SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 1997

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.)

THE FORUM, SUITE 1000
1675 PALM BEACH LAKES BOULEVARD, WEST PALM BEACH, FLORIDA 33401
(Address of principal executive offices) (Zip Code)

(561) 681-8000
(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 at the close of business on November 11, 1997: 30,276,045

OCWEN FINANCIAL CORPORATION
FORM 10-Q

I N D E X

PART I - FINANCIAL INFORMATION

Item 1. Interim Financial Statements (Unaudited)

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

	September 30, 1997	December 31, 1996
Assets		
Cash and amounts due from depository institutions	$ 15,641	$ 6,878
Interest earning deposits	7,469	13,341
Federal funds sold and repurchase agreements	82,844	32,000
Securities held for trading	--	75,606
Securities available for sale, at market value	264,723	354,005
Loans available for sale, at lower of cost or market	190,012	126,366
Investment securities, net	54,042	8,901
Loan portfolio, net	392,523	402,582
Discount loan portfolio, net	1,471,251	1,060,953
Investments in low-income housing tax credit interests	92,329	93,309
Investment in joint ventures	23,931	67,909
Real estate owned, net	149,357	103,704
Investment in real estate	57,244	41,033
Premises and equipment, net	19,710	14,619
Income taxes receivable	20,876	15,115
Deferred tax asset	14,649	5,860
Excess of purchase price over net assets acquired	10,854	--
Principal, interest and dividends receivable	15,133	16,821
Escrow advances on loans	42,180	27,409
Other assets	31,532	17,274
	$ 2,956,300	$ 2,483,685
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits	$ 1,970,952	$ 1,919,742
Advances from the Federal Home Loan Bank	--	399
Securities sold under agreements to repurchase	3,075	74,546
Notes, debentures and other interest bearing obligations	368,287	225,573
Accrued interest payable	42,226	24,843
Accrued expenses, payables and other liabilities	27,330	34,986
Total liabilities	2,411,870	2,280,089
Company-obligated, mandatorily redeemable securities of subsidiary trust holding solely junior subordinated debentures of the Company	125,000	--
Minority interest	1,386	--
Commitments and contingencies		
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; 60,505,220 and 53,488,340 shares issued and outstanding at September 30, 1997 and December 31, 1996, respectively	605	535
Additional paid-in capital	164,790	22,990
Retained earnings	236,415	180,417
Unrealized gain on securities available for sale and equity securities, net of taxes	17,933	3,486
Notes receivable on exercise of common stock options	(1,699)	(3,832)
Total stockholders' equity	418,044	203,596
	$ 2,956,300	$ 2,483,685

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

	Three Months		Nine Months	
For the periods ended September 30,	1997	1996	1997	1996
Interest income:				
Federal funds sold and repurchase agreements	$ 4,844	$ 1,742	$ 7,296	$ 3,840
Securities available for sale	8,087	5,890	22,770	19,954
Securities held for trading	--	--	248	--
Loans available for sale	4,267	2,685	11,091	14,169
Loans	16,425	8,961	37,791	26,734
Discount loans	42,370	23,794	116,840	75,852
Investment securities and other	1,333	1,073	2,759	3,053
	77,326	44,145	198,795	143,602
Interest expense:				
Deposits	31,057	22,788	92,321	68,234
Securities sold under agreements to repurchase	56	--	533	685
Advances from the Federal Home Loan Bank	8	958	436	2,990
Notes, debentures and other interest bearing obligations	8,823	3,471	22,686	10,344
	39,944	27,217	115,976	82,253
Net interest income before provision for loan losses	37,382	16,928	82,819	61,349
Provision for loan losses	4,088	4,469	21,739	18,839
Net interest income after provision for loan losses	33,294	12,459	61,080	42,510
Non-interest income:				
Servicing fees and other charges	7,321	1,158	17,402	1,945
Gains on sales of interest earning assets, net	5,999	7,979	46,142	17,580
Gain on real estate owned, net	4,793	5,495	8,628	4,467
Other income	7,318	514	7,898	2,515
	25,431	15,146	80,070	26,507
Non-interest expense				
Compensation and employee benefits	20,471	8,431	55,069	23,170
Occupancy and equipment	5,029	2,151	11,818	6,378
Net operating loss (income) on investments in real estate and certain low-income housing tax credit interests	622	(161)	1,819	(99)
Savings Association Insurance Fund recapitalization assessment	--	7,140	--	7,140
Other operating expenses	5,097	3,970	16,289	10,496
	31,219	21,531	84,995	47,085
Distributions on Company-obligated, mandatorily redeemable securities of subsidiary trust holding solely junior subordinated debentures of the Company	1,850	--	1,850	--
Equity in earnings of investment in joint venture	546	4,139	16,220	5,217
Income before income taxes	26,202	10,213	70,525	27,149
Income tax expense	(6,179)	(157)	(14,911)	(2,067)
Minority interest in net loss of consolidated subsidiary	142	--	384	--
Net income	$ 20,165	$ 10,056	$ 55,998	$ 25,082
Earnings per share:				
Net income	$ 0.35	$ 0.19	$ 1.01	$ 0.47
Weighted average common shares outstanding	57,749,958	53,890,606	55,341,404	53,192,424

