine Months 2000
Balance at beginning of period	$ 15,801	$ 21,034	$ 18,142	$ 17,181
Provisions for losses	2,438	7,593	12,141	24,556
Charge-offs and sales	(2,459)	(6,898)	(14,503)	(20,008)
Balance at end of period	$ 15,780	$ 21,729	$ 15,780	$ 21,729
Valuation allowance as a percentage of total gross real estate owned (1)	11.46%	11.38%	11.46%	11.38%

(1) At December 31, 2000, the valuation allowance as a percentage of total gross real estate owned was 11.02%.

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Deferred Tax Asset, Net. The following table provides details of the Company's net deferred tax assets as of the dated indicated:

	September 30, 2001	December 31, 2000
Deferred tax asset, net of deferred tax liabilities	$ 168,520	$ 154,864
Valuation allowance:		
OAC purchase accounting adjustment	38,873	38,873
Allowance on deferred tax asset	116,728	20,000
	155,601	58,873
Deferred tax asset, net	$ 12,919	$ 95,991

The $83,072 net decrease in the deferred tax asset during 2001 was due to an increase in the valuation allowance resulting from the Company's evaluation of the future realizability of the deferred tax asset in the near future. Depending on the results of operations in future periods, additional provisions may be required, although considered unlikely by management, or the valuation allowance may be reversed to income. See "Income Tax Benefit (Expense)."

Advances on Loans and Loans Serviced for Others. Advances related to loan portfolios and loans serviced for others consisted of the following at the dates indicated:

	September 30, 2001	December 31, 2000
Loan Portfolios:		
Taxes and insurance	$ 2,461	$ 11,168
Other	5,812	11,840
	8,273	23,008
Loans Serviced for Others (1):		
Principal and interest	115,140	95,191
Taxes and insurance	100,616	64,159
Other	79,060	44,697
	294,816	204,047
	$ 303,089	$ 227,055

(1) The increase in advances on loans serviced for others is principally the result of servicing advances purchased in connection with the acquisition of loans serviced for others under servicing agreements entered into during nine months ended September 30, 2001.

Mortgage Servicing Rights. The unamortized balance of mortgage servicing rights amounted to $90,368 and $51,426 at September 30, 2001 and December 31, 2000, respectively. The $38,942 increase during the nine months ended September 30, 2001 was due to $58,732 of purchases, offset by $19,790 of amortization.

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Deposits. The following table sets forth information related to the Company's deposits at the dates indicated:

	September 30, 2001		December 31, 2000	
	Amount	% of Total Deposits	Amount	% of Total Deposits
Non-interest bearing checking accounts	$ 7,295	0.8%	$ 13,524	1.0%
NOW and money market checking accounts	13,866	1.6	14,669	1.2
Savings accounts	1,347	0.1	1,274	0.1
	22,508	2.5	29,467	2.3
Certificates of deposit	786,047		1,176,566	
Unamortized deferred fees	(2,016)		(3,989)	
Total certificates of deposit (1)	784,031	87.2	1,172,577	93.2
Total deposits	$ 806,539	89.7	$ 1,202,044	95.5
Escrow deposits on loans and loans serviced for others (2)	92,344	10.3	56,316	4.5
Total deposits and escrow deposits	$ 898,883	100.0%	$ 1,258,360	100.0%

(1) Included $626,949 and $960,464 at September 30, 2001 and December 31, 2000, respectively, of deposits originated through national, regional and local investment banking firms which solicit deposits from their customers, all of which are non-cancelable. At September 30, 2001 and December 31, 2000, certificates of deposit issued on an uninsured basis (greater than $100) amounted to $60,790 and $75,417, respectively. Of the $60,790 of uninsured deposits at September 30, 2001, $2,149 were from political subdivisions in New Jersey and secured or collateralized as required under state law.

(2) Escrow deposits on loans and loans serviced for others consist principally of amounts received for the payment of taxes and insurance on loans serviced for others. The balance of escrow deposits on loans and loans serviced for others has increased primarily because of increases in loans serviced for others. Offsetting the increases related to loans serviced for others have been decreases in escrow deposits on loans owned by the Company as a result of loan sales and resolutions and the decline in purchases and acquisitions. See "Results of Operations - Non-Interest Income" and "Changes in Financial Condition - Loan Portfolio, Net and Discount Loan Portfolio, Net."

