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 June 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 August 8, 2001: 67,265,576 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)

	June 30, 2001	December 31, 2000
Assets:		
Cash and amounts due from depository institutions	$ 52,381	$ 18,749
Interest earning deposits	9,517	134,987
Federal funds sold and repurchase agreements	249,000	--
Trading securities, at fair value:		
Collateralized mortgage obligations (AAA-rated)	62,080	277,595
Subordinates, residuals and other securities	88,050	112,647
Loans available for sale, at lower of cost or market	4,450	10,610
Real estate held for sale	20,165	22,670
Low-income housing tax credit interests held for sale	31,789	87,083
Investment in real estate	115,661	122,761
Investments in low-income housing tax credit interests	85,893	55,729
Investment securities, at cost	13,257	13,257
Loan portfolio, net	77,105	93,414
Discount loan portfolio, net	306,942	536,028
Match funded loans and securities, net	91,462	116,987
Investments in unconsolidated entities	821	430
Real estate owned, net	129,042	146,419
Premises and equipment, net	41,982	43,152
Income taxes receivable	28,412	30,261
Deferred tax asset, net	77,991	95,991
Advances on loans and loans serviced for others	349,912	227,055
Mortgage servicing rights	82,928	51,426
Other assets	78,385	52,169
	$ 1,997,225	$ 2,249,420
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits	$ 1,044,363	$ 1,258,360
Bonds - match funded agreements	80,821	107,050
Obligations outstanding under lines of credit	104,545	32,933
Notes, debentures and other interest bearing obligations	169,130	173,330
Accrued interest payable	19,714	22,096
Excess of net assets acquired over purchase price	27,499	36,665
Accrued expenses, payables and other liabilities	31,299	36,030
Total liabilities	1,477,371	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 10)		
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; 67,259,927 and 67,152,363 shares issued and outstanding at June 30, 2001, and December 31, 2000, respectively	673	672
Additional paid-in capital	223,896	223,163
Retained earnings	234,237	279,194
Accumulated other comprehensive (loss) income, net of taxes:		
Net unrealized foreign currency translation (loss) gain	(111)	397
Total stockholders' equity	458,695	503,426
	$ 1,997,225	$ 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		Six Months	
For the periods ended June 30,	2001	2000	2001	2000
Net interest income:				
Income	$ 25,218	$ 50,455	$ 50,035	$ 98,545
Expense	24,728	45,661	51,608	89,057
Net interest income (expense) before provision for loan losses	490	4,794	(1,573)	9,488
Provision for loan losses	10,297	3,135	18,417	5,743
Net interest (expense) income after provision for loan losses	(9,807)	1,659	(19,990)	3,745
Non-interest income:				
Servicing and other fees	33,740	22,559	64,857	46,725
Gain (loss) on interest earning assets, net	422	5,270	(1,409)	16,264
Gain on trading and match funded securities, net	4,550	--	9,739	--
Impairment charges on securities available for sale	--	(4,764)	--	(11,597)
Loss on real estate owned, net	(1,881)	(3,006)	(2,865)	(10,013)
(Loss) gain on other non interest earning assets, net.	(975)	5,044	(519)	5,182
Net operating gains on investments in real estate	486	8,063	3,040	13,616
Amortization of excess of net assets acquired over purchase price	4,583	2,998	9,166	5,792
Other income	2,437	1,070	4,483	2,209
	43,362	37,234	86,492	68,178
Non-interest expense:				
Compensation and employee benefits	21,309	22,397	42,244	38,980
Occupancy and equipment	3,174	2,952	6,267	6,215
Technology and communication costs	5,556	5,754	15,704	11,375
Loan expenses	2,835	2,987	7,070	6,917
Net operating losses on investments in certain low-income housing tax credit interests	2,756	840	7,818	2,339
Amortization of excess of purchase price over net assets acquired	778	795	1,556	1,568
Professional services and regulatory fees	3,994	2,965	8,020	6,804
Other operating expenses	2,454	3,154	5,033	5,720
	42,856	41,844	93,712	79,918
Distributions on Company-obligated, mandatorily redeemable securities of subsidiary trust holding solely junior subordinated debentures of the Company	1,697	2,918	3,750	6,112
Equity in income (losses) of investments in unconsolidated entities	139	(1,812)	184	(4,072)
Loss before income taxes and extraordinary gain	(10,859)	(7,681)	(30,776)	(18,179)
Income tax (expense) benefit	(10,825)	2,380	(16,587)	5,635
Loss before extraordinary gain	(21,684)	(5,301)	(47,363)	(12,544)
Extraordinary gain on repurchase of debt, net of taxes	243	3,902	2,406	6,047
Net loss	$ (21,441)	$ (1,399)	$ (44,957)	$ (6,497)
(Loss) earnings per share:				
Basic:				
Loss before extraordinary gain	$ (0.33)	$ (0.08)	$ (0.71)	$ (0.19)
Extraordinary gain	0.01	0.06	0.04	0.09
Net loss	$ (0.32)	$ (0.02)	$ (0.67)	$ (0.10)
Diluted:				
Loss before extraordinary gain	$ (0.33)	$ (0.08)	$ (0.71)	$ (0.19)
Extraordinary gain	0.01	0.06	0.04	0.09
Net loss	$ (0.32)	$ (0.02)	$ (0.67)	$ (0.10)
Weighted average common shares outstanding:				
Basic	67,198,359	67,182,395	67,175,361	67,702,961
Diluted	67,198,359	67,182,395	67,175,361	67,702,961

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)

	Three Months		Six Months	
For the periods ended June 30,	2001	2000	2001	2000
Net loss	$ (21,441)	$ (1,399)	$ (44,957)	$ (6,497)
Other comprehensive (loss) income, net of taxes:				
Change in unrealized loss on securities available for sale arising during the period (1)	--	8,792	--	5,160
Less: Reclassification adjustment	--	(7,162)	--	(6,618)
Net change in unrealized loss on securities available for sale (2)	--	1,630	--	(1,458)
Change in unrealized foreign currency translation adjustment arising during the period (3)	363	207	(508)	368
Change in accounting principle for derivative financial instruments	--	--	59	--
Adjustment to unrealized gain on derivative financial instruments	20	--	(59)	--
Change in unrealized gain on derivative financial instruments.	20	--	--	--
Other comprehensive income (loss)	383	1,837	(508)	(1,090)
Comprehensive (loss) income	$ (21,058)	$ 438	$ (45,465)	$ (7,587)
Disclosure of reclassification adjustment:				
Unrealized holding gains arising during the period on securities sold or impaired	$ --	$ (401)	$ --	$ (4,609)
Add: Adjustment for realized gains and impairment charges on securities available for sale included in net loss	--	(6,761)	--	(2,009)
Net reclassification adjustment for gains recognized in other comprehensive loss in prior years (4)	$ --	$ (7,162)	$ --	$ (6,618)

(1) Net of tax benefit (expense) of $5,567 and $(4,273) for the three and six months ended June 30, 2000.

(2) Net of tax (expense) benefit of $(612) and $1,072 for the three and six months ended June 30, 2000, respectively.

(3) Net of tax benefit (expense) of $106 and $(116) for the three months ended June 30,2001 and 2000, respectively, and $292 and $(201) for the six months ended June 30, 2001 and 2000, respectively.

(4) Net of tax benefit (expense) of $4,955 and $4,978 for the three and six months ended June 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 SIX MONTHS ENDED JUNE 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	--	--	--	(44,957)	--	(44,957)
Directors' compensation	8,795	--	--	--	--	--
Stock options exercised	98,769	1	733	--	--	734
Other comprehensive loss, net of taxes:						
Change in unrealized foreign currency translation loss	--	--	--	--	(508)	(508)
Balances at June 30, 2001	67,259,927	$ 673	$ 223,896	$ 234,237	$ (111)	$ 458,695

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

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

For the six months ended June 30,	2001	2000
Cash flows from operating activities:		
Net loss	$ (44,957)	$ (6,497)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Net cash provided by trading securities	243,200	--
Proceeds from sales of loans available for sale	4,234	7,144
Principal payments received on loans available for sale	1,439	4,216
Premium amortization (discount accretion) on securities, net	16,368	(32,993)
Depreciation and amortization	30,390	2,653
Provision for loan losses	18,417	5,743
Provision for real estate owned	9,703	16,964
Loss (gain) on interest-earning assets, net	1,409	(16,264)
Gain on trading and match funded securities	(9,739)	--
Impairment charges on securities available for sale	--	11,597
Extraordinary gain on repurchase of long-term debt	(3,819)	(8,764)
Loss on other non-interest earning assets	519	(5,182)
Impairment charges on low-income housing tax credits held for investment	6,993	261
Gain on sale of real estate owned, net	(9,523)	(11,683)
Equity in (income) losses of unconsolidated entities	(184)	4,072
Decrease (increase) in income taxes receivable	1,849	(14,000)
Decrease in income tax payable	--	(6,369)
Decrease (increase) in deferred tax asset	18,000	(3,299)
Increase in advances on loans and loans serviced for others	(122,857)	(42,718)
(Increase) decrease in other assets, net	(47,094)	30,396
Decrease in accrued expenses, interest payable and other liabilities	(13,848)	(22,332)
Net cash provided (used) by operating activities	100,500	(87,055)
Cash flows from investing activities:		
Proceeds from sales of securities available for sale	--	324,278
Purchase of securities available for sale	--	(833,704)
Maturities of and principal payments received on securities available for sale	--	284,523
Acquisition of Federal Home Loan Bank stock	--	(2,432)
Principal payments received on match funded loans and securities	14,901	15,224
Investment in low-income housing tax credit investments	(8,335)	(22,980)
Proceeds from sales of low-income housing tax credit interests	34,044	27,587
Purchase of mortgage servicing rights	(43,263)	--
Proceeds from sales of discount loans, net	133,335	118,674
Proceeds from sale of real estate held for sale	1,000	9,000
Proceeds from sale of real estate held for investment	6,224	3,008
Proceeds from sales of loans held for investment	14,318	7,727
Purchase, originations and funded commitments of loans held for investment, net of undisbursed loan funds	(18,902)	(22,868)
Purchase and funded commitments of discount loans, net	(1,220)	(157,609)
(Increase) decrease in investment in unconsolidated entities	(207)	481
Purchase of and capital improvements to real estate held for investment	--	(111,824)
Principal payments received on loans held for investment	5,504	26,386
Capital improvements to real estate held for sale	--	(2,829)
Principal payments received on discount loans, net	40,065	71,333
Proceeds from sale of real estate owned	69,843	88,056
Purchase of real estate owned in connection with discount loan purchases	--	(8,593)
Additions to premises and equipment	(3,858)	(3,152)
Net cash provided (used) by investing activities	243,449	(189,714)

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 six months ended June 30,	2001	2000
Cash flows from financing activities:		
Decrease in deposits	$ (213,997)	$ (200,153)
Increase in securities sold under agreements to repurchase	--	373,685
Proceeds from (repayment of) obligations under lines of credit, net	71,612	(3,116)
Payments on bonds-match funded agreements	(26,672)	(17,716)
Repurchase of Capital Securities	(14,247	(4,979)
Repurchases of notes and subordinated debentures	(4,267)	(24,996)
Exercise of stock options	784	--
Repurchase of common stock	--	(8,996)
Net cash (used) provided by financing activities	(186,787)	113,729
Net increase (decrease) in cash and cash equivalents	157,162	(163,040)
Cash and cash equivalents at beginning of period	153,736	381,858
Cash and cash equivalents at end of period	$ 310,898	$ 218,818
Reconciliation of cash and cash equivalents at end of period:		
Cash and amounts due from depository institutions	$ 52,381	$ 26,080
Interest-earning deposits	9,517	19,238
Federal funds sold and repurchase agreements	249,000	173,500
	$ 310,898	$ 218,818
Supplemental disclosure of cash flow information:		
Cash received (paid) during the period for:		
Interest	$ 80,869	$ 85,283
Income tax refunds (payments)	$ 2,461	$ (18,820)
Supplemental schedule of non-cash investing and financing activities:		
Real estate owned acquired through foreclosure	$ 40,545	$ 91,820
Reclassification of properties from investment in real estate to real estate held for sale	$ --	$ 218,514
Reclassification of low-income housing tax credit interests held for sale to investments in low-income housing tax credit interests, net	$ 24,021	$ --

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 financial statements contain all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the Company's financial condition at June 30, 2001 and December 31, 2000, the results of its operations for the three and six months ended June 30, 2001 and 2000, its comprehensive (loss) income for the three and six months ended June 30, 2001 and 2000, its changes in stockholders' equity for the six months ended June 30, 2001 and its cash flows for the six months ended June 30, 2001 and 2000. The results of operations and other data for the three and six month periods ended June 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 June 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 instruments 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. 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. In addition, 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. However, the Company has not yet fully determined the impact that the adoption of other elements of SFAS No. 142 may have on its financial position or results of operations.

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 three months ended June 30, 2001, OCT repurchased $2,526 of its Capital Securities in the open market, resulting in extraordinary gains of $386 ($243 net of taxes). During the six months ended June 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).

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 $2,716 and $3,533 at June 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

(Dollars in thousands, except per share data)

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.

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 $2,124 and $2,815 at June 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 June 30, 2001 include retained interests with a fair value of $39,649 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 June 30, 2001 were as follows:

	Weighted Average
Discount rate	18.60%
Projected prepayments	18.92%
Projected average life	2.73 years
Projected annual loss rates	3.07%
Static pool losses	14.46%

As of June 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	$ (2,192)
Impact of a +20% change	(4,110)
Prepayments:	
Impact of a -10% change	(1,235)
Impact of a -20% change	(2,002)
Loss rates:	
Impact of a +10% change	(2,621)
Impact of a +20% change	(4,805)

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.