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997 AND THE YEAR ENDED
DECEMBER 31, 1996

	Common Stock		Additional paid-in capital	Retained earnings	Unrealized gain (loss) on securities, net of taxes	Notes receivable on exercise of common stock options	Total
	Shares	Amount					
Balances at December 31, 1995	47,624,540	$ 476	$ 10,211	$ 130,275	$ (1,415)	$ --	$ 139,547
Net Income	--	--	--	50,142	--	--	50,142
Repurchase of common stock options	--	--	(177)	--	--	--	(177)
Exercise of common stock options ..	5,857,660	59	12,933	--	--	--	12,992
Issuance of common stock	6,140	--	23	--	--	--	23
Notes receivable on exercise of common stock options, net of repayments	--	--	--	--	--	(3,832)	(3,832)
Change in unrealized gain on securities net of taxes	--	--	--	--	4,901	--	4,901
Balances at December 31, 1996	53,488,340	535	22,990	180,417	3,486	(3,832)	203,596
Net income	--	--	--	55,998	--	--	55,998
Issuance of common stock	6,906,198	69	141,934	--	--	--	142,003
Repurchase of common stock options	--	--	(1,870)	--	--	--	(1,870)
Exercise of common stock options ..	110,682	1	1,736	--	--	--	1,737
Repayment of notes receivable on exercise of common stock options, net of advances	--	--	--	--	--	2,133	2,133
Change in unrealized gain on securities, net of taxes	--	--	--	--	14,447	--	14,447
Balances at September 30, 1997	60,505,220	$ 605	$ 164,790	$ 236,415	$ 17,933	$ (1,699)	$ 418,044

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 nine months ended September 30,	1997	1996
Cash flows from operating activities:		
Net income	$ 55,998	$ 25,082
Adjustments to reconcile net income to net cash provided by operating activities:		
Net cash provided from trading activities	112,905	7,232
Proceeds from sales of loans available for sale	301,773	393,963
Purchases of loans available for sale	(86,606)	(237,416)
Origination of loans available for sale	(297,254)	(2,154)
Principal payments received on loans available for sale	11,975	22,427
Premium amortization (discount accretion), net	33,678	1,487
Depreciation and amortization	13,073	5,287
Provision for loan losses	21,739	18,839
Gains on sales of interest earning assets, net	(46,142)	(17,580)
Loss on sales of premises and equipment	--	97
Provision for real estate owned	4,725	13,801
Gain on sale of real estate owned, net	(19,637)	(17,758)
Gain on sale of interest in tax credit partnership interests	(6,298)	(990)
Decrease in principal, interest and dividends receivable	1,688	490
Increase in income taxes receivable	(5,761)	(12,175)
(Increase) decrease in deferred tax asset	(8,789)	4,090
Increase in escrow advances	(14,771)	(3,316)
Increase in other assets	(14,258)	(15,593)
Increase in accrued expenses, interest payable and other liabilities	9,724	2,638
Net cash provided by operating activities	67,762	188,451
Cash flows from investing activities:		
Proceeds from sales of securities available for sale	215,033	169,112
Purchases of securities available for sale	(193,244)	(95,271)
Maturities of and principal payments received on securities available for sale	30,065	22,512
Maturities of and principal payments received on securities held for investment	--	10,000
Purchase of securities held for investment	(29,920)	--
Purchase of assets from Admiral	(6,750)	--
Investment in real estate	(16,211)	--
Purchase of low income housing tax credit interests	(23,525)	(27,647)
Proceeds from sales of low income housing tax credit interests	22,026	3,704
Proceeds from sales of discount loans	221,966	39,137
Proceeds from sales of loans held for investment	2,384	--
Purchase and originations of loans held for investment, net of undisbursed loan funds	(103,161)	(171,889)
Purchase of discount loans	(1,107,494)	(529,267)
Decrease (increase) in investment in joint ventures	43,978	(60,885)
Principal payments received on loans held for investment	137,699	97,374
Principal payments received on discount loans	305,466	188,164
Proceeds from sales of real estate owned	130,617	136,717
Purchase of real estate owned in connection with discount loan purchases	(21,963)	(2,314)
Proceeds from sale of premises and equipment	--	233
Additions to premises and equipment	(9,259)	(7,600)
Other, net	1,636	(276)
Net cash used by investing activities	(400,657)	(228,196)