Bonds-Match Funded Agreements. Bonds-match funded agreements were comprised of the following at the dates indicated:

	September 30, 2001	December 31, 2000
OAIC Mortgage Residential Securities Holdings, LLC	$ 52,406	$ 72,101
Ocwen NIMS Corp.	21,254	34,949
	$ 73,660	$ 107,050

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The $33,390 decline in total bonds-match funded agreements during the nine months ended September 30, 2001 was due to principal repayments offset by discount amortization.

Obligations Outstanding Under Lines of Credit. The Company has obtained secured line of credit arrangements from unaffiliated financial institutions as follows at the dates indicated:

Entity	Balance Outstanding	Amount of Facility	Committed Amount	Maturity Date	Interest Rate(1)
September 30, 2001:					
OAC (2)...........	$ 32,602	$ 200,000	$ 115,580	June 2002	LIBOR + 240 basis points
OFB (3)...........	68,405	100,000	68,405	April 2002	LIBOR + 200 basis points
	9,566	200,000	9,566	(4)	LIBOR + 225 basis points
	$ 110,573	$ 500,000	$ 193,551		
December 31, 2000:					
OAC (2)...........	$ 32,933	$ 200,000	$ 115,580	June 2001	LIBOR + 240 basis points

(1) 1-month LIBOR was 2.63% and 6.57% at September 30, 2001 and December 31, 2000, respectively.

(2) Used to fund real estate investments and commercial construction loans.

(3) Used to fund servicing advances purchased in connection with the acquisition of loans serviced for others under servicing agreements. These facilities were entered into in April, 2001.

(4) This is a temporary facility that will remain in effect until it is replaced by a permanent facility, the terms of which are currently being negotiated by the Company.

Notes, Debentures and Other Interest-Bearing Obligations. Notes, debentures and other interest-bearing obligations mature as follows:

	September 30, 2001	December 31, 2000
2003:		
11.875% Notes due October 1...	$ 95,850	$ 100,050
2004:		
Loan due May 24 (LIBOR plus 250 basis points)..	6,235	6,235
2005:		
12% Subordinated Debentures due June 15..	67,000	67,000
11.5% Redeemable Notes due July 1..	45	45
	$ 169,130	$ 173,330

The $4,200 decline in the balance of the 11.875% Notes during the nine months ended September 30, 2001 is due to repurchases. These repurchases occurred during the first quarter of 2001 and resulted in an extraordinary gain of $61, net of tax ($97 before taxes). See "Results of Operations - Extraordinary Gain on Repurchases of Debt, Net of Taxes."

Company Obligated, Mandatorily Redeemable Securities of Subsidiary Trust Holding Solely Junior Subordinated Debentures of the Company. The outstanding balance of the 10.875% Capital Securities amounted to $61,159 at September 30, 2001, a decline of $18,371 from the balance outstanding at December 31, 2000. During the nine months ended September 30, 2001, the Company repurchased Capital Securities in the open market, resulting in an extraordinary gain of $3,722 ($2,345 net of taxes). See Note 4 to the Interim Consolidated Financial Statements included in Item 1 hereof (which is incorporated herein by reference) and "Results of Operations - Extraordinary Gain on Repurchases of Debt, Net of Taxes."

Stockholders' Equity. Stockholders' equity decreased $117,342 or 23% during the nine months ended September 30, 2001. The decrease was primarily due to a net loss of $(117,889) during the nine months ended September 30, 2001. See Consolidated Statements of Changes in Stockholders' Equity of the Interim Consolidated Financial Statements included in Item 1 herein (which is incorporated herein by reference) and "Results of Operations - Extraordinary Gain on Repurchases of Debt, Net of Taxes."

Liquidity, Commitments and Off-Balance Sheet Risks

The primary sources of funds for liquidity consist of deposits, FHLB advances, reverse repurchase agreements, lines of credit and maturities and payments of principal and interest on loans and securities, proceeds from sales thereof and servicing fees.