(Dollars in thousands, except per share data)

As of and for the six months ended June 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.............	$1,680,528
Delinquencies of securitized loans (30 days past due).............	421,963
Losses, net of recoveries, on securitized loans..................	41,736

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 swaps below have been used to alter the interest rate on current LIBOR rate debt incurred to fund the Company's acquisitions of real estate. These swaps matured in April 2001. The terms of the outstanding interest rate swaps at December 31, 2000 were 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 June 30, 2001 and December 31, 2000 are as follows:

	Notional Amount	Maturity	Index	Strike Rate	Fair Value
June 30, 2001:					
Caps...........................	$ 133,592	October 2003	LIBOR 1-Month	7.00%	$ 207
Floors.........................	$ 35,893	October 2003	CMT 2-Year	4.35	110
					$ 317
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

To hedge the economic risk associated with mortgage servicing assets, the Company entered into a floor contract during the first quarter of 2001. This contract did not qualify for hedge accounting and, therefore, changes in fair value are recorded in the income statement. The fair values of the mortgage servicing assets and the floor contract are subject to variability as interest rates change. The terms of this floor at June 30, 2001 are as follows:

	Notional Amount	Maturity	Index	Strike Rate	Fair Value
Floor.........................	$ 11,600	February 2011	CMS 10-Year	5.60%	$ 184

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

(Dollars in thousands, except per share data)

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 June 30, 2001 and December 31, 2000:

	Position	Maturity	Notional Amount		Strike Rate	Fair Value
June 30, 2001:						
Canadian Dollar currency futures...........	Short	Sept. 2001	C$	33,000	$0.6571	$ (96)
British Pound currency futures.............	Short	Sept. 2001	(pound)	17,688	$1.3780	(555)
						$ (651)
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 June 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 June 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 June 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 June 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	16.49%	$ 246,728					
Non-includable subsidiary		(2,488)					
Acquired real estate		(73)					
Disallowed deferred tax assets		(51,128)					
Disallowed servicing assets		(8,218)					
Tier 1 (core) capital and ratio to adjusted total assets	12.87%	184,821	4.00%	$ 57,430	5.00%	$ 71,787	9.00%
Non-mortgage servicing assets		(3,852)					
Tangible capital and ratio to tangible assets	12.64%	$ 180,969	1.50%	$ 21,536			
Tier 1 capital and ratio to risk-weighted assets	15.52%	$ 184,821			6.00%	$ 71,440	
Allowance for loan and lease losses		14,940					
Qualifying subordinated debentures		40,200					
Tier 2 capital		55,140					
Total risk-based capital and ratio to risk-weighted assets	20.15%	$ 239,961	8.00%	$ 95,253	10.00%	$ 119,066	13.00%
Total regulatory assets		$1,496,420					
Adjusted total assets		$1,435,738					
Tangible assets		$1,431,886					
Risk-weighted assets		$1,190,662					

(Dollars in thousands, except per share data)

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

	Three Months		Six Months	
For the periods ended June 30,	2001	2000	2001	2000
Interest income:				
Federal funds sold and repurchase agreements	$ 2,454	$ 864	$ 4,098	$ 2,573
Trading securities	4,173	--	9,873	--
Securities available for sale	--	16,808	--	29,677
Loans available for sale	143	917	364	1,724
Investment securities and other	251	502	597	829
Loan portfolio	1,619	5,337	3,502	9,305
Match funded loans and securities	2,737	2,952	5,220	6,263
Discount loan portfolio	13,841	23,075	26,381	48,174
	25,218	50,455	50,035	98,545
Interest expense:				
Deposits	16,308	24,793	34,379	49,478
Securities sold under agreements to repurchase	--	5,284	--	7,924
Bonds - match funded agreements	1,742	2,790	4,708	6,146
Obligations outstanding under lines of credit	1,736	3,942	2,456	7,413
Notes, debentures and other interest-bearing obligations	4,942	8,852	10,065	18,096
	24,728	45,661	51,608	89,057
Net interest income (expense) before provision for loan losses	$ 490	$ 4,794	$ (1,573)	$ 9,488

(Dollars in thousands, except per share data)

NOTE 9: 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 (Expense) Income (1)	Non-Interest Income	Non-Interest Expense	Net (Loss) Income	Total Assets
At or for the three months ended June 30, 2001:					
Single family residential discount loans	$ (2,585)	$ 62	$ 2,019	$ (2,816)	$ 250,165
Commercial loans	321	(1,002)	2,964	(2,297)	416,638
Domestic residential mortgage loan servicing	(4,517)	30,876	17,850	5,275	347,971
Investment in low-income housing tax credits	(2,147)	(1,119)	3,698	(3,624)	142,262
OTX	(111)	252	7,933	(4,831)	15,651
Commercial real estate	(765)	1,452	204	299	77,398
Subprime single family residential lending	699	4,020	887	2,376	97,425
Unsecured collections	(739)	477	1,879	(1,328)	2,983
Ocwen Realty Advisors	--	2,385	2,180	128	872
Corporate items and other	37	5,959	3,242	(14,623)	645,860
	$ (9,807)	$ 43,362	$ 42,856	$ (21,441)	$1,997,225
At or for the six months ended June 30, 2001:					
Single family residential discount loans	$ (1,066)	$ (1,359)	$ 1,493	$ (3,905)	$ 250,165
Commercial loans	(6,410)	2,100	4,347	(7,328)	416,638
Domestic residential mortgage loan servicing	(8,188)	57,786	22,458	10,553	347,971
Investment in low-income housing tax credits	(4,226)	(541)	9,262	(8,234)	142,262
OTX	(263)	991	19,708	(13,366)	15,651
Commercial real estate	(1,618)	2,727	148	399	77,398
Subprime single family residential lending	601	6,325	699	3,442	97,425
Unsecured collections	(1,486)	922	2,511	(2,692)	2,983
Ocwen Realty Advisors	--	5,109	4,362	215	872
Corporate items and other	2,666	12,432	28,724	(24,041)	645,860
	$ (19,990)	$ 86,492	$ 93,712	$ (44,957)	$1,997,225

(1) After provision for loan losses.

(Dollars in thousands, except per share data)

	Net Interest Income (Expense)(1)	Non-Interest Income	Non-Interest Expense	Net (Loss) Income	Total Assets
At or for the three months ended June 30, 2000:					
Single family residential discount loans	$ 6,651	$ 3,593	$ 3,198	$ 4,369	$ 567,399
Commercial loans	626	4,746	4,170	746	1,524,012
Domestic residential mortgage loan servicing	(935)	20,141	14,851	2,701	156,816
Investment in low-income housing tax credits	(2,180)	(169)	2,002	5	161,277
OTX	(183)	575	8,893	(5,271)	20,264
Commercial real estate	(5,103)	9,196	860	2,005	247,663
UK operations	(269)	--	197	(1,390)	32,182
Subprime single family residential lending	957	(5,764)	590	(3,347)	165,835
Unsecured collections	(1,325)	85	2,294	(2,191)	17,026
Ocwen Realty Advisors (2)	--	3,070	2,832	148	1,319
Corporate items and other	3,420	1,761	1,957	826	476,380
	$ 1,659	$ 37,234	$ 41,844	$ (1,399)	$3,370,173
At or for the six months ended June 30, 2000:					
Single family residential discount loans	$ 13,726	$ 4,343	$ 6,044	$ 7,455	$ 567,399
Commercial loans	1,794	8,376	7,923	1,440	1,524,012
Domestic residential mortgage loan servicing	(655)	39,184	28,155	6,432	156,816
Investment in low-income housing tax credits	(4,685)	551	4,245	1,222	161,277
OTX	(377)	889	16,231	(9,746)	20,264
Commercial real estate	(10,160)	15,782	1,270	2,698	247,663
UK operations	(554)	--	64	(2,932)	32,182
Subprime single family residential lending	996	(13,076)	674	(7,908)	165,835
Unsecured collections	(2,849)	86	4,275	(4,364)	17,026
Ocwen Realty Advisors (2)	--	7,700	7,233	290	1,319
Corporate items and other	6,509	4,343	3,804	(1,084)	476,380
	$ 3,745	$ 68,178	$ 79,918	$ (6,497)	$3,370,173

(1) After provision for loan losses.

(2) Non-interest income for the three and six months ended June 30, 2000 included $497 and $1,630, respectively, of intercompany and intersegment revenues, which have been eliminated in consolidation.

NOTE 10: COMMITMENTS AND CONTINGENCIES

At June 30, 2001, the Company had commitments of $6,464 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 $88,050 at June 30, 2001, supports senior classes of securities. At June 30, 2001, the Company had $7,035 outstanding in guarantees to third parties related to debt obligations and lease commitments of its subsidiaries.

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 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	June 30, 2001	December 31, 2000	Increase (Decrease)
Balance Sheet Data			
Total assets	$ 1,997,225	$ 2,249,420	(11)%
Trading securities, at fair value:			
Collateralized mortgage obligations (AAA-rated)	62,080	277,595	(78)
Subordinates, residuals and other securities	88,050	112,647	(22)
Real estate held for sale	20,165	22,670	(11)
Low-income housing tax credits held for sale	31,789	87,083	(63)
Investments in real estate	115,661	122,761	(6)
Investment in low-income housing tax credit interests	85,893	55,729	54
Loan portfolio, net	77,105	93,414	(17)
Discount loan portfolio, net	306,942	536,028	(43)
Match funded loans and securities, net	91,462	116,987	(22)
Real estate owned, net	129,042	146,419	(12)
Deferred tax asset, net	77,991	95,991	(19)
Advances on loans and loans serviced for others	349,912	227,055	54
Mortgage servicing rights	82,928	51,426	61
Total liabilities	1,477,371	1,666,464	(11)
Deposits	1,044,363	1,258,360	(17)
Bonds-match funded agreements	80,821	107,050	(25)
Obligations outstanding under lines of credit	104,545	32,933	217
Notes, debentures and other interest bearing obligations	169,130	173,330	(2)
Capital Securities	61,159	79,530	(23)
Stockholders' equity	458,695	503,426	(9)

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 June 30,		
	2001	2000	Favorable (Unfavorable)
Operations Data			
Net interest income	$ 490	$ 4,794	(90)%
Provision for loan losses	10,297	3,135	(228)%
Non-interest income	43,362	37,234	16%
Non-interest expense	42,856	41,844	(2)%
Distributions on Capital Securities	1,697	2,918	42%
Equity in income (losses) of investment in unconsolidated entities	139	(1,812)	108%
Income tax (expense) benefit	(10,825)	2,380	(555)%
Extraordinary gain on repurchase of debt, net of taxes	243	3,902	(94)%
Net loss	(21,441)	(1,399)	(1,433)%
Per Common Share			
Net loss:			
Basic	$ (0.32)	$ (0.02)	(1,500)%
Diluted	(0.32)	(0.02)	(1,500)%
Stock price:			
High	$ 10.44	$ 8.63	21%
Low	8.54	5.44	57%
Close	10.25	5.56	84%
Key Ratios			
Annualized return on average assets	(4.16)%	(0.17)%	(2,347)%
Annualized return on average equity	(18.19)	(1.14)	(1,496)%
Efficiency ratio (1)	97.42	104.05	6%
Core (leverage) capital ratio	12.87	9.24	39%
Risk-based capital ratio	20.15	17.14	18%

(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.

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

	At or for the Six Months Ended June 30,		
	2001	2000	Favorable (Unfavorable)
Operations Data			
Net interest (expense) income	$ (1,573)	$ 9,488	(117)%
Provision for loan losses	18,417	5,743	(221)%
Non-interest income	86,492	68,178	27%
Non-interest expense	93,712	79,918	(17)%
Distributions on Capital Securities	3,750	6,112	(38)%
Equity in income (losses) of investment in unconsolidated entities	184	(4,072)	105%
Income tax (expense) benefit	(16,587)	5,635	(394)%
Extraordinary gain on repurchase of debt, net of taxes	2,406	6,047	(60)%
Net loss	(44,957)	(6,497)	(592)%
Per Common Share			
Net (loss) income:			
Basic	$ (0.67)	$ (0.10)	(570)%
Diluted	(0.67)	(0.10)	(570)%
Stock price:			
High	$ 10.44	$ 8.63	21%
Low	5.44	5.31	2%
Close	10.25	5.56	84%
Key Ratios			
Annualized return on average asset	(4.25)%	(0.39)%	(990)%
Annualized return on average equity	(18.54)	(2.62)	(608)%
Efficiency ratio (1)	106.19	108.59	2%
Core (leverage) capital ratio	12.87	9.24	39%
Risk-based capital ratio	20.15	17.14	18%

(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.