(Continued on next page)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(DOLLARS IN THOUSANDS)

For the nine months ended September 30,	1997	1996
Cash flows from financing activities:		
Increase in deposits	51,210	148,677
Decrease in securities sold under agreements to repurchase	(71,471)	(84,761)
Proceeds from issuance of notes, debentures and other interest bearing obligations, net of repayments	142,714	125,000
Payments on advances from Federal Home Loan Bank	(399)	--
Payments and repurchase of notes and mortgages payable	--	(1,385)
Loans made to executive officers, net of repayments	2,133	(5,782)
Exercise of common stock options	1,737	12,992
Proceeds from issuance of Capital Trust Securities	125,000	--
Payment of Capital Trust Securities issuance costs	(4,322)	--
Issuance of shares of common stock, net	141,898	--
Repurchase of common stock options	(1,870)	(177)
Net cash provided by financing activities	386,630	194,564
Net increase in cash and cash equivalents	53,735	154,819
Cash and cash equivalents at beginning of period	52,219	54,632
Cash and cash equivalents at end of period	$ 105,954	$ 209,451
Reconciliation of cash and cash equivalents at end of period:		
Cash and amounts due from depository institutions	$ 15,641	$ 7,278
Interest earning deposits	7,469	17,173
Federal funds sold and repurchase agreements	82,844	185,000
	$ 105,954	$ 209,451
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 105,597	$ 76,071
Income taxes	$ 29,461	$ 4,462
Supplemental schedule of non-cash investing and financing activities:		
Exchange of discount loans and loans available for sale for securities	$ 393,615	$ 219,633
Real estate owned acquired through foreclosure	$ 139,416	$ 78,818

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

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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 generally accepted accounting principles ("GAAP") for complete financial statements. The consolidated financial statements include the accounts of Ocwen Financial Corporation ("Ocwen" or the "Company") and its subsidiaries. Ocwen 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") and Ocwen Capital Trust I. Ocwen also owns 80% of Ocwen Financial Services ("OFS"), with the remaining 20% owned by Admiral Home Loan ("Admiral") and reported in the consolidated financial statements as a minority interest.

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 September 30, 1997 and December 31, 1996, the results of its operations for the three and nine months ended September 30, 1997 and 1996, its cash flows for the nine months ended September 30, 1997 and 1996, and its changes in stockholders' equity for the year ended December 31, 1996 and the nine months ended September 30, 1997. The results of operations and other data for the nine month period ended September 30, 1997 are not necessarily indicative of the results that may be expected for any other interim periods or the entire year ending December 31, 1997. 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 Form 10-K for the year ended December 31, 1996. Certain reclassifications have been made to prior years' consolidated financial statements to conform to the September 30, 1997 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 ADOPTION OF RECENTLY ISSUED ACCOUNTING STANDARDS

On January 1, 1997, the Company adopted Statement of Financial Accounting Standard ("SFAS") No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". SFAS No. 125 (i) sets forth the criteria for (a) determining when to recognize financial and servicing assets and liabilities, and (b) accounting for transfers of financial assets as sales or borrowings; and (ii) requires (a) liabilities and derivatives related to a transfer of financial assets to be recorded at fair value, (b) servicing assets and retained interests in transferred assets carrying amounts be determined by allocating carrying amounts based on fair value, (c) amortization of servicing assets and liabilities be in proportion to net servicing income, (d) impairment measurement based on fair value, and (e) pledged financial assets to be classified as collateral.