Sources of liquidity include certificates of deposit obtained primarily from wholesale sources. At September 30, 2001, the Company had $784,031 of certificates of deposit, net of deferred fees, including $653,984 of brokered certificates of deposit obtained through national, regional and local investment banking firms, all of which are non-cancelable. At the same date, scheduled maturities of certificates of deposit during the 12 months ending September 30, 2002 and 2003, and thereafter amounted to $517,080, $120,556 and $146,395, respectively.

Sources of borrowings include FHLB advances, which are required to be secured by single family and/or multi-family residential loans or other acceptable collateral, and reverse repurchase agreements. At September 30, 2001, the Company was eligible to borrow up to an aggregate of $31,502 from the FHLB of New York (subject to the availability of acceptable collateral) and had $5,509 of residential loans and $80,422 of short duration CMOs (all of which were held by the Bank) pledged as security for any such advances. At September 30, 2001, the Company had contractual relationships with 11 brokerage firms and the FHLB of New York pursuant to which it could obtain funds from reverse repurchase agreements. At September 30, 2001, the Company had $288,788 of unrestricted cash and cash equivalents and $55,483 of short duration CMOs that could be used to secure additional borrowings. At September 30, 2001, the Company had no outstanding FHLB advances but had $66,434 of reverse repurchase agreements outstanding.

Sources of borrowing also include lines of credit. At September 30, 2001, the Company, through OAC, had a line of credit of $200,000 ($115,580 committed). The Company had $32,602 outstanding at September 30, 2001 under this line of credit.

On April 18, 2001, the Company, through OFB, executed a Receivables Financing Facility agreement with Greenwich, whereby the Company has agreed to finance at least $200,000 of servicing advances with Greenwich over the course of the next two years. The Company had $9,566 outstanding at September 30, 2001 under this agreement. This is a temporary facility that will remain in effect until it is replaced by a permanent facility, the terms of which are currently being negotiated by the Company.

At April 20, 2001, the Company, through OFB, executed a Loan and Security Agreement with CSFB whereby the Company may borrow up to $100,000 over the next year collateralized by certain of the Company's servicing advances. At September 30, 2001, the Company had $68,405 outstanding under this agreement.

The Company believes that its existing sources of liquidity, including internally generated funds, will be adequate to fund planned activities for the foreseeable future. Moreover, the Company continues to evaluate other sources of liquidity, such as lines of credit from unaffiliated parties, which will enhance the management of its liquidity and the costs thereof.

The Company's operating activities provided $96,758 of cash flows and used $(79,763) of cash flows during the nine months ended September 30, 2001 and 2000, respectively. During the nine months ended September 30, 2001, cash flows used by operating activities primarily related to net increases in servicing advances. Cash flows were provided primarily by proceeds from the sale of trading securities and maturities and principal repayments received thereon. The increase in net cash flows provided by operating activities during the nine months ended September 30, 2001 as compared to the nine months ended September 30, 2000, was due primarily to the increase in cash provided by trading securities offset by increases in advances on loans and loans serviced for others due to increases in the number and amount of loans serviced for others.

The Company's investing activities provided cash flows totaling $345,521 and $330,991 during the nine months ended September 30, 2001 and 2000, respectively. During these periods, cash flows from investing activities were used primarily to purchase securities available for sale, discount loans, mortgage servicing rights and real estate held for investment. Cash flows from investing activities were provided primarily by proceeds from sales of and principal payments received on discount loans and securities available for sale and proceeds from sales of real estate owned. The increase in net cash provided by investing activities during the nine months ended September 30, 2001 as compared to the nine months ended September 30, 2000 was due primarily to a decline in purchases of securities available for sale (reclassified to trading), discount loans and real estate held for investment (primarily loans accounted for as investments in real estate).

The Company's financing activities used cash flows of $(267,279) and used cash flows of $(406,609) during the nine months ended September 30, 2001 and 2000, respectively. Cash flows utilized in connection with financing activities were primarily related to a decline in deposits, changes in the balance of securities sold under agreements to repurchase, repayment of bonds-match funded agreements, proceeds from and repayment of lines of credit and repurchases of debt and common stock. The decline in cash flow used by financing activities is principally related to cash flow provided by increases in securities sold under agreements to repurchase and borrowings under lines of credit.