Results of Operations: Three and Six Months Ended June 30, 2001 versus Three and Six Months Ended June 30, 2000

General. The Company recorded a net loss of $(21,441) or $(0.32) per share, for the second quarter of 2001, as compared to a net loss of $(1,399), or $(0.02) per share, for the second quarter of 2000. There were a number of key factors and transactions that contributed to the results for the second quarter of 2001 as compared to the second quarter of 2000, including: a decline in net interest income from $4,794 in the second quarter of 2000 to $490 in the second 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; an increase in the provision for loan losses from $3,135 in the second quarter of 2000 to $10,297 in the second quarter of 2001 primarily related to a strengthening of reserves on single family discount loans in response to changes in credit quality; a decline in gains on sales of investments in real estate of $5,213 and in operating gains on investments in real estate of $7,577 as a result of the sale of properties during 2000; impairment charges of $2,490 on low-income housing tax credit interests held for investment recorded during the second quarter of 2001; an $8,000 provision recorded in the second quarter of 2001 to increase the valuation allowance on the deferred tax asset; and a $3,659 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 six months ended June 30, 2001 and 2000:

o Single Family Residential Discount Loans. The segment had a net loss for the three months ended June 30, 2001 of $(2,816) as compared to income of $4,369 for the three months ended June 30, 2000. Results included gains of $1,114 and $4,470 from the sale of loans during the three months ended June 30, 2001 and 2000, respectively. Losses from the sale and operation of real estate owned amounted to $1,943 and $1,020 for the three months ended June 30, 2001 and 2000, respectively. The results for the three months ended June 30, 2001 also reflect an increase of $8,177 in the provision for loan losses, as compared to the same period in the prior year.

The segment had a net loss for the six months ended June 30, 2001 of $(3,905) as compared to income of $7,455 for the three months ended June 30, 2000. Results for the six months ended June 30, 2001 and 2000 included gains of $1,114 and $12,269, respectively, from the sale of loans. Impairment charges on residential subordinate securities amounted to $667 for the six months ended June 30, 2000 as compared to net trading gains on residential subordinate securities of $1,856 for the same period of 2001. Losses from the sale and operation of real estate owned amounted to $5,503 and $7,536 for the six months ended June 30, 2001 and 2000, respectively. The results for the six months ended June 30, 2001 also reflect an increase of $9,401 in the provision for loan losses, as compared to the same period in the prior year.

- Commercial Loans. Segment net income declined from $746 for the three months ended June 30, 2000 to a loss of $(2,297) for the three months ended June 30, 2001. The results for the three months ended June 30, 2001 reflect an increase of $1,461 in gains from the sale and operation of real estate owned as compared to the same period of 2000. Gain on loan sales was $675 for the three months ended June 30, 2000, while for the three months ended June 30, 2001 losses of ($733) were recorded. Equity in earnings related to loans accounted for as investments in real estate was $2,783 during the three months ended June 30, 2000 as compared to equity in losses of $(838) during the three months ended June 30, 2001. Gains on sales of such loans amounted to $1,316 for the first quarter of 2000 as compared to $0 for the first quarter of 2001.

  Segment net income declined from $1,440 for the six months ended June 30, 2000 to a loss of $(7,328) for the six months ended June 30, 2001. The results for the six months ended June 30, 2001 reflect an increase of $4,073 in gains from the sale and operation of real estate owned as compared to the same period of 2000. Gain on loan sales was $576 for the six months ended June 30, 2000, while for the six months ended June 30, 2001 a loss of ($2,631) was recorded. Equity in earnings related to loans accounted for as investments in real estate decreased from $4,544 to $468 for the six months ended June 30, 2000 and 2001, respectively. Gains on sales of loans accounted for as investments in real estate for the six months ended June 30, 2001 and 2000 amounted to $0 and $1,316, respectively. The results for the six months ended June 30, 2001 also reflect increases in the provision for loan losses of $4,106 primarily related to discount loans.

- Domestic Residential Mortgage Loan Servicing. Segment net income was $5,275 and $2,701 for the three months ended June 30, 2001 and 2000, respectively. Domestic residential servicing and other fees amounted to $30,485 for the three months ended June 30, 2001 as compared to $20,166 for the three months ended June 30, 2000. Similarly, segment net income was $10,553 and $6,432 for the six months ended June 30, 2001 and 2000, respectively. Domestic residential servicing and other fees amounted to $57,439 for the six months ended June 30, 2001 as compared to $39,154 for the six months ended June 30, 2000. The increase in servicing fees in both the three and six month periods ended June 30, 2001 reflects an increase in the average balance of loans serviced for others. See "Results of Operations--Non-interest Income."

- Investment in Low-Income Housing Tax Credits. Segment net income declined from $5 for the three months ended June 30, 2000 to a loss of $(3,624) for the three months ended June 30, 2001. Contributing to the loss in 2001 were impairment charges of $2,490 provided on projects held for investment. Similarly, segment net income declined from $1,222 for the six months ended June 30, 2000 to a loss of $(8,234) for the six months ended June 30, 2000. Contributing to the loss in 2001 were impairment charges of $6,992 provided on projects held for investment. See "Changes in Financial Condition - Investment in Low-Income Housing Tax Credit Interests."

- UK Operations. Losses for 2000 relate to the Company's equity investment in Kensington, which was sold November 22, 2000. See "Results of Operations - Equity in Losses of Investments in Unconsolidated Entities."

- OTX. Segment losses were $(4,831) and $(5,271) for the three months ended June 30, 2001 and 2000, respectively. Segment losses were $(13,366) and $(9,746) for the six months ended June 30, 2001 and 2000, respectively. The net losses incurred by OTX reflect the Company's ongoing commitment to the development of its technology business. In addition, during the first quarter of 2001, the Company recorded $4,685 for nonrecurring expenses, including $3,185 for a payment due in connection with the 1997 acquisition of Amos, Inc.

- Commercial Real Estate. Segment net income was $299 and $2,005 for the three months ended June 30, 2001 and 2000, respectively. Results for the three months ended June 30, 2001 included $2,795 of net operating gains on investments in real estate, which compared to $5,280 for the three months ended June 30, 2000. Results for the first quarter of 2001 included a charge of

$1,471 to write-down the carrying value of a real estate property held for sale. Results for the three months ended June 30, 2000 included a gain of $3,897 from the sale of a property held for sale. There were no such gains recorded in the three months ended June 30, 2001. In addition, interest on lines of credit declined by $2,467 during the three months ended June 30, 2001 as compared to the same period in 2000. See "Results of Operations - Non-Interest Income."

Segment net income was $399 and $2,698 for the six months ended June 30, 2001 and 2000, respectively. Results for the six months ended June 30, 2001 included $4,043 of net operating gains on investments in real estate, which compared to $9,072 for the six months ended June 30, 2000. Results for the six months ended June 30, 2001 included the charge of $1,471 to write-down a real estate property held for sale. Results for the six months ended June 30, 2000 included a $2,768 gain on the sale of a subordinate security and a $3,897 gain from the sale of a property held for sale. There were no such gains recorded during the six months ended June 30, 2001. In addition, interest on lines of credit and declined by $4,578 during the six months ended June 30, 2001 as compared to the same period in 2000. See "Results of Operations - Non-Interest Income."

- Subprime Single Family Residential Lending. Segment results improved from a loss of $(3,347) for the three months ended June 30, 2000 to $2,376 of income for the three months ended June 30, 2001. Results for the three months ended June 30, 2000 included $4,696 of impairment charges on subprime residual securities, whereas the results for the three months ended June 30, 2001 include $3,979 of net trading gains on subprime residual securities.

  Segment results improved from a loss of $(7,908) for the six months ended June 30, 2000 to $3,442 of income for the six months ended June 30, 2001. Results for the six months ended June 30, 2000 included $10,930 of impairment charges on subprime residual securities, whereas results for the six months ended June 30, 2001 include $6,520 of net trading gains 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 $(1,328) and $(2,191) for the three months ended June 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 June 30, 2001 included provisions for loan losses of $781 as compared to $1,280 for the three months ended June 30, 2000.

  Segment losses were $(2,692) and $(4,364) for the six months ended June 30, 2001 and 2000, respectively. Results for the six months ended June 30, 2001 included provisions for loan losses of $1,522 as compared to $2,767 for the six months ended June 30, 2000.

- Ocwen Realty Advisors. Segment income was $128 and $148 for the three months ended June 30, 2001 and 2000, respectively, and $215 and $290 for the six months ended June 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 $(14,623) and income of $826 for the three months ended June 30, 2001 and 2000, respectively. This segment consists of 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") securities portfolio. Net loss for the three months ended June 30, 2000 includes $3,902 of extraordinary gains, net of taxes, on repurchases of debt as compared to $243 of such gains, net of taxes, during the same period of 2001. Results for the second quarter of 2001 also include a provision of $8,000 for an additional valuation allowance on the deferred tax asset.

  For the six months ended June 30, 2001 and 2000, segment losses were $(24,041) and $(1,084), respectively. Net loss for the six months ended June 30, 2000 includes $6,047 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. Results for 2001 also include a provision of $18,000 for an additional valuation allowance on the deferred tax asset.

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 June 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........	$ 226,748	$ 2,454	4.33%	$ 52,442	$ 864	6.59%
Trading securities (1).............................	177,869	4,173	9.38	--	--	--
Securities available for sale (1)...................	--	--	--	863,513	16,808	7.79
Loans available for sale (2)........................	10,227	143	5.59	38,279	917	9.58
Investment securities and other.....................	13,895	251	7.23	21,044	502	9.54
Loan portfolio (2)..................................	76,803	1,619	8.43	157,667	5,337	13.54
Match funded loans and securities (2)...............	109,601	2,737	9.99	146,748	2,952	8.05
Discount loan portfolio (2).........................	401,313	13,841	13.80	837,944	23,075	11.02
Total interest earning assets....................	1,016,456	25,218	9.92	2,117,637	50,455	9.53
Non-interest earning cash...........................	65,157			53,031		
Allowance for loan losses...........................	(18,412)			(27,360)		
Investment in low-income housing tax credit interests..	65,611			141,691		
Investment in unconsolidated entities...............	384			32,629		
Real estate owned, net..............................	134,245			183,550		
Low-income housing tax credit interests held for sale..	63,719			--		
Investment in real estate...........................	115,937			206,151		
Real estate held for sale...........................	21,135			194,596		
Escrow advances on loans and loans serviced for others..	324,379			180,459		
Mortgage servicing rights, net......................	75,548			14,900		
Other assets..	195,752			276,513		
Total assets.....................................	$2,059,911			$3,373,797		
Average Liabilities and Stockholders' Equity:						
Interest-bearing demand deposits....................	$ 11,283	$ 103	3.65%	$ 12,668	$ 76	2.40%
Savings deposits....................................	1,416	8	2.26	1,704	10	2.35
Certificates of deposit.............................	1,005,446	16,197	6.44	1,564,871	24,707	6.32
Total interest-bearing deposits..................	1,018,145	16,308	6.41	1,579,243	24,793	6.28
Securities sold under agreements to repurchase......	--	--	--	336,634	5,284	6.28
Bonds-match funded agreements.......................	91,000	1,742	7.66	126,700	2,790	8.81
Obligations outstanding under lines of credit.......	85,330	1,736	8.14	182,644	3,942	8.63
Notes, debentures and other.........................	169,130	4,942	11.69	298,845	8,852	11.85
Total interest-bearing liabilities...............	1,363,605	24,728	7.25	2,524,066	45,661	7.24
Non-interest bearing deposits.......................	10,826			6,017		
Escrow deposits.....................................	66,786			126,000		
Excess of net assets acquired over purchase price...	31,001			52,649		
Other liabilities...................................	53,725			67,351		
Total liabilities................................	1,525,943			2,776,083		
Capital Securities..................................	62,408			108,565		
Stockholders' equity................................	471,560			489,149		
Total liabilities and stockholders' equity.......	$2,059,911			$3,373,797		
Net interest income.................................		$ 490			$ 4,794	
Net interest spread.................................			2.67%			2.29%
Net interest margin.................................			0.19%			0.91%
Ratio of interest-earning assets to interest-bearing liabilities.......................	75%			84%		

(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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	Six Months Ended June 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	$ 178,227	$ 4,098	4.60%	$ 87,198	$ 2,573	5.90%
Trading securities (1)	243,334	9,873	8.11	--	--	--
Securities available for sale (1)	--	--	--	759,398	29,677	7.82
Loans available for sale (2)	10,838	364	6.72	41,386	1,724	8.33
Investment securities and other	14,195	597	8.41	24,990	829	6.63
Loan portfolio (2)	86,450	3,502	8.10	162,012	9,305	11.49
Match funded loans and securities (2)	116,686	5,220	8.95	151,908	6,263	8.25
Discount loan portfolio (2)	467,191	26,381	11.29	912,686	48,174	10.56
Total interest earning assets	1,116,921	50,035	8.96	2,139,578	98,545	9.21
Non-interest earning cash	55,988			54,134		
Allowance for loan losses	(20,120)			(27,389)		
Investment in low-income housing tax credit interests	56,244			148,701		
Investment in unconsolidated entities	403			33,860		
Real estate owned, net	134,372			182,715		
Low-income housing tax credit interests held for sale	79,290			--		
Investment in real estate	118,861			256,517		
Real estate held for sale	21,437			98,313		
Escrow advances on loans and loans serviced for others	284,836			180,545		
Mortgage servicing rights, net	63,240			13,353		
Other assets	205,981			270,657		
Total assets	$2,117,453			$3,350,984		
Average Liabilities and Stockholders' Equity:						
Interest-bearing demand deposits	$ 12,882	$ 240	3.73%	$ 12,722	$ 253	3.98%
Savings deposits	1,365	16	2.34	1,577	20	2.54
Certificates of deposit	1,057,012	34,123	6.46	1,566,673	49,205	6.28
Total interest-bearing deposits	1,071,259	34,379	6.42	1,580,972	49,478	6.26
Securities sold under agreements to repurchase	--	--	--	251,597	7,924	6.30
Bonds-match funded agreements	97,936	4,708	9.61	132,439	6,146	9.28
Obligations outstanding under lines of credit	59,108	2,456	8.31	180,937	7,413	8.19
Notes, debentures and other	171,288	10,065	11.75	298,719	18,096	12.12
Total interest-bearing liabilities	1,399,591	51,608	7.37	2,444,664	89,057	7.29
Non-interest bearing deposits	11,669			7,462		
Escrow deposits	59,399			166,469		
Excess of net assets acquired over purchase price	33,052			54,306		
Other liabilities	59,955			73,130		
Total liabilities	1,563,666			2,746,031		
Capital Securities	68,793			109,283		
Stockholders' equity	484,994			495,670		
Total liabilities and stockholders' equity	$2,117,453			$3,350,984		
Net interest (expense) income		$ (1,573)			$ 9,488	
Net interest spread			1.59%			1.92%
Net interest margin			(0.28)%			0.89%
Ratio of interest-earning assets to interest-bearing liabilities	80%			88%		

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.