SFAS No. 125 provides implementation guidance for assessing isolation of transferred assets and for accounting for transfers of partial interests, servicing of financial assets, securitizations, transfers of sales-type and direct financing lease receivables, securities lending transactions, repurchase agreements including "dollar rolls", "wash sales", loan syndications and participations, risk participations in banker's acceptances, factoring arrangements, transfers of receivables with recourse and extinguishments of liabilities. In December 1996, SFAS No. 127, "Deferral of the Effective Date of FASB Statement No. 125", was issued and delayed implementation for one year certain provisions of SFAS No. 125. The Company's adoption of these statements did not have any material impact on its results of operations, financial position or cash flows.

On January 28, 1997 the Securities and Exchange Commission approved rule amendments (Release #33-7386, the "Release") regarding disclosures about derivative financial instruments, or other financial instruments and derivative commodity instruments. The Release amended Rule 4-08 of Regulation S-X (General Notes to Financial Statements) to add a new paragraph which requires extensive detail regarding the accounting policies followed in connection with accounting for derivative financial instruments and derivative commodity instruments. The accounting policy disclosure requirements are effective for periods ending after June 15, 1997. See Note 5 below and "Management's Discussion and Analysis of Financial Condition and Results of Operations - Asset and Liability Management" included in Item 2 hereof for the Company's accounting policy disclosures in accordance with the requirements of the Release. The Release also added Item 305 to regulation S-K to require quantitative (in one of three formats) and qualitative disclosures outside of the financial statements about market risk inherent in derivative and other financial instruments. The quantitative and qualitative disclosures about market risks are effective for periods ending after June 15, 1997 which include annual financial statements.

In February 1997, SFAS No. 128, "Earnings per Share", and SFAS No. 129, "Disclosure of Information about Capital Structure", were issued. SFAS No. 128 established standards for computing and presenting earnings per share and applies to entities with publicly held common stock or potential common stock. SFAS No. 128 simplifies the standards previously found in Accounting Principles Board Opinion No. 15. SFAS No. 128 is effective for financial statements issued for periods ending after December 15, 1997, including interim periods and early adoption is not permitted. SFAS No. 129 is also effective for financial statements for periods ending after December 15, 1997. The Company does not anticipate a material impact on its earnings per share calculation as a result of implementing these statements.

NOTE 3 INVESTMENT IN JOINT VENTURES

The Company's investment in joint ventures include investments in BCFL, L.L.C. ("BCFL"), a limited liability corporation formed in January 1997 between the Company and BlackRock Capital Finance L.P. ("BlackRock"), and BCBF, L.L.C., (the "LLC"), a limited liability company formed in March 1996 between the Company and BlackRock. The Company owns a 10% interest in BCFL and a 50% interest in LLC. BCFL was formed to acquire multifamily loans. At September 30, 1997, the Company's 10% investment, which is accounted for under the cost method, amounted to $1,056.

The Company's 50% investment in the LLC, which was formed to acquire single-family residential loans offered by the Department of Housing and Urban Development ("HUD"), amounted to $22,875 and $67,909 at September 30, 1997 and December 31, 1996, respectively, and is net of valuation allowances of $1,771 and $5,114, respectively. Because the LLC is a pass-through entity for federal income tax purposes, provisions for income taxes are established by each of the Company and its co-investor and not the LLC.

The Company's equity in earnings of the LLC includes 50% of the net income of the LLC before deduction of the Company's 50% share of loan servicing fees which are paid 100% to the Company. Equity in earnings for the nine months ended September 30, 1997 includes the recapture of $3,344 of valuation allowances established in 1996 by the Company on its equity investment in the joint venture as a result of the resolution and securitization of loans during 1997. The Company has recognized 50% of the loan servicing fees not eliminated in consolidation in servicing fees and other charges.