The Bank was previously required under applicable federal regulations to maintain specified levels of "liquid" investments in qualifying types of U.S. government, federal agency and other investments having maturities of five years or less (not less than 4% of its average daily balance of net withdrawable deposit accounts and borrowings payable in one year or less). Effective March 15, 2001 the OTS issued an interim final rule eliminating the 4% liquidity requirement. However, the rule continues to require that savings associations maintain sufficient liquidity to ensure its safe and sound operation.

At September 30, 2001, the Company had commitments of $5,032 related to the funding of construction loans. Management believes that the Company has adequate resources to fund all such unfunded commitments to the extent required and that substantially all of such unfunded commitments will be funded during 2001. See Note 10 to the Interim Consolidated Financial Statements included in Item 1 herein (which is incorporated herein by reference).

In addition to commitments to extend credit, the Company is party to various off-balance sheet financial instruments in the normal course of the Company's business in order to manage its interest rate risk and foreign currency exchange rate risk. See Note 6 to the Interim Consolidated Financial Statements included in Item 1 herein (which is incorporated herein by reference) and "Asset and Liability Management" included in Item 3 herein.

Regulatory Capital and Other Requirements

See Note 7 to the Interim Consolidated Financial Statements included in Item 1 herein (which is incorporated by reference).

Item 3. Quantitative and Qualitative Disclosures About Market Risk.
(Dollars in thousands)

Asset and Liability Management

Asset and liability management is concerned with the timing and magnitude of the repricing of assets and liabilities. It is the objective of the Company to attempt to control risks associated with interest rate and foreign currency exchange rate movements. In general, management's strategy is to match asset and liability balances within maturity categories and to manage foreign currency rate exposure related to its investments in non-U.S. dollar functional currency operations in order to limit the Company's exposure to earnings variations and variations in the value of assets and liabilities as interest rates and foreign currency exchange rates change over time. The Company's asset and liability management strategy is formulated and monitored by the Asset/Liability Management Committee (the "Committee"), which is composed of directors and officers of the Company, in accordance with policies approved by the Board of Directors of the Company. The Committee meets to review, among other things, the sensitivity of the Company's assets and liabilities to interest rate changes and foreign currency exchange rate changes, the book and market values of assets and liabilities, unrealized gains and losses, including those attributable to hedging transactions, purchase and sale activity, and maturities of investments and borrowings. The Committee also approves and establishes pricing and funding decisions with respect to overall asset and liability composition.

The Committee's methods for evaluating interest rate risk include an analysis of the Company's interest rate sensitivity "gap," which is defined as the difference between interest-earning assets and interest-bearing liabilities maturing or repricing within a given time period. A gap is considered positive when the amount of interest-rate sensitive assets exceeds the amount of interest-rate sensitive liabilities. A gap is considered negative when the amount of interest-rate sensitive liabilities exceeds interest-rate sensitive assets. During a period of rising interest rates, a negative gap would tend to adversely affect net interest income, while a positive gap would tend to result in an increase in net interest income. During a period of falling interest rates, a negative gap would tend to result in an increase in net interest income, while a positive gap would tend to affect net interest income adversely. Because different types of assets and liabilities with the same or similar maturities may react differently to changes in overall market rates or conditions, changes in interest rates may affect net interest income positively or negatively even if an institution were perfectly matched in each maturity category.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.
(Dollars in thousands)

The following table sets forth the estimated maturity or repricing of the Company's interest-earning assets and interest-bearing liabilities at September 30, 2001. The amounts of assets and liabilities shown within a particular period were determined in accordance with the contractual terms of the assets and liabilities, except (i) adjustable-rate loans, performing discount loans, securities and FHLB advances are included in the period in which they are first scheduled to adjust and not in the period in which they mature, (ii) fixed-rate mortgage-related securities reflect estimated prepayments, which were estimated based on analyses of broker estimates, the results of a prepayment model utilized by the Company and empirical data, (iii) non-performing discount loans reflect the estimated timing of resolutions which result in repayment to the Company, (iv) NOW and money market checking deposits and savings deposits, which do not have contractual maturities, reflect estimated levels of attrition, which are based on detailed studies of each such category of deposit by the Company, and (v) escrow deposits and other non-interest bearing checking accounts, which amounted to $99,639 at September 30, 2001, are excluded. Management believes that these assumptions approximate actual experience and considers them reasonable; however, the interest rate sensitivity of the Company's assets and liabilities in the table could vary substantially if different assumptions were used or actual experience differs from the historical experience on which the assumptions are based.