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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			Six Months		
	2001 vs. 2000			2001 vs. 2000		
	Increase (Decrease) Due to			Increase (Decrease) Due To		
For the periods ended June 30,	Rate	Volume	Total	Rate	Volume	Total
Interest-Earning Assets:						
Federal funds sold and repurchase agreements	$ (388)	$ 1,978	$ 1,590	$ (672)	$ 2,197	$ 1,525
Securities available for sale	--	(16,808)	(16,808)	--	(29,677)	(29,677)
Trading securities	2,083	2,090	4,173	1,053	8,820	9,873
Loans available for sale	(281)	(493)	(774)	(283)	(1,077)	(1,360)
Investment securities and other	(105)	(146)	(251)	185	(417)	(232)
Loan portfolio	(1,576)	(2,142)	(3,718)	(2,247)	(3,556)	(5,803)
Match funded loans and securities	625	(840)	(215)	500	(1,543)	(1,043)
Discount loan portfolio	4,835	(14,069)	(9,234)	3,158	(24,951)	(21,793)
Total interest-earning assets	5,193	(30,430)	(25,237)	1,694	(50,204)	(48,510)
Interest-Bearing Liabilities:						
Interest-bearing demand deposits	36	(9)	27	(16)	3	(13)
Savings deposits	--	(2)	(2)	(2)	(2)	(4)
Certificates of deposit	492	(9,002)	(8,510)	1,336	(16,418)	(15,082)
Total interest-bearing deposits	528	(9,013)	(8,485)	1,318	(16,417)	(15,099)
Securities sold under agreements to repurchase	--	(5,284)	(5,284)	--	(7,924)	(7,924)
Bonds-match funded agreements	(332)	(716)	(1,048)	214	(1,652)	(1,438)
Obligations outstanding under lines of credit	(214)	(1,992)	(2,206)	104	(5,061)	(4,957)
Notes, debentures and other interest-bearing obligations	(118)	(3,792)	(3,910)	(528)	(7,503)	(8,031)
Total interest-bearing liabilities	(136)	(20,797)	(20,933)	1,108	(38,557)	(37,449)
	$ 5,329	$ (9,633)	$ (4,304)	$ 586	$ (11,647)	$ (11,061)

The Company's net interest income before provision for loan losses amounted to $490 for the three months ended June 30, 2001 as compared to net interest income of $4,794 for the three months ended June 30, 2000, a decline of $4,304 or 90%. The decrease was due to a decrease in average interest-earning assets, offset by an increase in the net interest spread and a decrease in average interest-bearing liabilities. Average interest-earning assets decreased by $1,101,181 or 52% during the three months ended June 30, 2001 and reduced interest income by $30,430. Average interest-bearing liabilities decreased by $1,160,461 or 46% during the three months ended June 30, 2001 and decreased interest expense by $20,797. The impact of these volume changes resulted in an $9,633 decrease in net interest income. The net interest spread increased 38 basis points as a result of a 39 basis-point increase in the weighted average rate on interest-earning assets, offset by 1 basis-point increase in the weighted average rate on interest-bearing liabilities. The impact of these rate changes resulted in a $5,329 increase in net interest income.

The Company's net interest expense before provision for loan losses amounted to $1,573 for the six months ended June 30, 2001 as compared to net interest income of $9,488 for the six months ended June 30, 2000, a decline of $11,061 or 117%. 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 $1,022,657 or 48% during the six months ended June 30, 2001 and reduced interest income by $50,204. Average interest-bearing liabilities decreased by $1,041,036 or 43% during the six months ended June 30, 2001 and decreased interest expense by $38,557. The impact of these volume changes resulted in a $11,647 decrease in net interest income. The net interest spread decreased 33 basis points as a result of a 25 basis-point decrease in the weighted average rate on interest-earning assets and a 8 basis-point increase in the weighted average rate on interest-bearing liabilities. The impact of these rate changes resulted in a $586 increase in net interest income.

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For the three months ended June 30,	Average Balance 2001	Average Balance 2000	Increase (Decrease) $	Average Yield 2001	Average Yield 2000	Increase (Decrease) Basis Points
Federal funds sold and repurchase agreements	$ 226,748	$ 52,442	$ 174,306	4.33%	6.59%	(226)
Trading securities	177,869	--	177,869	9.38	--	938
Securities available for sale	--	863,513	(863,513)	--	7.79	(779)
Loans available for sale	10,227	38,279	(28,052)	5.59	9.58	(399)
Investment securities and other	13,895	21,044	(7,149)	7.23	9.54	(231)
Loan portfolio	76,803	157,667	(80,864)	8.43	13.54	(511)
Match funded loans and securities	109,601	146,748	(37,147)	9.99	8.05	194
Discount loan portfolio	401,313	837,944	(436,631)	13.80	11.02	278
	$ 1,016,456	$ 2,117,637	$(1,101,181)	9.92	9.53	39

For the six months ended June 30,	Average Balance 2001	Average Balance 2000	Increase (Decrease) $	Average Yield 2001	Average Yield 2000	Increase (Decrease) Basis Points
Federal funds sold and repurchase agreements	$ 178,227	$ 87,198	$ 91,029	4.60%	5.90%	(130)
Trading securities	243,334	--	243,334	8.11	--	811
Securities available for sale	--	759,398	(759,398)	--	7.82	(782)
Loans available for sale	10,838	41,386	(30,548)	6.72	8.33	(161)
Investment securities and other	14,195	24,990	(10,795)	8.41	6.63	178
Loan portfolio	86,450	162,012	(75,562)	8.10	11.49	(339)
Match funded loans and securities	116,686	151,908	(35,222)	8.95	8.25	70
Discount loan portfolio	467,191	912,686	(445,495)	11.29	10.56	73
	$ 1,116,921	$ 2,139,578	$(1,022,657)	8.96	9.21	(25)

Interest income on trading securities amounted to $4,173 during the second quarter of 2001 as compared to $0 during the second quarter 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. The table below indicates the composition of the portfolio of trading securities during the three and six months ended June 30, 2001:

For the periods ended June 30, 2001	Average Balance: Three Months Amount	Three Months Percent	Six Months Amount	Six Months Percent	Annualized Average Yield: Three Months	Six Months
CMOs (AAA-rated)	$ 72,801	41%	$ 136,716	56%	5.48%	6.55%
Subordinates and residuals	105,068	59	106,618	44	12.09%	10.12%
	$ 177,869	100%	$ 243,334	100%	9.38%	8.11%

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Interest income on securities available for sale amounted to $0 and $16,808 during the second quarter of 2001 and 2000, respectively. 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 following table indicates the composition of the portfolio of securities available for sale during the three and six months ended June 30, 2000:

	Average Balance				Annualized Average Yield	
	Three Months		Six Months			
	Amount	Percent	Amount	Percent	Three Months	Six Months
CMOs (AAA-rated)....................	$ 726,224	84%	$ 607,863	80%	6.40%	6.34%
Subordinates and residuals.........	137,289	16	151,535	20%	15.10%	13.73%
	$ 863,513	100%	$ 759,398	100%	7.79%	7.82%

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.

Interest income on the loan portfolio decreased by $3,718 or 70% during the three months ended June 30, 2001 versus the same period in 2000 due to a $80,864 or 51% decrease in the average balance and a 511 basis-point decrease in the average yield. Interest income on the loan portfolio decreased by $5,803 or 62% during the six months ended June 30, 2001 versus the same period in 2000 due to a $75,562 or 47% decrease in the average balance and a 339 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."

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 $9,234 or 40% during the three months ended June 30, 2001 as compared to the same period in 2000 as a result of a $436,631 or 52% decline in the average balance offset by a 278 basis-point increase in the average yield. Interest income on discount loans decreased by $21,793 or 45% during the six months ended June 30, 2001 as compared to the same period in 2000 as a result of a $445,495 or 49% decline in the average balance partially offset by a 73 basis-point increase in the average yield. See "Changes in Financial Condition - Discount Loans, Net." 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.

For the three months ended June 30,	Average Balance 2001	Average Balance 2000	Increase (Decrease) $	Average Rate 2001	Average Rate 2000	Increase (Decrease) Basis Points
Interest-bearing deposits...........................	$1,018,145	$1,579,243	$ (561,098)	6.41%	6.28%	13
Securities sold under agreements to repurchase......	--	336,634	(336,634)	--%	6.28%	(628)
Bonds-match funded agreements.......................	91,000	126,700	(35,700)	7.66%	8.81%	(115)
Obligations outstanding under lines of credit	85,330	182,644	(97,314)	8.14%	8.63%	(49)
Notes, debentures and other.........................	169,130	298,845	(129,715)	11.69%	11.85%	(16)
	$1,363,605	$2,524,066	$(1,160,461)	7.25%	7.24%	1

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For the six months ended June 30,	Average Balance 2001	Average Balance 2000	Increase (Decrease) $	Average Rate 2001	Average Rate 2000	Increase (Decrease) Basis Points
Interest-bearing deposits	$1,071,259	$1,580,972	$ (509,713)	6.42%	6.26%	16
Securities sold under agreements to repurchase	--	251,597	(251,597)	--%	6.30%	(630)
Bonds-match funded agreements	97,936	132,439	(34,503)	9.61%	9.28%	33
Obligations outstanding under lines of credit	59,108	180,937	(121,829)	8.31%	8.19%	12
Notes, debentures and other	171,288	298,719	(127,431)	11.75%	12.12%	(37)
	$1,399,591	$2,444,664	$(1,045,073)	7.37%	7.29%	8

Interest expense on interest-bearing deposits decreased $8,485 or 34% during the three months ended June 30, 2001 as compared to the same period in 2000 primarily due to a $561,098 or 36% decrease in the average balance. Interest expense on interest-bearing deposits decreased $15,099 or 31% during the six months ended June 30, 2001 as compared to the same period in 2000 primarily due to a $509,713 or 32% 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."

The Company held no securities sold under agreements to repurchase during the three months ended June 30, 2001. During the three months ended June 30, 2000, securities sold under agreements to repurchase were used primarily to fund the purchase of CMOs, the average balance of which declined significantly for the second quarter of 2001 as compared to the second quarter of 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."

Interest expense on obligations outstanding under lines of credit decreased $2,206 or 56% during the three months ended June 30, 2001 as compared to the same period in 2000 primarily due to a $97,314 or 53% decrease in the average balance. Interest expense on obligations outstanding under lines of credit decreased $4,957 or 67% during the six months ended June 30, 2001 as compared to the same period in 2000 primarily due to a $121,829 or 67% decrease in the average balance. Average balances outstanding under lines of credit decreased between the six months ended June 30, 2000 and the same period in 2001, primarily because of the sale during 2000 and 2001 of real estate properties and loans at OAC. During the six months ended June 30, 2001, lines of credit were used to fund the investment in real estate and construction loans at OAC 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 $3,910 or 44% during the three months ended June 30, 2001 as compared to the same period in 2000 primarily due to a $129,715 or 43% decrease in the average balance. Interest expense on notes, debentures and other interest bearing obligations decreased $8,031 or 44% during the six months ended June 30, 2001 as compared to the same period in 2000 primarily due to a $127,413 or 43% 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.

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

	Three Months		Six Months	
For the periods ended June 30,	2001	2000	2001	2000
Discount loan portfolio	$ 9,417	$ 4,489	$ 16,148	$ 7,220
Loan portfolio	875	(1,261)	2,086	(1,415)
Match funded loans	5	(93)	183	(62)
	$ 10,297	$ 3,135	$ 18,417	$ 5,743

The increased provisions for loan losses in 2001 reflect a strengthening of reserves on both the discount loan and loan portfolios 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:

	June 30, 2001		December 31, 2000		June 30, 2000	
	Allowance	Allowance as a % of loans	Allowance	Allowance as a % of loans	Allowance	Allowance as a % of loans
Discount loan portfolio	$ 25,679	7.72%	$ 20,871	3.75%	$ 22,387	2.71%
Loan portfolio	2,940	3.67%	2,408	2.51%	5,439	3.53%
Match funded loans	232	0.35%	285	0.35%	433	0.47%
	$ 28,851	6.01%	$ 23,564	3.21%	$ 28,259	2.63%

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:

	Three Months		Six Months	
For the periods ended June 30,	2001	2000	2001	2000
Servicing and other fees	$ 33,740	$ 22,559	$ 64,857	$ 46,725
Gain (loss) on interest-earning assets, net	422	5,270	(1,409)	16,264
Gain on trading and match funded securities, net	4,550	--	9,739	--
Impairment charges on securities available for sale	--	(4,764)	--	(11,597)
Loss on real estate owned, net	(1,881)	(3,006)	(2,865)	(10,013)
(Loss) gain on other non-interest earning assets, net	(975)	5,044	(519)	5,182
Net operating gains on investments in real estate	486	8,063	3,040	13,616
Amortization of excess of net assets acquired over purchase price	4,583	2,998	9,166	5,792
Other income	2,437	1,070	4,483	2,209
Total	$ 43,362	$ 37,234	$ 86,492	$ 68,178

Servicing and other fees are primarily comprised of fees from investors for servicing mortgage loans. Servicing and other fees for the three months ended June 30, 2001 increased $11,181 largely due to the growth in loans serviced for others. The average unpaid principal balance of loans serviced for others amounted to $13,761,392 during the three months ended June 30, 2001 as compared to $10,799,002 for the three months ended June 30, 2000. In addition to servicing fees, the increase in servicing and other fees during the second quarter of 2001 included increases in interest earned on custodial accounts during the holding period between collection of borrower payments and remittance to investors, in late charges on residential loans and in other miscellaneous servicing related fees.