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

Set forth below is the statement of financial condition of the LLC at the dates indicated and a statement of operations for the nine months ended September 30, 1997.

BCBF, L.L.C.
STATEMENTS OF FINANCIAL CONDITION

	September 30, 1997	December 31, 1996
Assets:		
Cash	$ 10	$ 10
Loans held for sale, at lower of cost or market value	31,190	110,702
Real estate owned, net of valuation allowance of $340 and $511 at September 30, 1997 and December 31, 1996, respectively	13,257	25,595
Other assets	4,849	10,526
	$ 49,306	$ 146,833
Liabilities and Owners' Equity		
Liabilities:		
Accrued expenses, payables and other liabilities	$ 14	$ 787
Total liabilities	14	787
Owners' Equity:		
Ocwen Federal Bank FSB	24,646	73,023
BlackRock Capital Finance L.P.	24,646	73,023
Total owners' equity	49,292	146,046
	$ 49,306	$ 146,833

BCBF, L.L.C.
STATEMENTS OF OPERATIONS

	For the Three months ended September 30, 1997	For the Nine months ended September 30, 1997	For the Period April 10, 1996 through September 30, 1996
Interest income	$ 1,264	$ 7,742	$ 26,616
Interest expense	--	--	17,185
Net interest income	1,264	7,742	9,431
Non-interest income:			
Gain (loss) on sale of loans held for sale	(187)	17,101	1,324
Gain (loss) on real estate owned, net	(612)	725	(63)
Loan fees	--	23	16
	(799)	17,849	1,277
Operating expenses:			
Loan servicing fees	208	1,636	4,500
Other loan expenses	13	14	273
	221	1,650	4,773
Net income	$ 244	$ 23,941	$ 5,935

In March, 1997, as part of a larger transaction involving the Company and an affiliate of BlackRock, the LLC securitized 1,196 loans with an unpaid principal balance of $51,714 and past due interest of $14,209, and a net book value of $40,454. Proceeds from sales of such securities by the LLC amounted to $58,866. The Company continues to service such loans and is paid a servicing fee. For further discussion regarding this transaction, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Non-interest Income" included in Item 2 hereof.

NOTE 4 CAPITAL SECURITIES

In August 1997, Ocwen Capital Trust I, a wholly-owned subsidiary of Ocwen, issued $125.0 million of 10 7/8% Capital Securities (the "Capital Securities"). Proceeds from issuance of the Capital Securities were invested in 10 7/8% Junior Subordinated Debentures issued by Ocwen. The Junior Subordinated Debentures, which represent the sole assets of Ocwen Capital Trust I, will mature on August 1, 2027.

Holders of the Capital Securities will be entitled to receive cumulative cash distributions accruing from the date of original issuance and payable semi-annually in arrears on February 1 and August 1 of each year, commencing on February 1, 1998, at an annual rate of 10 7/8% of the liquidation amount of $1,000 per Capital Security. Payment of distributions out of moneys held by Ocwen Capital Trust I, and payments on liquidation of Ocwen Capital Trust I or the redemption of Capital Securities, are guaranteed by the Company to the extent Ocwen Capital Trust I has funds available. If the Company does not make principal or interest payments on the Junior Subordinated Debentures, Ocwen Capital Trust I will not have sufficient funds to make distributions on the Capital Securities, in which event the guarantee shall not apply to such distributions until Ocwen Capital Trust I has sufficient funds available therefor.

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 semi-annual 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 7/8% per annum, compounded semi-annually.

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 an 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 semi-annual basis at the adjusted Treasury rate plus accrued interest thereon to the date of prepayment. The Capital Securities are subject to mandatory redemption, in whole or in part, upon repayment of the Junior Subordinated Debentures at maturity or their earlier redemption, in an amount equal to the amount of the related Junior Subordinated Debentures maturing or being redeemed and at a redemption price equal to the redemption price of the Junior Subordinated Debentures, plus accumulated and unpaid distributions thereon to the date of redemption.