	September 30, 2001				
	Within Three Months	Four to Twelve Months	More Than One Year to Three Years	Three Years and Over	Total
Rate-Sensitive Assets:					
Interest-earning deposits	$ 18,564	$ --	$ --	$ --	$ 18,564
Federal funds sold and repurchase agreements	287,000	--	--	--	287,000
Trading securities	56,000	96,215	25,453	47,348	225,016
Loans available for sale (1)	313	793	58	175	1,339
Investment securities, net	4,659	--	--	--	4,659
Loan portfolio, net (1)	35,864	9,051	28,496	239	73,650
Discount loan portfolio, net (1)	25,596	100,059	61,842	31,685	219,182
Match funded loans and securities (1)	3,873	25,642	26,891	25,909	82,315
Total rate-sensitive assets	431,869	231,760	142,740	105,356	911,725
Rate-Sensitive Liabilities:					
NOW and money market checking deposits	12,322	177	379	988	13,866
Savings deposits	101	192	380	674	1,347
Certificates of deposit	196,875	320,205	205,496	61,455	784,031
Total interest-bearing deposits	209,298	320,574	206,255	63,117	799,244
Bond-match funded loan agreements	57,313	5,627	10,236	--	73,660
Securities sold under agreements to repurchase	66,434	--	--	--	66,434
Obligations outstanding under lines of credit	110,573	--	--	484	110,573
Notes, debentures and other	6,235	--	95,850	67,045	169,130
Total rate-sensitive liabilities	449,853	326,201	312,341	130,646	1,219,041
Interest rate sensitivity gap excluding financial instruments	(17,984)	(94,441)	(169,601)	(25,290)	(307,316)
Financial Instruments:					
Interest rate caps	--	--	44	--	44
Interest rate floors	--	--	513	--	513
Total rate-sensitive financial instruments	--	--	557	--	557
Interest rate sensitivity gap including financial instruments	$ (17,984)	$ (94,441)	$ (169,044)	$ (25,290)	$ (306,759)
Cumulative interest rate sensitivity gap	$ (17,984)	$ (112,425)	$ (281,469)	$ (306,759)	
Cumulative interest rate sensitivity gap as a percentage of total rate-sensitive assets	(1.97)%	(12.33)%	(30.87)%	(33.65)%	

(1) Balances have not been reduced for non-performing loans.

The Company has experienced an increasingly large negative interest rate sensitivity gap in recent years. This change has been the result of both the Company's acquisition of OAC and its change in strategic focus away from capital-intensive businesses and into fee-based sources of income. The result has been an increase in the relative amount of non interest-bearing assets, such as real estate assets and loan servicing assets that are funded by interest-bearing liabilities. Consequently, the amount of the negative interest rate sensitivity gap may continue to increase as the Company continues the transition to fee-based businesses.

The OTS has established specific minimum guidelines for thrift institutions to observe in the area of interest rate risk as described in Thrift Bulletin No. 13a, "Management of Interest Rate Risk, Investment Securities, and Derivative Activities" ("TB 13a"). Under TB 13a, institutions are required to establish and demonstrate quarterly compliance with board-approved limits on interest rate risk that are defined in terms of net portfolio value ("NPV"), which is defined as the net present value of an institution's existing assets, liabilities and off-balance sheet instruments. These limits specify the minimum net portfolio value ratio ("NPV Ratio") allowable under current interest rates and hypothetical interest rate scenarios. An institution's NPV Ratio for a given interest rate scenario is calculated by dividing the NPV that would result in that scenario by the present value of the institution's assets in that same scenario. The hypothetical scenarios are represented by immediate, permanent, parallel movements (shocks) in the term structure of interest rates of plus and minus 100, 200 and 300 basis points from the actual term structure observed at quarter end. The current NPV Ratio for each of the seven rate scenarios and the corresponding limits approved by the Board of Directors, and as applied to OCN, are as follows at September 30, 2001:

(Dollars in thousands)