Servicing and other fees for the six months ended June 30, 2001 increased $18,132 as compared to the same period in 2000. The average unpaid principal balance of loans serviced for others amounted to $12,654,883 during the six months ended June 30, 2001 as compared to $10,801,888 for the six months ended June 30, 2000. Interest earned on custodial accounts during the holding period

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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 2001.

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
June 30, 2001 (1):								
Loans securitized:								
Residential loans...........	$ 778,732	13,085	$ 582,203	6,206	$ --	--	$ 1,360,935	19,291
Commercial loans............	4,299	27	--	--	--	--	4,299	27
	$ 783,031	13,112	$ 582,203	6,206	$ --	--	$ 1,365,234	19,318
Residential loans...........	$ 634,636	12,727	$13,381,528	212,107	$ 33,523	373	$14,049,687	225,207
Commercial loans............	71,680	67	906	10	825,813	182	898,399	259
	$ 706,316	12,794	$13,382,434	212,117	$ 859,336	555	$14,948,086	225,466
Total loans serviced for others:								
Residential loans...........	$ 1,413,368	25,812	$13,963,731	218,313	$ 33,523	373	$15,410,622	244,498
Commercial loans............	75,979	94	906	10	825,813	182	902,698	286
	$ 1,489,347	25,906	$13,964,637	218,323	$ 859,336	555	$16,313,320	244,784
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 48,700 loans with an aggregate unpaid principal balance of $4,471,300 that were acquired under servicing agreements during the first half of 2001, but had not been boarded in the Company's loan servicing system as of June 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 June 30, 2001, net gain on interest-earning assets of $422 was primarily comprised of $380 of gains on the sale of loans. Net gain on interest-earning assets for the three months ended June 30, 2000 of $5,270 was primarily comprised of $5,060 of gains on the sale of loans, primarily single family residential discount loans. For the six months ended June 30, 2001, net loss on interest-earning assets of $(1,409) was primarily comprised of $(1,517) of losses on the sale of loans. Net gain on interest-earning assets for the six months ended June 30, 2000 of $16,264 was primarily comprised of $12,640 of gains on the sale of loans, primarily single family residential discount 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 $4,550 for the three months ended June 30, 2001 is primarily comprised of a $4,544 gain from the sale of $17,343 of subprime residual securities. The net gain on trading and match funded securities of $9,739 for the six months ended June 30, 2001 is primarily comprised of the $4,544 gain in the second quarter (see above) and an increase in net unrealized gains.

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

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:

	Three Months		Six Months	
For the periods ended June 30,	2001	2000	2001	2000
Gains on sales	$ 3,147	$ 7,127	$ 9,523	$11,683
Provision for losses in fair value	(3,522)	(7,752)	(9,703)	(16,964)
Carrying costs, net	(1,506)	(2,381)	(2,685)	(4,732)
Loss on real estate owned, net	$(1,881)	$(3,006)	$(2,865)	$(10,013)

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

Losses on other non-interest earning assets during the first six months of 2001 resulted primarily from sales of investments in low-income housing tax credit interests. For the first six months of 2000, gains on other non-interest earning assets resulted primarily from $5,213 of gains on sales of real estate during the second quarter.

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

	Three Months		Six Months	
For the periods ended June 30,	2001	2000	2001	2000
Operating income, net (1)	$ 2,795	$ 5,280	$ 4,043	$ 9,072
Equity in (losses) earnings of loans accounted for as investments in real estate (2)	(838)	2,783	468	4,544
Impairment write-down (3)	(1,471)	--	(1,471)	--
	$ 486	$ 8,063	$ 3,040	$13,616

(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 and an increase in non-performing loans.

(3) Write-down 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. 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 to $4,583 for the second quarter of 2001 as compared to $2,998 for the second quarter of 2000. The change in amortization period is also responsible for the increase in amortization from $5,792 to $9,166 during the six months ended June 30, 2000 and 2001, respectively. The unamortized balance of the excess of net assets acquired over purchase price at June 30, 2001 was $27,499, as compared to $36,665 at December 31, 2000.

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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:

	Three Months		Six Months	
For the periods ended June 30,	2001	2000	2001	2000
Compensation and employee benefits...	$ 21,309	$ 22,397	$ 42,244	$ 38,980
Occupancy and equipment.............	3,174	2,952	6,267	6,215
Technology and communication costs...	5,556	5,754	15,704	11,375
Loan expenses.......................	2,835	2,987	7,070	6,917
Net operating losses on investments in certain low-income housing tax credit interests..................	2,756	840	7,818	2,339
Amortization of excess of purchase price over net assets acquired.....	778	795	1,556	1,568
Professional services and regulatory fees..............................	3,994	2,965	8,020	6,804
Other operating expenses............	2,454	3,154	5,033	5,720
Total..............................	$ 42,856	$ 41,844	$ 93,712	$ 79,918

The $1,088 decrease in compensation and employee benefits for the three months ended June 30, 2001 as compared to the same period in 2000 was due in large part to a $1,422 decline in compensation expense related to contract programmers.

The $3,264 increase in compensation and employee benefits for the six months ended June 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 as a result of the Company's decision to suspend its long-term incentive plan. Excluding the $6,012 accrual reversal, compensation and employee benefits decreased $2,748 during the six months ended June 30, 2001. This decrease is primarily due to a $2,706 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 $4,329 increase in technology and communication costs for the six months ended June 30, 2001 is primarily due to $4,685 of nonrecurring expenses, including a $3,185 charge to record a payment due on the 1997 acquisition of AMOS, Inc.

Net operating losses on investments in certain low-income housing tax credit interests increased $1,916 and $5,479 during the three and six months ended June 30, 2001, respectively, as compared to the same periods in 2000. These increases are largely the result of impairment charges of $2,490 and $4,503 recorded in the first and second quarters of 2001, respectively. See "Changes in Financial Condition - Investment in Low-Income Housing Tax Credit Interests."

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 $1,697 and $2,918 of distributions to holders of the Capital Securities during the three months ended June 30, 2001 and 2000, respectively, and $3,750 and $6,112 during the six months ended June 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 six months ended June 30, 2001, the Company recorded equity in the income of investments in unconsolidated entities of $139 and $184, respectively. This compares to losses of $(1,812) and $(4,072) for the three and six months ended June 30, 2000, respectively. The three and six months ended June 30, 2000 included equity in losses of Kensington Group plc of $1,778 and $4,112, respectively, including goodwill amortization. The Company sold its equity investment in Kensington on November 22, 2000.

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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:

	Three Months		Six Months	
For the periods ended June 30,	2001	2000	2001	2000
Income tax (expense) benefit on loss before taxes and extraordinary gain	$ 7,562	$ 2,380	$ 11,800	$ 5,635
Provision for valuation allowance on current year's deferred tax asset	(10,387)	--	(10,387)	--
Provision for valuation allowance on prior year's deferred tax asset	(8,000)	--	(18,000)	--
Income tax (expense) benefit	(10,825)	2,380	(16,587)	5,635
Income tax expense on extraordinary gain	(143)	(1,752)	(1,413)	(2,716)
Total income tax (expense) benefit	$ (10,968)	$ 628	$ (18,000)	$ 2,919

For the six months ended June 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 $2,702 and $6,417 during the three and six month ending June 30, 2000, respectively, resulting from the Company's investment in low-income housing tax credit interests. For the six months ended June 30, 2001, the Company's effective tax rate before the provision for the deferred tax valuation allowance was 39% and reflected tax credits of $656 and $952 during the three and six month ending June 30, 2001, respectively.

The provision for deferred tax asset valuation allowance is a non-cash charge increasing the aggregate valuation allowance to $87,260 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		Six Months	
For the periods ended June 30,	2001	2000	2001	2000
Capital Securities:				
Face amount repurchased	$ 2,526	$ 8,610	$ 18,371	$ 8,610
Extraordinary gain	386	3,671	3,722	3,671
Income taxes	143	1,138	1,377	1,138
Net extraordinary gain	$ 243	$ 2,533	$ 2,345	$ 2,533
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	$ --	$ 9,880	$ --	$ 20,000
Extraordinary gain	--	1,984	--	5,092
Income taxes	--	615	--	1,578
Net extraordinary gain	$ --	$ 1,369	$ --	$ 3,514
Grand Totals:				
Face amount repurchased	$ 2,526	$ 18,490	$ 22,571	$ 28,610
Extraordinary gain	386	5,655	3,819	8,763
Income taxes	143	1,753	1,413	2,716
Net extraordinary gain	$ 243	$ 3,902	$ 2,406	$ 6,047

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Changes in Financial Condition

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

	June 30, 2001	December 31, 2000
Mortgage-related securities:		
Collateralized mortgage obligations (AAA-rated).....	$ 62,080	$277,595
Subordinates, residuals and other securities:		
Single family residential:		
BB-rated subordinates............................	4,280	4,563
B-rated subordinates.............................	2,431	2,911
Unrated subordinates.............................	9,142	9,361
Unrated subprime residuals.......................	69,620	93,176
Multi-family residential and commercial:		
Unrated subordinates.............................	2,577	2,636
	88,050	112,647
Trading securities...................................	$150,130	$390,242

During the six months ended June 30, 2001, trading securities declined $240,112. This decline was primarily due to $129,309 of maturities and principal repayments, $126,339 of sales and $3,022 of net premium amortization, offset in part by purchases of $24,093.

Residual and subordinate securities at June 30, 2001 and December 31, 2000 include retained interests with a fair value of $39,649 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 17% to 20% 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 six months ended June 30, 2000, which was 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."

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The following tables detail the Company's residual and subordinate trading securities portfolio at June 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 6/30/01	Interest %	Subordi-nation/OC Level at: 6/30/01	Anticipated Yield to Maturity at Purchase	Anticipated Yield to Maturity at 6/30/01	Prospective Yield at 6/30/01
Single-family residential Subordinates:											
BCF 1996 R1(1)..........	B3	Oct-96	UR	(a), (b)	$ 70,773	$ 32,811	50.00%	None	15.70%	8.51%	39.05%
CSFB 1996-1R (ITT 94-P1) (2)..........	4B2,	Oct-96	UR	(b), (c)	1,046	95	100.00	None	N/A	N/A	(A)
BCF 1997 R2 (1)..........	B4	Jun-97	Ba2, BB	(b), (c)	6,358	5,443	73.54	7.57%	9.58	11.28	50.45
	B5		B2,B		6,264	5,364	73.54	2.81	10.74	12.08	N/M
	B6		UR		13,883	3,162	73.54	None	15.98	4.78	(A)
SBMS 1997-HUD1 (3)	B5	Apr-97	B2, n.a.	(b), (d)	9,785	5,465	100.00	--	16.87	(22.50)	1.02
ORMBS 1998 R1 (4)........	B4	Mar-98	UR	(b), (d)	101,774	36,070	82.48	None	20.50	(30.33)	7.72
ORMBS 1998 R2 (4)........	B4A	Jun-98	Ba2	(b)	1,056	941	100.00	5.91	13.22	5.18	N/M
	B4F		Ba2		937	842	100.00	5.39	19.23	4.12	70.06
	B5A		B2		880	770	100.00	3.72	23.78	9.16	N/M
	B5F		B2		937	842	100.00	2.22	11.78	2.44	N/M
	B6A		UR		3,696	1,307	100.00	None	16.72	24.83	N/M
	B6F		UR		3,345	592	100.00	None	19.50	(16.75)	(A)
ORMBS 1998 R3 (4)........	B4	Sep-98	Ba2, BB	(b), (d)	11,765	7,503	85.87	--	11.71	(47.25)	N/M
ORMBS 1999 R1 (4)........	B5A	Mar-99	B2, B	(b), (d)	1,630	1,482	100.00	3.36	17.73	34.07	50.40
	B5F		B2, B		1,843	1,531	100.00	3.29	17.74	41.51	N/M
	B6A		UR		3,586	1,145	100.00	None	18.00	57.57	(36.38)
	B6F		UR		4,299	1,655	100.00	None	18.00	101.04	(A)
ORMBS 1999 R2 (4)	B4	Jun-99	BB	(a),(c),(d)	10,530	10,080	100.00	2.69	13.45	38.97	
	B5		B		4,680	1,820	100.00	--	18.45	85.42	(A)
Subprime residuals:											
SBMS 1996 3 (5)..........	R	Jun-96	UR	(a), (b)	130,062	19,925	100.00	25.47OC	15.52	1.82	25.91
MLM1 1996 1 (6)..........	R	Sep-96	UR	(a), (b)	81,142	10,600	100.00	42.46OC	15.16	3.48	28.12
MS 1997 1 (7)............	X1	Jun-97	UR	(a), (b)	17,727	7,376	100.00	6.06OC	21.47	15.75	20.11
	X2				87,118	9,519	100.00	25.45OC	20.38	0.68	11.11
1997 OFS 2 (8)...........	X	Sep-97	UR	(a), (b)	102,201	17,618	100.00	12.77OC	19.65	(1.88)	20.66
1997 OFS 3 (8)...........	X	Dec-97	UR	(a), (b)	208,784	46,585	100.00	15.48OC	19.59	5.91	19.06
1998 OFS 1 (8)...........	X	Mar-98	UR	(b), (d)	161,400	35,744	100.00	4.28OC	18.00	(2.61)	7.49
1998 OFS 2 (8)...........	X	Jun-98	UR	(a), (b)	382,715	96,880	100.00	3.91OC	19.46	(0.22)	10.11
1998 OFS 3 (8)...........	X	Sep-98	UR	(a), (d)	261,649	97,627	100.00	5.70OC	18.00	4.23	24.28
1998 OFS 4 (8)...........	X	Dec-98	UR	(a),(b),(c)	349,000	166,399	100.00	2.16OC	18.00	(118.65)	(412.24)
1999 OFS 1 (8)	X	Jun-99	UR	(a), (b)	148,628	95,437	100.00	5.81OC	18.00	(1.97)	(3.35)
PANAM 1997-1 (9).........	X	Dec-97	UR	(a), (b)	113,544	17,845	100.00	11.31OC	22.45	(0.55)	18.86
	Prepay Pen.		UR						25.69	2.35	(24.01)