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

For financial reporting purposes, Ocwen Capital Trust I is treated as a subsidiary of the Company and, accordingly, the accounts of Ocwen Capital Trust I are included in the consolidated financial statements of the Company. Intercompany transactions between Ocwen Capital Trust I 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 payable on the Capital Securities are recorded as a separate caption immediately following non-interest expense in the consolidated statement of operations of the Company. The Company intends to continue this method of accounting going forward.

NOTE 5 INTEREST RATE RISK MANAGEMENT INSTRUMENTS

In managing its interest rate risk, the Company on occasion enters into swaps. Under swaps, the Company agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional amount. The terms of the swaps provide for the Company to receive a floating rate of interest equal to the London Interbank Offered Rate ("LIBOR") and to pay fixed interest rates. The notional amount of the outstanding swap is amortized (i.e., reduced) monthly based upon estimated prepayment rates of the mortgages underlying the securities being hedged. The terms of the outstanding swaps at September 30, 1997 and December 31, 1996 follow:

	Maturity	Notional Amount	LIBOR Index	Fixed Rate	Floating Rate at End of Period	Fair Value
SEPTEMBER 30, 1997...	1998	$ 39,170	1-Month	6.18%	5.66%	$ (120)
DECEMBER 31, 1996....	1998	$ 45,720	1-Month	6.18%	5.67%	$ (103)

The 1-month LIBOR was 5.66% and 5.50% on September 30, 1997 and December 31, 1996, respectively.

The Company also enters into short sales of Eurodollar and U.S. Treasury interest rate futures contracts as part of its overall interest rate risk management activity. Interest rate futures contracts are commitments to either purchase or sell designated financial instruments at a future date for a specified price and may be settled in cash or through delivery. U.S. Treasury futures have been sold by the Company to hedge the risk of a reduction in the market value of fixed-rate mortgage loans and certain fixed-rate mortgage-backed and related securities available for sale in a rising interest rate environment.

Terms and other information on interest rate futures contracts sold short were as follows at the dates indicated:

	Maturity	Notional Principal	Fair Value
SEPTEMBER 30, 1997			
U.S. Treasury futures...	1997	$ 313,200	$ (1,444)
DECEMBER 31, 1996			
Eurodollar futures......	1997	$ 365,000	$ (558)
	1998	40,000	(87)
U.S. Treasury futures...	1997	165,100	498

Because interest rate futures contracts are exchange traded, holders of these instruments look to the exchange for performance under these contracts and not the entity holding the offsetting futures contract, thereby minimizing the risk of nonperformance under these contracts. The Company is exposed to credit loss in the event of nonperformance by the counterparty to the swap and controls this risk through credit monitoring procedures. The notional principal amount does not represent the Company's exposure to credit loss.

NOTE 6 STOCK SPLIT

On October 29, 1997, the Company's Board of Directors approved a 2-for-1 stock split of its issued and outstanding common stock, par value $.01 per share. The Company will effect the stock split through the distribution of authorized but unissued shares of its common stock on November 20, 1997, to holders of record of its common stock at the close of business on November 12, 1997. All references in the consolidated financial statements to the number of shares and per share amounts have been adjusted retroactively for the stock split.

NOTE 7 REGULATORY REQUIREMENTS

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") and the regulations promulgated thereunder established certain minimum levels of regulatory capital for savings institutions subject to Office of Thrift Supervision ("OTS") supervision. The Bank must follow specific capital guidelines stipulated by the OTS which involve quantitative measures of the Bank's assets, liabilities and certain off-balance sheet items. An institution that fails to comply with its regulatory capital requirements must obtain OTS approval of a capital plan and can be subject to a capital directive and certain restrictions on its operations. At September 30, 1997, the minimum regulatory capital requirements were:

- Tangible and core capital of 1.5 percent and 3.0 percent of total adjusted assets, respectively, consisting principally of stockholders' equity, but excluding most intangible assets, such as goodwill and any net unrealized holding gains or losses on debt securities available for sale.

- 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 8.0 percent of the value of risk-weighted assets.

At September 30, 1997, the Bank was "well-capitalized" under the prompt corrective action ("PCA") regulations adopted by the OTS pursuant to the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"). To be categorized as "well capitalized", the Bank must maintain minimum core capital, Tier 1 risk-based capital and total risk-based capital ratios as set forth in the table below and must not be subject to any written agreement, order or directive issued by the OTS to meet and maintain a specific capital level for any capital measure. The Bank's capital amounts and classification are subject to review by federal regulators about components, risk-weightings and other factors. There are no conditions or events since September 30, 1997 that management believes have changed the institution's category.