Rate Shock in basis points	Board Limits (minimum NPV Ratios)	Current NPV Ratios
+300	5.00%	23.27%
+200	6.00%	23.32%
+100	7.00%	23.29%
0	8.00%	23.29%
-100	7.00%	23.38%
-200	6.00%	23.45%
-300	5.00%	23.67%

The Committee also regularly reviews interest rate risk by forecasting the impact of alternative interest rate environments on net interest income and NPV and evaluating such impacts against the maximum potential changes in net interest income and NPV that is authorized by the Board of Directors, and as applied to OCN. The following table quantifies the potential changes in net interest income and net portfolio value should interest rates go up or down (shocked) 300 basis points, assuming the yield curves of the rate shocks will be parallel to each other. The cash flows associated with the loan portfolios and securities available for sale are calculated based on prepayment and default rates that vary by asset. Projected losses, as well as prepayments, are generated based upon the actual experience with the subject pool, as well as similar, more seasoned pools. To the extent available, loan characteristics such as loan-to-value ratio, interest rate, credit history, prepayment penalty terms and product types are used to produce the projected loss and prepayment assumptions that are included in the cash flow projections of the securities. When interest rates are shocked, these projected loss and prepayment assumptions are further adjusted. The base interest rate scenario assumes interest rates at September 30, 2001. Actual results could differ significantly from the OCN results estimated in the following table:

	Estimated Changes in	
Rate Shock in basis points	Net Interest	NPV
+300	7.19%	(2.54)%
+200	4.79%	(1.48)%
+100	2.40%	(0.82)%
0	--%	--%
-100	(2.40)%	1.30%
-200	(4.79)%	2.47%
-300	(7.19)%	4.44%

The Committee is authorized to utilize a wide variety of off-balance sheet financial techniques to assist it in the management of interest rate risk and foreign currency exchange rate risk. These techniques include interest rate exchange or "swap" agreements, interest rate caps and floors and foreign currency futures contracts.

Interest Rate Risk Management. The Company utilizes interest rate swaps to protect against the increase in borrowing cost from a short-term, fixed-rate liability, such as a line of credit, in an increasing interest-rate environment. The Company had outstanding interest rate swaps with an aggregate notional amount of $33,000 at December 31, 2000, which matured in April 2001.

In addition, the Company has purchased amortizing caps and floors to hedge its interest rate exposure relating to mortgage servicing rights and match funded loans and securities. The Company had entered into caps and floors with an aggregate notional amount of $129,711 and $34,984, respectively, at September 30, 2001, as compared to caps and floors with an aggregate notional amount of $141,674 and $37,787, respectively, at December 31, 2000. The floor related to mortgage servicing rights, which had a notional amount of $11,600, was closed during third quarter of 2001.

See Note 6 to the Interim Consolidated Financial Statements included in Item 1 herein (which is incorporated herein by reference) for additional disclosures regarding the Company's interest rate derivative financial instruments.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.
(Dollars in thousands)

Foreign Currency Exchange Rate Risk Management. The Company has entered into foreign currency futures to hedge its investments in foreign subsidiaries which own residual interests backed by residential loans originated in the UK and in the shopping center located in Halifax, Nova Scotia.

The Company's hedges, the related investments in foreign subsidiaries, and the net exposures as of September 30, 2001 and December 31, 2000 were as follows:

	Investment	Hedge	Net Exposure
September 30, 2001:			
UK residuals.......................	$ 26,766	$ 25,926	$ (840)
Nova Scotia Shopping Center........	$ 21,386	$ 21,532	$ (146)
December 31, 2000:			
UK residuals.......................	$ 23,329	$ 22,236	$ (1,093)
Nova Scotia Shopping Center........	$ 21,913	$ 22,423	$ 510

The net exposures are subject to gain or loss if foreign currency exchange rates fluctuate. See the "Foreign Currency Management" section of Note 6 to the Interim Consolidated Financial Statements included in Item 1 herein (which is incorporated herein by reference) for additional disclosures regarding the Company's foreign currency derivative financial instruments.