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Securitization (issuer)	Security	Issue Date	Rating	Rating Agencies	Class Size Issuance	Class Size 6/30/01	Interest %	Subordi-nation/OC Level at: 6/30/01	Anticipated Yield to Maturity at Purchase	Anticipated Yield to Maturity at 6/30/01	Prospective Yield at 6/30/01
Single-family residential											
EQUICON 1994-2 (10)......	B Fix	Oct-94	UR	(a),(b),(c)	78,846	$ 13,048	100.00%	8.00%OC	18.00%	104.09%	14.18%
	B Var.		UR		32,306	1,042	100.00	77.81OC	18.00	31.21	26.17
EQUICON 1995-1 (10)......	B Fix,	May-95	UR	(a),(b),(c)	70,024	8,607	100.00	13.75OC	18.00	27.35	(A)
	B Var.		UR		40,519	4,191	100.00	12.53OC	18.00	104.57	(A)
EQUICON 1995-2 (10)......	B Fix	Oct-95	UR	(a), (b)	79,288	13,093	100.00	14.56OC	18.00	26.33	N/M
	B Var.		UR		39,667	2,696	100.00	21.01OC	18.00	108.66	(A)
ACCESS 1996-1 (11).......	B Fix,	Feb-96	UR	(a), (b)	120,015	21,548	100.00	8.08OC	18.00	28.93	212.18
	B Var.		UR		55,362	5,038	100.00	16.20OC	18.00	41.47	(A)
ACCESS 1996-2 (11).......	B-I,BI-S	May-96	UR	(a), (b)	142,259	26,639	100.00	11.71OC	18.00	29.66	(A)
	B-II BII-S		UR		68,345	5,715	100.00	18.37OC	18.00	15.48	638.53
ACCESS 1996-3 (11).......	B-I,BI-S	Aug-96	UR	(a), (b)	107,712	20,379	100.00	19.42OC	18.00	16.19	265.89
	B-II BII-S		UR		99,885	8,451	100.00	29.24OC	18.00	18.51	(A)
ACCESS 1997-2 (11).......	B, B-S	May-97	UR	(a), (b)	185,197	31,555	100.00	29.37OC	18.00	4.71	24.47
ACCESS 1997-3 (11).......	B, B-S	Oct-97	UR	(a), (b)	199,884	36,200	100.00	21.57OC	18.00	9.38	29.88
UK Subprime Subordinates:											
CMR1 (12)................	Deferred Comp	Apr-96	UR	(a), (c)	48,450(B)	10,004(C)	100.00	17.95RF	18.69	20.34	22.15
CMR2 (12)................	Deferred Comp	Oct-96	UR	(a), (c)	97,627(B)	22,802(C)	100.00	18.01RF	18.69	34.26	41.94
CMR3 (12)................	Deferred Comp	Oct-96	UR	(a), (c)	176,047(B)	38,876(C)	100.00	27.51RF	18.69	73.46	269.29
CMR4 (12)................	Deferred Comp	Jan-97	UR	(a), (c)	103,031(B)	25,207(C)	100.00	13.36RF	18.69	37.97	54.64
CMR5 (12)................	Deferred Comp	Jan-97	UR	(a), (c)	54,686(B)	14,064(C)	100.00	66.22RF	N/A	N/A	N/A
CMR6 (12)................	Deferred Comp	Apr-97	UR	(a), (c)	90,498(B)	19,648(C)	100.00	15.07RF	18.69	49.61	101.84
Commercial Subordinates:											
BT97-SI (13).............	Equity Cert.	Dec-97	UR	None	57,750	30,593	25.00	--	22.15	12.10	22.15

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Securitization (issuer)	Weighted Average Coupon at 6/30/01	Weighted Average LTV at 6/30/01	Total Delinquency at 6/30/01	Actual Life To Date CPR at 6/30/01	Actual Life To Date Losses at 6/30/01	Product Type at 6/30/01	Collateral Balance Issuance	Collateral Balance 6/30/01
Single-family residential Subordinates:								
BCF 1996 R1 (1)..........	10.00%	84.02%	12.06%	13.56%	$ 33,365	98% Fixed, 2% ARM	$ 505,513	$ 226,187
CSFB 1996 1R (ITT 94-P1) (2)	N/A	N/A	N/A	N/A	N/A	100% 1-Year CMT	32,487	67,609
BCF 1997 R2 (1)..........	8.60	76.63	18.02	13.92	9,185	25% Fixed, 75% ARM	251,790	112,615
SBMS 1997-HUD1 (3).......	9.76	91.04	10.52	15.56	19	97% Fixed, 3% ARM	326,147	145,511
ORMBS 1998 R1 (4)........	8.86	91.53	25.00	12.08	60,357	98% Fixed, 2% ARM	565,411	359,371
ORMBS 1998 R2 (4)........	9.20	78.42	27.81	15.86	4,600	43% Fixed, 57% ARM	123,917	61,781
ORMBS 1998 R3 (4)........	8.83	91.31	34.90	15.43	37,627	98% Fixed, 2% ARM	261,452	164,881
ORMBS 1999 R1 (4)........	9.18	76.46	31.18	19.76	4,072	60% Fixed, 40% ARM	147,101	84,373
ORMBS 1999 R2 (4)........	9.21	87.31	38.60	15.58	9,087	100% Fixed	117,004	67,609
Subprime residuals:								
SBMS 1996 3 (5)..........	11.26	67.96	18.92	31.07	3,746	67% Fixed, 33% ARM	130,062	19,925
MLM1 1996 1 (6)..........	12.07	71.43	23.63	34.65	2,533	36% Fixed, 64% ARM	81,142	10,600
MS 1997 1 (7) X1.........	11.43	73.80	25.65	36.67	3,649	100% Fixed,	17,727	7,376
MS 1997 1 (7) X2.........						100% ARM	87,118	9,519
1997 OFS 2 (8)...........	11.84	75.66	20.94	37.63	4,559	30% Fixed, 70% ARM	102,201	17,618
1997 OFS 3 (8)...........	11.14	78.14	29.73	34.80	8,609	28% Fixed, 72% ARM	208,784	46,585
1998 OFS 1 (8)...........	11.76	79.55	28.16	37.17	7,402	22% Fixed, 78% ARM	161,400	35,744
1998 OFS 2 (8)...........	11.47	75.16	24.26	36.83	13,949	53% Fixed, 47% ARM	382,715	96,880
1998 OFS 3 (8)...........	11.07	77.08	29.78	30.10	10,454	42% Fixed, 58% ARM	261,649	97,627
1998 OFS 4 (8)...........	10.59	78.24	29.26	25.71	19,379	52% Fixed, 48% ARM	349,000	166,399
1999 OFS 1 (8)...........	9.90	77.28	18.80	20.64	4,496	70% Fixed, 30% ARM	148,628	95,437
PANAM 1997-1(9)..........	11.76	85.77	32.73	41.09	6,698	100% ARM	113,544	17,845
EQUICON 1994-2 (10)......	10.04	80.71	16.98	29.89	2,875	100% Fixed	78,846	13,048
						100% ARM	32,306	1,042
EQUICON 1995-1 (10)......	12.09	110.12	35.48	27.23	5,612	100% Fixed	70,024	8,607
						100% ARM	40,519	4,191
EQUICON 1995-2 (10)......	11.07	81.67	31.05	30.85	3,952	100% Fixed	79,288	13,093
						100% ARM	39,667	2,696
ACCESS 1996-1 (11).......	11.02	75.89	33.44	29.34	6,659	100% Fixed	120,015	21,548
						100% ARM	55,362	5,038
ACCESS 1996-2 (11).......	11.17	74.01	33.73	31.03	7,415	100% Fixed	142,259	26,639
						100% ARM	68,345	5,715
ACCESS 1996-3 (11).......	11.87	76.58	40.80	33.67	6,907	100% Fixed	107,712	20,379
						100% ARM	99,885	8,451
ACCESS 1997-2 (11).......	11.70	81.75	37.48	36.90	7,131	66% Fixed, 34% ARM	185,197	31,555
ACCESS 1997-3 (11).......	11.92	85.30	40.58	37.63	6,285	60% Fixed, 40% ARM	199,884	36,200
UK Subprime Subordinates:								
CMR1 (12)................	13.37	N/A	37.70	24.47	1,134	100% ARM	48,450(B)	10,004(C)
CMR2 (12)................	12.37	N/A	31.53	24.50	1,563	9% Fixed, 91% ARM	97,627(B)	22,802(C)
CMR3 (12)................	13.37	N/A	18.05	23.65	3,906	28% Fixed, 72% ARM	176,047(B)	38,876(C)
CMR4 (12)................	13.59	N/A	38.46	24.97	2,309	13% Fixed, 87% ARM	103,031(B)	25,207(C)
CMR5 (12)................	15.64	N/A	62.85	23.94	7,362	19% Fixed, 81% ARM	54,686(B)	14,064(C)
CMR6 (12)................	13.68	N/A	34.86	27.78	1,435	5% Fixed, 95% ARM	90,498(B)	19,648(C)
Commercial Subordinates:								
BT97-SI (13).............	7.37	N/A	63.91	N/A	10,549	N/A	295,925	65,913

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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 6/30/01 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 6/30/01.

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 June 30, 2001:

Description	California	Florida	Texas	U.K.	New York	Other (1)	Total
Single family residential.......	$ 385,586	$ 177,214	$ 165,103	$ 130,600	$ 124,668	$1,180,500	$2,163,671
Commercial......................	20,298	--	--	--	74	45,622	65,994
Multi-family....................	457	80	34	--	4,362	4,000	8,933
Total	$ 406,341	$ 177,294	$ 165,137	$ 130,600	$ 129,104	$1,230,122	$2,238,598
Percentage (2)..................	18.15%	7.92%	7.38%	5.83%	5.77%	54.95%	100.00%

(1) Consists of properties located in 46 other states, none of which aggregated over $85,893 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 June 30, 2001:

Rating/Description	Fair Value	Percent Owned	Original Anticipated Yield to Maturity	Anticipated Yield to Maturity at 6/30/01 (1)	Coupon	Anticipated Weighted Average Remaining Life (2)	Prospective Yield at 6/30/01
Single-family residential:							
BB-rated subordinates.......	$ 4,280	89.92%	11.67%	13.61%	6.99%	2.55	55.07%
B-rated subordinates........	2,431	91.78	15.53	3.83	7.60	1.49	87.30
Unrated subordinates........	9,142	69.34	17.76	(7.14)	8.13	3.23	24.72
Unrated subprime residuals..	69,620	100.00	18.47	(5.44)	N/A	4.33	(18.70)
Commercial:							
Unrated subordinates........	2,577	25.00	22.15	12.10	7.37	2.08	22.15
	$ 88,050						

(1) Changes in the June 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 June 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 June 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 at June 30, 2001 consisted of one shopping center in Bradenton, Florida with 291,220 square feet of space and an aggregate carrying value of $20,165, a $2,505 decrease from December 31, 2000. The shopping center was approximately 93.43% leased at June 30, 2001. The Company has engaged an unaffiliated third party to market and sell the property, which was previously held for investment and was reclassified to held for sale during the second quarter of 2000. Impairment charges of $1,471 were recorded on this property in May 2001. During the first quarter of 2001, the Company sold its other shopping center located in Havre, Montana, which had a book value of $1,000, for no gain.

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 six months ended June 30, 2001, seven projects with an aggregate carrying value of $39,906 were transferred to held for investment, three projects with an aggregate carrying value of $15,885 were transferred from held for investment and eleven projects with an aggregate carrying value of $25,883 qualified as sales for accounting purposes.

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:

	June 30, 2001	December 31, 2000
Investments solely as a limited partner made prior to May 18, 1995	$ 26,418	$ 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	5,371	45,932
	$ 31,789	$ 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:

	June 30, 2001	December 31, 2000
Properties held for investment (1):		
Office buildings	$ 32,122	$ 32,112
Retail	9,426	9,515
Building improvements	11,968	11,346
Tenant improvements and lease commissions	2,192	1,744
Furniture and fixtures	55	52
	55,763	54,769
Accumulated depreciation	(3,013)	(2,359)
	52,750	52,410
Loans accounted for as investments in real estate (2):		
Multi-family residential	97	97
Nonresidential	38,655	45,689
	38,752	45,786
Properties held for lease:		
Land and land improvements	1,256	1,256
Building	15,640	15,641
Accumulated depreciation	(1,154)	(855)
	15,742	16,042
Investment in real estate partnerships (3)	8,417	8,523
	$ 115,661	$ 122,761

(1) The Company's properties held for investment at June 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.	99.3%	$ 34,782
04/09/98	7075 Bayers Road	Halifax, Nova Scotia	406,343	Shopping Ctr.	65.8	20,981
				Accumulated depreciation		(3,013)
						$ 52,750

(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.