Based upon recent discussions with the OTS, the Bank has determined to maintain a core capital ratio of at least 9% and a total risk-based capital ratio of no less than 13%. There can be no assurance that in the future the OTS will agree to a decrease in such requirements, will not seek to increase such requirements or will not impose these or other individual regulatory capital requirements in a manner which affects the Bank's status as a "well capitalized" institution under applicable laws and regulations. Based upon recent discussions with the OTS, the Bank also transfered its single-family residential lending activities to sub-prime borrowers to OFS. Additionally, the Bank agreed with the OTS (i) to discontinue the purchase of subordinate classes of mortgage-related securities created by unaffiliated parties, (ii) to sell the five such securities held by it at March 31, 1997 (aggregate book value of $32,010), which was completed by a sale to Ocwen Asset Investment Corp. ("OAIC"), a real estate investment trust in which Ocwen, through IMI, owns a 9.8% interest, on May 19, 1997 (at a gain of $2,648 to the Bank) and (iii) subject to the requirements of the OTS capital distribution regulations, to dividend to Ocwen all subordinate and residual mortgage-related securities acquired by it in connection with its securitization activities. The Bank dividended two securities with an aggregate book value of $19,462 to Ocwen in June 1997. At September 30, 1997, the Bank held five subordinate securities and one residual security which had an aggregate book value of $37,795, of which one subordinate security and one residual security with an aggregate book value of $14,305 were dividended to Ocwen in October 1997. The Bank believes at this time that it will continue to be a "well-capitalized institution" under OTS regulations.

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

The following tables summarize the Bank's actual and required regulatory capital at September 30, 1997

	Actual		Minimum For Capital Adequacy Purposes		To Be Well Capitalized For Prompt Corrective Action Provisions	
	Ratio	Amount	Ratio	Amount	Ratio	Amount
Stockholders' equity and ratio to total assets	10.62%	$ 271,583				
Net unrealized gain on certain available for sale securities		(3,862)				
Excess mortgage servicing rights		(288)				
Tangible capital, and ratio to adjusted total assets	10.48%	$ 267,433	1.50%	$ 38,290		
Tier 1 (core) capital, and ratio to adjusted total assets	10.48%	$ 267,433	3.00%	$ 76,581	5.00%	$127,635
Tier 1 capital, and ratio to risk-weighted assets	9.57%	$ 267,433			6.00%	$167,630
Allowance for loan and lease losses		23,352				
Subordinated debentures		100,000				
Tier 2 Capital		123,352				
Total risk-based capital, and ratio to risk-weighted assets	13.99%	$ 390,785	8.00%	$223,507	10.00%	$279,383
Total regulatory assets		$2,556,842				
Adjusted total assets		$2,552,692				
Risk-weighted assets		$2,793,833				

The OTS has promulgated a regulation governing capital distributions. The Bank is considered to be a Tier 1 association under this regulation because it met or exceeded its fully phased-in capital requirements at September 30, 1997. A Tier 1 association that before and after a proposed capital distribution meets or exceeds its fully phased-in capital requirements may make capital distributions during any calendar year equal to the greater of (i) 100% of net income for the calendar year to date plus 50% of its "surplus capital ratio" at the beginning of the year or (ii) 75% of its net income over the most recent four-quarter period. In order to make these capital distributions, the Bank must submit written notice to the OTS 30 days in advance of making the distribution. Notwithstanding the foregoing, however, the Bank's ability to make capital distributions as a Tier 1 institution is limited by agreements between it and the OTS to maintain specified capital levels and to dividend to Ocwen subordinate and residual securities resulting from the Bank's securitization activities.

In addition to these OTS regulations governing capital distributions, the indenture governing the $100,000 of 12% subordinated debentures (the "Debentures") due 2005 and issued by the Bank on June 12, 1995 limits the declaration or payment of dividends and the purchase or redemption of common or preferred stock in the aggregate to the sum of 50% of consolidated net income and 100% of all capital contributions and proceeds from the issuance or sale (other than to a subsidiary) of common stock, since the date the Debentures were issued.