Forward-Looking Statements

Certain statements contained herein are not, and certain statements contained in future filings by the Company with the Securities and Exchange Commission (the "Commission"), in the Company's press releases or in the Company's other public or shareholder communications may not be, based on historical facts and are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements, which are based on various assumptions (some of which are beyond the Company's control), may be identified by reference to a future period(s) or by the use of forward-looking terminology such as "anticipate," "believe," "commitment," "consider," "continue," "could," "estimate," "expect," "foresee," "intend," "may," "plan," "propose," "prospective," "whether," "will," "would," future or conditional verb tenses, similar terms, variations on such terms or negatives of such terms. Although the Company believes the anticipated results or other expectations reflected in such forward-looking statements are based on reasonable assumptions, it can give no assurance that those results or expectations will be attained. Actual results could differ materially from those indicated in such statements due to risks, uncertainties and changes with respect to a variety of factors, including, but not limited to, international, national, regional or local economic environments (particularly in the market areas where the Company operates), government fiscal and monetary policies (particularly in the market areas where the Company operates), prevailing interest or currency exchange rates, effectiveness of interest rate, currency and other hedging strategies, laws and regulations affecting financial institutions, investment companies and real estate (including regulatory fees, capital requirements, access for disabled persons and environmental compliance), uncertainty of foreign laws, competitive products, pricing and conditions (including from competitors that have significantly greater resources than the Company), credit, prepayment, basis, default, subordination and asset/liability risks, loan servicing effectiveness, ability to identify acquisitions and investment opportunities meeting the Company's investment strategy, the course of negotiations and the ability to reach agreement with respect to the material terms of any particular transaction, satisfactory due diligence results, satisfaction or fulfillment of agreed upon terms and conditions of closing or performance, the timing of transaction closings, software integration, development and licensing effectiveness, damage to the Company's computer equipment and the information stored its data centers, availability of and costs associated with obtaining adequate and timely sources of liquidity, ability to repay or refinance indebtedness (at maturity or upon acceleration), to meet collateral calls by lenders (upon re-valuation of the underlying assets or otherwise), to generate revenues sufficient to meet debt service payments and other operating expenses, availability of discount loans and servicing rights for purchase, size of, nature of and yields available with respect to the secondary market for mortgage loans, financial, securities and securitization markets in general, adequacy of allowances for loan losses, changes in real estate conditions (including liquidity, valuation, revenues, rental rates, occupancy levels and competing properties), adequacy of insurance coverage in the event of a loss, other factors generally understood to affect the real estate acquisition, mortgage, servicing and leasing markets, securities investments and the software and technology industry, and other risks detailed from time to time in the Company's reports and filings with the Commission, including its periodic reports on Forms 10-Q, 8-K and 10-K and Exhibit 99.1, titled Risk Factors, to the Company's Form 10-K for the year ended December 31, 2000. Given these uncertainties, readers are cautioned not to place undue reliance on such statements. The Company does not undertake, and specifically disclaims any obligation, to release publicly the results of any revisions that may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

Part II - Other Information

Item 1. Legal Proceedings.

See "Note 10: Commitments and Contingencies" of the Company's Consolidated Financial Statements.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