(3) 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:

	June 30, 2001	December 31, 2000
Investments solely as a limited partner made prior to May 18, 1995	$ 3,557	$ 21,170
Investments solely as a limited partner made on or after May 18, 1995	7,424	6,263
Investments both as a limited and, through subsidiaries, as a general partner	74,912	28,296
Total (1)	$ 85,893	$ 55,729

(1) The increase in the balance during the six months ended June 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, impairment charges of $6,993 were recorded on eight projects and three projects with an aggregate carrying value of $15,885 at December 31, 2000 were transferred to 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 June 30, 2001, the Company's largest single investment was $11,049, which relates to a project located in North Wildwood, New Jersey.

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 $151 and $658 for the second 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 $2,044 for the second 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 $2,756 and $839 for the second quarter of 2001 and 2000, respectively. The loss for the second quarter of 2001 included $2,490 of impairment charges noted above. For the six months ended June 30, 2001 and 2000, income on the Company's limited partnership investments made prior to May 18, 1995 that is recorded under the level yield method as a reduction of income tax expense and amounted to $272 and $1,341, 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 $680 and $5,076 for the six months ended June 30, 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 $7,818 and $2,339 for the six months ended June 30, 2001 and 2000, respectively. The loss for the second quarter of 2001 included the $6,993 of impairment charges noted above. See "Low-Income Housing Tax Credit Interests Held for Sale" below.

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Loan Portfolio, Net. Loans held for investment in the Company's loan portfolio are carried at amortized cost, less an allowance for loan losses, because the Company has the ability and presently intends to hold them to maturity.

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:

	June 30, 2001	December 31, 2000
Single family residential loans	$ 484	$ 848
Multi-family residential loans:		
Permanent	2,969	6,083
Construction	24,810	39,123
Total multi-family residential	27,779	45,206
Commercial real estate:		
Hotels:		
Construction	30,514	38,153
Office buildings	25,388	20,817
Land	--	1
Total commercial real estate	55,902	58,971
Consumer	32	48
Loans, gross	84,197	105,073
Undisbursed loan proceeds	(3,936)	(8,879)
Unamortized deferred fees	(216)	(372)
Total loans	80,045	95,822
Allowance for loan losses	(2,940)	(2,408)
Loans, net	$ 77,105	$ 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 June 30, 2001:

	Single Family Residential	Multi-family Residential	Commercial Real Estate	Consumer	Total
New York	$ --	$ 2,724	$ 15,799	$ 12	$ 18,535
Delaware	248	--	14,604	--	14,852
Connecticut	--	--	12,800	8	12,808
California	--	8,948	--	--	8,948
Virginia	--	--	7,650	--	7,650
Other (1)	236	16,107	5,049	12	21,404
Total	$ 484	$ 27,779	$ 55,902	$ 32	$ 84,197

(1) Consists of properties located in 8 other states, none of which aggregated over $5,883 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:

For the periods ended June 30,	Three Months 2001	Three Months 2000	Six Months 2001	Six Months 2000
Balance at beginning of period	$ 77,983	$ 156,119	$ 93,414	$ 157,408
Originations:				
Commercial non-mortgage and consumer loans	--	2,277	--	12,490
Commercial real estate loans	2,916	186	13,959	1,156
Total loans originated (1)	2,916	2,463	13,959	13,646
Sales	(2,675)	(7,500)	(16,160)	(7,751)
Principal repayments and other	(249)	(15,075)	(18,675)	(26,383)
Transfer to real estate owned	--	(431)	--	(705)
Decrease (increase) in undisbursed loan proceeds	(612)	10,617	4,943	9,222
Decrease in unamortized deferred fees	30	632	156	1,233
(Increase) decrease in allowance for loan losses	(288)	1,665	(532)	1,820
Net decrease in loans	(878)	(7,629)	(16,309)	(8,918)
Balance at end of period	$ 77,105	$ 148,490	$ 77,105	$ 148,490

(1) Originations for the three and six months ended June 30, 2001 and 2000 represent loans to facilitate sales of real estate owned 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:

	June 30, 2001	December 31, 2000
Non-performing loans:		
Single family residential loans	$ --	$ 316
Multi-family residential loans (1)	17,292	13,373
Commercial real estate and other (2)	5,062	4,581
Total	$ 22,354	$ 18,270
Non-performing loans as a percentage of:		
Total loans	27.93%	19.07%
Total assets	1.12%	0.81%
Allowance for loan losses as a percentage of:		
Total loans	3.67%	2.51%
Non-performing loans	13.15%	13.18%

(1) Non-performing multi-family residential loans at June 30, 2001 were comprised of 8 loans, all of which management believes are adequately collateralized and reserved.

(2) Non-performing commercial real estate loans at June 30, 2001 were comprised of 4 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:

	June 30, 2001	December 31, 2000
Single family residential loans	$ 169,166	$ 289,883
Multi-family residential loans	15,298	105,591
Commercial real estate loans:		
Office buildings	72,273	77,608
Hotels	41,295	63,967
Retail properties	77,726	85,924
Other properties	23,752	36,511
	215,046	264,010
Unsecured (1)	13,359	17,188
Discount loans, gross	412,869	676,672
Unaccreted discount:		
Single family residential loans	(45,806)	(74,184)
Multi-family residential loans	(2,211)	(5,176)
Commercial real estate loans	(32,231)	(40,413)
	(80,248)	(119,773)
Total discount loans	332,621	556,899
Allowance for loan losses	(25,679)	(20,871)
Discount loans, net	$ 306,942	$ 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 June 30, 2001:

	Single Family Residential	Multi-Family Residential	Commercial Real Estate and Other	Total
California	$ 10,035	$ --	$ 53,077	$ 63,112
New York	12,621	--	26,901	39,522
Wisconsin	1,029	--	34,598	35,627
Tennessee	2,256	--	26,786	29,042
Florida	8,345	213	10,570	19,128
Other (1)	89,074	12,874	44,242	146,190
Total	$ 123,360	$ 13,087	$ 196,174	$ 332,621

(1) Consists of properties located in 44 other states, none of which aggregated over $13,108 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 June 30,	Three Months 2001	Three Months 2000	Six Months 2001	Six Months 2000
Amount:				
Balance at beginning of period	$ 439,649	$ 842,178	$ 536,028	$ 913,229
Acquisitions (1):				
Single family residential loans	--	90,222	--	149,159
Multi-family residential loans	--	5,977	--	21,294
Commercial real estate loans	--	11,332	--	18,119
Unsecured	--	4,537	--	10,030
	--	112,068	--	198,602
Resolutions and repayments (2)	(22,815)	(49,791)	(48,294)	(91,718)
Loans transferred to real estate owned	(15,423)	(52,631)	(65,331)	(124,066)
Sales	(105,912)	(60,035)	(150,178)	(131,024)
Increase in undisbursed loan proceeds	--	(201)	--	(201)
Decrease in discount	18,332	14,056	39,525	41,830
Decrease (increase) in allowance for loan losses	(6,889)	(2,198)	(4,808)	(3,206)
Balance at end of period	$ 306,942	$ 803,446	$ 306,942	$ 803,446

For the periods ended June 30,	Three Months 2001	Three Months 2000	Six Months 2001	Six Months 2000
Number of Loans:				
Balance at beginning of period	3,430	7,031	4,021	8,064
Acquisitions (1):				
Single family residential loans	--	1,027	--	1,964
Multi-family residential loans	--	2	--	9
Commercial real estate loans	--	2	--	6
Other	--	--	--	1
	--	1,031	--	1,980
Resolutions and repayments (2)	(156)	(316)	(391)	(678)
Loans transferred to real estate owned	(220)	(647)	(559)	(1,421)
Sales	(659)	(736)	(676)	(1,582)
Balance at end of period	2,395	6,363	2,395	6,363

(1) Acquisitions during the six months ended June 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:

	June 30, 2001	December 31, 2000
Principal Amount		
Loans without Forbearance Agreements:		
Current	$ 165,462	$ 295,616
Past due 31 days to 89 days	2,263	6,295
Past due 90 days or more	159,637	295,226
Subtotal	327,362	597,137
Loans with Forbearance Agreements:		
Current	2,833	3,888
Past due 31 days to 89 days	1,823	2,090
Past due 90 days or more(1)	80,851	73,557
Subtotal	85,507	79,535
Total	$ 412,869	$ 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:

	June 30, 2001	December 31, 2000
Current	$ 61,092	$ 50,719
Past due 31 days to 89 days	8,892	2,278
Past due 90 days or more	10,867	20,560
	$ 80,851	$ 73,557

	June 30, 2001	December 31, 2000
Percentage of Loans		
Loans without Forbearance Agreements:		
Current	40.08%	43.69%
Past due 31 days to 89 days	0.55	0.93
Past due 90 days or more	38.67	43.63
Subtotal	79.30	88.25
Loans with Forbearance Agreements:		
Current	0.68	0.57
Past due 31 days to 89 days	0.44	0.31
Past due 90 days or more	19.58	10.87
Subtotal	20.70	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:

	June 30, 2001	December 31, 2000
Allowances for loan losses as a percentage of:		
Total loans	7.72%	3.75%
Total assets	1.29%	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:

	June 30, 2001	December 31, 2000
Single family residential loans (1)	$ 67,095	$ 80,834
Allowance for loan losses	(232)	(285)
Match funded loans, net	66,863	80,549
Match funded securities	24,599	36,438
Total	$ 91,462	$ 116,987

(1) Includes $4,182 and $2,831 of non-performing loans at June 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 $13,686 decline in the balance during the second 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 $11,839 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 June 30, 2001:

Michigan	$ 11,395
California	7,714
Texas	4,727
Florida	4,098
Massachusetts	3,683
Other (1)	35,478
Total	$ 67,095

(1) Consists of properties located in 41 other states, none of which aggregated over $2,711 in any one state.

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The following tables detail the Company's match funded securities at June 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 6/30/01	Over Collateralization Level at 6/30/01	Product Type at 6/30/01
SASCO 1998-2 (1)	X	Jan-98	NR	S&P, Fitch	$ 600,052	$ 131,116	2.20% OC	57% Fixed, 43% ARM
SASCO 1998-3 (1)	X	Mar-98	NR	S&P, Fitch	769,671	150,343	3.50% OC	78% Fixed, 22% ARM
MLMI 1998-FFI (2)	X	Jun-98	NR	S&P, Fitch	198,155	26,962	10.45% OC	100% ARM
LHELT 1998-2 (3)	X	Jun-98	NR	Moody's, Fitch	209,225	71,900	7.98% OC	48% Fixed, 52% ARM
					$ 1,777,103	$ 380,321		

Securitization	Security	Weighted Average Interest Rate at 6/30/01	Weighted Average LTV at 6/30/01	Actual Delinquency at 6/30/01	Actual Life to Date CPR at 6/30/01	Actual Life to Date Losses at 6/30/01	Yield to Maturity at Purchase	Yield to Maturity at 6/30/01
SASCO 1998-2	X	11.38%	84.27%	23.28%	35.50%	$ 14,384	16.00%	2.59%
SASCO 1998-3	X	11.41	85.19	27.77	39.13	13,448	17.04	(3.18)
MLMI 1998-FFI	X	11.63	75.48	33.75	47.29	1,746	18.57	3.42
LHELT 1998-2	X	10.73	N/A	20.00	28.71	3,270	18.55	14.56

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 June 30, 2001:

Description	California	Florida	Illinois	Washington	Oregon	Other (1)	Total
Single family residential.....	$ 58,608	$ 42,871	$ 16,834	$ 16,947	$ 14,699	$ 219,652	$ 369,611
Multi-family..................	2,357	853	756	--	873	5,871	10,710
Total	$ 60,965	$ 43,724	$ 17,590	$ 16,947	$ 15,572	$ 225,523	$ 380,321
Percentage (2)................	16.03%	11.50%	4.63%	4.46%	4.09%	59.29%	100.00%

(1) Consists of properties located in 45 other states, none of which aggregated over $14,450 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 June 30, 2001:

	Fair Value	Percent Owned	Original Anticipated Yield to Maturity	Anticipated Yield to Maturity at 6/30/01 (1)	Coupon	Anticipated Weighted Average Remaining Life(2)
Match-funded securities......................	$24,599	100.00%	17.66%	3.87%	N/A	5.10 years

(1) Changes in the June 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 June 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:

	June 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%	$ 469	0.6%	$ 10	0.4%	$ 812	0.8%
Multi-family.........	1,106	37.6	25,220	31.5	993	41.2	38,942	40.6
Commercial real estate...............	1,832	62.3	54,356	67.9	1,405	58.4	56,068	58.6
	$ 2,940	100.0%	$ 80,045	100.0%	$ 2,408	100.0%	$ 95,822	100.0%
Discount loans:								
Single family........	$ 9,071	35.3%	$ 123,360	37.1%	$ 3,483	16.7%	$ 215,698	38.7%
Multi-family.........	666	2.6	13,087	3.9	1,805	8.6	100,414	18.0
Commercial real estate...............	5,566	21.7	182,815	55.0	6,813	32.7	223,599	40.2
Unsecured............	10,376	40.4	13,359	4.0	8,770	42.0	17,188	3.1
	$ 25,679	100.0%	$ 332,621	100.0%	$ 20,871	100.0%	$ 556,899	100.0%
Match funded loans:								
Single family........	$ 232	100.0%	$ 67,096	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 six months ended June 30, 2001:

	Balance December 31, 2000	Provision	Charge-offs	Recoveries	Balance June 30, 2001
Loan portfolio:					
Single family............................	$ 10	$ 165	$ (173)	$ --	$ 2
Multi-family.............................	993	985	(872)	--	1,106
Commercial real estate...................	1,405	936	(509)	--	1,832
	$ 2,408	$ 2,086	$ (1,554)	$ --	$ 2,940
Discount loans:					
Single family............................	$ 3,483	$ 8,853	$ (3,342)	$ 77	$ 9,071
Multi-family.............................	1,805	(1,139)	--	--	666
Commercial...............................	6,813	6,828	(8,075)	--	5,566
Unsecured................................	8,770	1,606	--	--	10,376
	$ 20,871	$ 16,148	$ (11,417)	$ 77	$ 25,679
Match funded loans:					
Single family............................	$ 285	$ 183	$ (236)	$ --	$ 232

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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:

	June 30, 2001	December 31, 2000
Discount loan portfolio:		
Single family residential	$ 34,566	$ 55,751
Multi-family residential	--	149
Commercial real estate	93,971	88,214
Total	128,537	144,114
Loan portfolio	426	1,384
Loans available for sale	79	921
Total	$ 129,042	$ 146,419

The following table sets forth certain geographical information by type of property at June 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	$ 1,935	32	$ 52,121	4	$ 54,056	36
Michigan	3,196	78	19,071	1	22,267	79
Georgia	1,067	12	14,361	1	15,428	13
Minnesota	462	10	4,808	1	5,270	11
Pennsylvania	3,299	86	--	--	3,299	86
Other (1)	24,686	514	4,036	4	28,722	518
Total	$ 34,645	732	$ 94,397	11	$ 129,042	743

(1) Consists of properties located in 41 other states, none of which aggregated over $3,061 in any one state.

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

	Three Months		Six Months	
For the periods ended June 30,	2001	2000	2001	2000
Amount:				
Balance at beginning of period	$ 136,267	$ 185,498	$ 146,419	$ 167,506
Properties acquired through foreclosure or deed-in-lieu thereof:				
Discount loans	15,423	52,631	65,331	124,066
Loans available for sale	--	934	227	4,063
Loan portfolio	--	431	--	705
Less discount transferred	(5,780)	(16,771)	(25,012)	(37,014)
	9,643	37,225	40,546	91,820
Acquired in connection with acquisitions of discount loans	--	5,002	--	8,593
Sales	(16,961)	(43,186)	(60,264)	(81,390)
Decrease (increase) in valuation allowance	93	(1,863)	2,341	(3,853)
Balance at end of period	$ 129,042	$ 182,676	$ 129,042	$ 182,676

	Three Months		Six Months	
For the periods ended June 30,	2001	2000	2001	2000
Number of Properties:				
Balance at beginning of period	994	1,716	1,298	1,672
Properties acquired through foreclosure or deed-in-lieu thereof:				
Discount loans	220	647	559	1,421
Loans available for sale	--	18	4	39
Loan portfolio	--	2	--	5
	220	667	563	1,465
Acquired in connection with acquisitions of discount loans	--	154	--	157
Sales	(471)	(805)	(1,118)	(1,562)
Balance at end of period	743	1,732	743	1,732

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

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

	June 30, 2001	December 31, 2000
One to two months	$ 8,364	$ 17,832
Three to four months	26,419	11,450
Five to six months	5,663	9,494
Seven to 12 months	9,262	18,426
Over 12 months	79,334	89,217
	$ 129,042	$ 146,419

The Company actively manages its real estate owned. Sales of real estate owned resulted in losses, net of the provision for loss in fair value, of $(375) and $(180) during the three and six months ended June 30, 2001, respectively, as compared to $(625) and $(5,281) during the three and six months ended June 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 $60,264 and $81,390 of real estate owned which was sold during the six months ended June 30, 2001 and 2000 was 9 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:

	Three Months		Six Months	
For the periods ended June 30,	2001	2000	2001	2000
Balance at beginning of period	$ 15,894	$ 19,171	$ 18,142	$ 17,181
Provisions for losses	3,522	7,752	9,703	16,964
Charge-offs and sales	(3,615)	(5,889)	(12,044)	(13,111)
Balance at end of period	$ 15,801	$ 21,034	$ 15,801	$ 21,034
Valuation allowance as a percentage of total gross real estate owned (1)	10.91%	10.33%	10.91%	10.33%

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

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

	June 30, 2001	December 31, 2000
Deferred tax asset, net of deferred tax liabilities	$165,251	$154,864
Valuation allowance:		
OAC purchase accounting adjustment	36,771	36,771
Allowance on deferred tax asset arising prior to January 1, 2001	40,102	22,102
Allowance on deferred tax asset arising after January 1, 2001	10,387	--
	87,260	58,873
Deferred tax asset, net	$ 77,991	$ 95,991

The $18,000 net decrease in the deferred tax asset during 2001 was due to an increase in the valuation allowance applicable to deferred tax assets that arose prior to January 1, 2001 resulting from the Company's evaluation of the future realizability of the deferred tax asset. Additions to the deferred tax asset after December 31, 2001 are fully provided for in the allowance. Depending on the results of operations in future periods, additional allowances may be required or the valuation allowance may be reversed to income to the extent the deferred tax assets are realizable as a reduction of taxes otherwise payable. See "Income Tax (Expense) Benefit."

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:

	June 30, 2001	December 31, 2000
Loan Portfolios:		
Taxes and insurance	$ 8,139	$ 11,168
Other	9,983	11,840
	18,122	23,008
Loans Serviced for Others:		
Principal and interest	86,441	95,191
Taxes and insurance	88,218	64,159
Other (1)	157,131	44,697
	331,790	204,047
	$ 349,912	$ 227,055

(1) The increase in other 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 six months ended June 30, 2001.

Mortgage Servicing Rights. The unamortized balance of mortgage servicing rights amounted to $82,928 and $51,426 at June 30, 2001 and December 31, 2000, respectively. The $31,502 increase during the six months ended June 30, 2001 was due to $43,263 of purchases, offset by $11,761 of amortization.

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

	June 30, 2001		December 31, 2000	
	Amount	% of Total Deposits	Amount	% of Total Deposits
Non-interest bearing checking accounts and escrows	$ 98,122	9.4%	$ 69,840	5.5%
NOW and money market checking accounts	11,577	1.1	14,669	1.2
Savings accounts	1,261	0.1	1,274	0.1
	110,960	10.6	85,783	6.8
Certificates of deposit	935,972		1,176,566	
Unamortized deferred fees	(2,569)		(3,989)	
Total certificates of deposit (1)	933,403	89.4	1,172,577	93.2
Total deposits	$ 1,044,363	100.0%	$ 1,258,360	100.0%

(1) Included $798,599 and $964,443 at June 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 June 30, 2001 and December 31, 2000, certificates of deposit issued on an uninsured basis (greater than $100) amounted to $75,894 and $75,417, respectively. Of the $75,894 of uninsured deposits at June 30, 2001, $13,582 were from political subdivisions in New Jersey and secured or collateralized as required under state law.

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

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

	June 30, 2001	December 31, 2000
OAIC Mortgage Residential Securities Holdings, LLC..............................	$ 57,186	$ 72,101
Ocwen NIMS Corp.	23,635	34,949
	$ 80,821	$ 107,050

The $26,229 decline in total bonds-match funded agreements during the six months ended June 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)
June 30, 2001:					
OAC (2)...........	$ 32,714	$ 200,000	$ 115,580	June 2002	LIBOR + 240 basis points
OFB (3)...........	54,034	100,000	54,034	April 2002	LIBOR + 200 basis points
	17,797	200,000	17,797	July 2001	LIBOR + 225 basis points
	$ 104,545	$ 500,000	$ 187,411		
December 31, 2000:					
OAC (2)...........	$ 32,933	$ 200,000	$ 115,580	June 2001	LIBOR + 240 basis points

(1) 1-month LIBOR was 3.86% and 6.57% at June 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. The line of credit maturing July 2001 was subsequently extended to September 2001.

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

	June 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 six months ended June 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 June 30, 2001, a decline of $18,371 from the balance outstanding at December 31, 2000. During the six months ended June 30, 2001, the Company

repurchased $18,371 of its 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 $44,731 or 9% during the six months ended June 30, 2001. The decrease was primarily due to a net loss of $44,957 during the six months ended June 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 June 30, 2001, the Company had $933,403 of certificates of deposit, net of deferred fees, including $798,599 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 March 31, 2002 and 2003, and thereafter amounted to $662,631, $123,422 and $147,350, 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 June 30, 2001, the Company was eligible to borrow up to an aggregate of $50,995 from the FHLB of New York (subject to the availability of acceptable collateral) and had $13,543 of residential loans and $41,712 of short duration CMOs (all of which were held by the Bank) pledged as security for any such advances. At June 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 June 30, 2001, the Company had $293,434 of unrestricted cash and cash equivalents and $20,368 of short duration CMOs that could be used to secure additional borrowings. At June 30, 2001, the Company had no outstanding FHLB advances or reverse repurchase agreements.

Sources of borrowing also include lines of credit. At June 30, 2001, the Company, through OAC, had a line of credit of $200,000 ($115,580 committed). The Company had $32,714 outstanding at June 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 $17,797 outstanding at June 30, 2001 under this agreement.

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 June 30, 2001, the Company had $54,034 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 $100,500 of cash flows and used $(87,055) of cash flows during the six months ended June 30, 2001 and 2000, respectively. During the six months ended June 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 six months ended June 30, 2001 as compared to the six months ended June 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 $243,449 and used $(189,714) of cash flows during the six months ended June 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 six months ended June 30, 2001 as compared to the six months ended June 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 $(186,787) and provided cash flows of $113,729 during the six months ended June 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 from financing activities is principally related to a decrease in cash flow provided by securities sold under agreements to repurchase.

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 June 30, 2001, the Company had commitments of $6,464 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 June 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 $98,122 at June 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.

	June 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	$ 9,517	$ --	$ --	$ --	$ 9,517
Federal funds sold	249,000	--	--	--	249,000
Trading securities	18,433	40,531	36,119	55,047	150,130
Loans available for sale (1)	184	1,784	600	1,882	4,450
Investment securities, net	13,257	--	--	--	13,257
Loan portfolio, net (1)	54,520	20,984	1,350	251	77,105
Discount loan portfolio, net (1)	68,107	120,583	68,525	49,727	306,942
Match funded loans and securities (1)	20,875	29,271	12,242	29,074	91,462
Total rate-sensitive assets	433,893	213,153	118,836	135,981	901,863
Rate-Sensitive Liabilities:					
NOW and money market checking deposits	9,986	183	391	1,017	11,577
Savings deposits	82	182	359	638	1,261
Certificates of deposit	189,619	473,012	200,626	70,146	933,403
Total interest-bearing deposits	199,687	473,377	201,376	71,801	946,241
Bond-match funded loan agreements	62,474	5,768	7,269	5,310	80,821
Obligations outstanding under lines of credit	104,545	--	--	--	104,545
Notes, debentures and other	6,235	--	95,850	67,045	169,130
Total rate-sensitive liabilities	372,941	479,145	304,495	144,156	1,300,737
Interest rate sensitivity gap excluding financial instruments	60,952	(265,992)	(185,659)	(8,175)	(398,874)
Financial Instruments:					
Interest rate caps	--	--	207	--	207
Interest rate floors	4	14	149	127	294
Total rate-sensitive financial instruments	4	14	356	127	501
Interest rate sensitivity gap including financial instruments	$ 60,956	$ (265,978)	$ (185,303)	$ (8,048)	$ (398,373)
Cumulative interest rate sensitivity gap	$ 60,956	$ (205,022)	$ (390,325)	$ (398,373)	
Cumulative interest rate sensitivity gap as a percentage of total rate-sensitive assets	6.76%	(22.73)%	(43.28)%	(44.17)%	

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

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

Market Risk. (Dollars in thousands)

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 June 30, 2001:

Rate Shock in basis points	Board Limits (minimum NPV Ratios)	Current NPV Ratios
+300	5.00%	25.80%
+200	6.00%	25.67%
+100	7.00%	25.54%
0	8.00%	25.51%
-100	7.00%	25.56%
-200	6.00%	25.68%
-300	5.00%	25.87%

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 June 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	19.50%	(1.20)%
+200	13.00%	(0.95)%
+100	6.50%	(0.73)%
0	--%	--%
-100	(6.50)%	1.18%
-200	(13.00)%	2.68%
-300	(19.50)%	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 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 $133,592 and $47,493, respectively, at June 30, 2001, as compared to caps and floors with an aggregate notional amount of $141,674 and $37,787, respectively, at December 31, 2000.

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 June 30, 2001 and December 31, 2000 were as follows:

	Investment	Hedge	Net Exposure
June 30, 2001:			
UK residuals.......................	$ 26,189	$ 24,373	$ (1,816)
Nova Scotia Shopping Center........	$ 22,290	$ 21,684	$ (606)
December 31, 2000:			
UK residuals.......................	$ 23,329	$ 22,236	$ (1,003)
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 June 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.

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: August 14, 2001