2.1	Agreement of Merger dated as of July 25, 1999 among Ocwen Financial Corporation, Ocwen Asset Investment Corp. and Ocwen Acquisition Company (1)
3.1	Amended and Restated Articles of Incorporation (2)
3.2	Amended and Restated Bylaws (3)
4.0	Form of Certificate of Common Stock (2)
4.1	Form of Indenture between the Company and Bank One, Columbus, NA as Trustee (2)
4.2	Form of Note due 2003 (Included in Exhibit 4.1) (2)
4.3	Certificate of Trust of Ocwen Capital Trust I (4)
4.4	Amended and Restated Declaration of Trust of Ocwen Capital Trust I (4)
4.5	Form of Capital Security of Ocwen Capital Trust I (Included in Exhibit 4.4) (4)
4.6	Form of Indenture relating to 10.875% Junior Subordinated Debentures due 2027 of the Company (4)
4.7	Form of 10.875% Junior Subordinated Debentures due 2027 of the Company (Included in Exhibit 4.6) (4)
4.8	Form of Guarantee of the Company relating to the Capital Securities of Ocwen Capital Trust I (4)
4.9	Form of Indenture between Ocwen Federal Bank FSB and The Bank of New York as Trustee (5)
4.10	Form of Subordinated Debentures due 2005 (5)
4.11	Form of Indenture between OAC and Norwest Bank Minnesota, National Association, as Trustee thereunder for the 11.5% Redeemable Notes due 2005 (6)
4.12	Form of 11.5% Redeemable Notes due 2005 (7)
4.13	Form of Second Supplemental Indenture between OAC and Wells Fargo Bank Minnesota, National Association, as successor to Norwest Bank Minnesota, National Association, as trustee thereunder for the 11.5% Redeemable Notes due 2005 (8)
10.1	Ocwen Financial Corporation 1996 Stock Plan for Directors, as amended (9)
10.2	Ocwen Financial Corporation 1998 Annual Incentive Plan (10)
10.3	Amended and Restated Loan Agreement, dated as of June 10, 1998, among, inter alia, OAIC California Partnership, L.P., OAIC California Partnership II, L.P., Salomon Brothers Realty Corp. and LaSalle National Bank (11)
10.4	Compensation and Indemnification Agreement, dated as of May 6, 1999, between OAC and the independent committee of the Board of Directors (12)
10.5	Second Amendment to Guarantee of Payment, dated as of July 9, 1999, between Salomon Brothers Realty Corp. and Ocwen Partnership, L.P. (12)
10.6	Indemnity agreement, dated August 24, 1999, among OCN and OAC's Board of Directors (13)
10.7	Amended Ocwen Financial Corporation 1991 Non-Qualified Stock Option Plan, dated October 26, 1999 (13)
10.8	First Amendment to Agreement, dated March 30, 2000, between HCT Investments, Inc. and OAIC Partnership I, L. P. (13)
10.9	Form of Separation Agreement and Full Release, dated as of February 28, 2001, by and among Christine A. Reich, Ocwen Federal Bank FSB and Ocwen Financial Corporation (14)
99.1	Risk factors (14)

(1) Incorporated by reference from the similarly described exhibit included

with the Registrant's Current Report on Form 8-K filed with the Commission on July 26, 1999.

(2) Incorporated by reference from the similarly described exhibit filed in connection with the Registrant's Registration Statement on Form S-1 (File No. 333-5153), as amended, declared effective by the Commission on September 25, 1996.

(3) Incorporated by reference from the similarly described exhibit included with the Registrant's Annual Report on Form 10-K for the year ended December 31, 1998.

(4) Incorporated by reference from the similarly described exhibit filed in connection with the Company's Registration Statement on Form S-1 (File No. 333-28889), as amended, declared effective by the Commission on August 6, 1997.

(5) Incorporated by reference from the similarly described exhibit filed in connection with Amendment No. 2 to Offering Circular on Form OC (on Form S-1) filed on June 7, 1995.

(6) Incorporated by reference from OAC's Current Report on Form 8-K filed with the Commission on July 11, 1998.

(7) Incorporated by reference from OAC's Registration Statement on Form S-4 (File No. 333-64047), as amended, declared effective by the Commission on February 12, 1999.

(8) Pursuant to Item 601 of Regulation S-K, Instruction (4)(iii), the Registrant agrees to furnish a copy to the Commission upon request.

(9) Incorporated by reference from the similarly described exhibit filed in connection with the Registrant's Registration Statement on Form S-8 (File No. 333-44999), effective when filed with the Commission on January 28, 1998.

(10) Incorporated by reference from the similarly described exhibit to the Company's Definitive Proxy Statement with respect to the Company's 1998 Annual Meeting of Shareholders filed with the Commission on March 31, 1998.

(11) Incorporated by reference from OAC's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998.

(12) Incorporated by reference from OAC's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999.

(13) Incorporated by reference from the similarly described exhibit included with Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2000.

(14) Incorporated by reference from the similarly described exhibit included with the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000.

(b) Reports on Form 8-K Filed during the Quarter Ended September 30, 2001.

(1) A Form 8-K was filed by the Company on May 9, 2001 that contained a news release announcing the Company's financial results for the quarter ended March 31, 2001.

(2) A form 8-K was filed by the Company on August 8, 2001 that contained a news release announcing the Company's financial results for the quarter ended June 30, 2001.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

OCWEN FINANCIAL CORPORATION

By: /s/ Mark S. Zeidman

Mark S. Zeidman,
Senior Vice President and
Chief Financial Officer
(On behalf of the Registrant and as its
principal financial officer)

Date: November 14, 2001