NOTE 8 COMMITMENTS AND CONTINGENCIES

At September 30, 1997 the Company had commitments to (i) originate $164,475 of sub-prime loans secured by single-family residential properties, (ii) fund $32,655 of loans secured by multi-family residential buildings, (iii) fund $12,827 of loans secured by office buildings and (iv) fund $21,800 of loans secured by hotel properties. Additionally, the Company had commitments of $2,294 to purchase sub-prime loans secured by single-family residential properties and $2,520 discount loans secured by commercial properties. The Company, through its investment in subordinate securities and REMIC residuals which had a book value of $63,841 at September 30, 1997, supports senior classes of mortgage-related securities having an outstanding principal balance of $1,442,472.

The Company is involved in various legal proceedings occurring in the ordinary course of business which management of the Company believes will not have a material adverse effect on the financial condition or operations of the Company.

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GENERAL

The Company considers itself to be involved in a single business segment of providing financial services and conducts a wide variety of business within this segment. The Company's business activities are conducted primarily through the Bank and currently consist primarily of its discount loan acquisition, resolution and servicing activities, and various investment activities, including investments in a wide variety of mortgage-related securities and investments in low-income housing tax credit interests. The Company obtains funds for investment in the foregoing and other business activities primarily from brokered and other wholesale certificates of deposit (and, to a lesser extent, retail deposits obtained through its office in Fort Lee, New Jersey), FHLB advances, reverse repurchase agreements, lines of credit and asset securitizations.

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

At September 30, 1997, the only significant subsidiaries of the Company, other than the Bank, were IMI, OFS and Ocwen Capital Trust I. Prior to July 15, 1997, IMI, through subsidiaries, owned and managed the Westin Hotel (the "Hotel") in Columbus, Ohio. On July 15, 1997, IMI sold a 69% partnership interest in the Hotel for a minimal gain and no longer manages the Hotel. In addition, IMI owns 9.8% of the outstanding common stock of OAIC and through subsidiaries, also owns non-residential real estate properties as well as residential units in cooperative buildings which were acquired simultaneously with loans formerly held by the Bank which have either been fully satisfied or resulted in foreclosed property currently held by the Bank. OFS was formed in October 1996 for the purpose of purchasing substantially all of the assets of Admiral (a transaction which closed on May 1, 1997), the Company's primary correspondent mortgage banking firm for sub-prime single-family residential loans, and assuming all of the Bank's sub-prime single-family residential lending operations. Ocwen Capital Trust I, a wholly owned subsidiary of Ocwen, was formed for the express purpose of issuing $125.0 million of 10 7/8% Capital Securities, the proceeds of which were invested in 10 7/8% Junior Subordinated Debentures issued by Ocwen.

The following discussion of the Company's consolidated financial condition and results of operations and capital resources and liquidity should be read in conjunction with the Interim Consolidated Financial Statements and related Notes included in Item 1 hereof.

RECENT DEVELOPMENTS

On August 1, 1997 shares of the Company's common stock began trading on the New York Stock Exchange ("NYSE") under the symbol "OCN". The Company's common stock had traded on the NASDAQ National Market System under the symbol "OCWN" since September 1996, when the Company completed its initial public offering. Upon effectiveness of the NYSE listing, the Company delisted its common stock from NASDAQ.

On August 6, 1997 the Securities and Exchange Commission ("SEC") declared effective a Form S-1 registration statement with respect to the offering by the Company to the public of 3,000,000 shares (plus up to 450,000 shares pursuant to the underwriters' over-allotment option) of newly-issued common stock. The offering of such common stock, which closed on August 12, 1997, resulted in estimated net proceeds of the Company of $123.4 million. Concurrently on August 6, 1997, the SEC declared effective a Form S-1 registration statement with respect to the offering by Ocwen Capital Trust I, a newly-formed Delaware business trust and subsidiary of Ocwen, of $125.0 million of 10 7/8% Capital Securities. The offering of the 10 7/8% Capital Securities, which also closed on August 12, 1997, resulted in estimated net proceeds to the Company of $120.7 million. On September 4, 1997 the underwriters exercised their over-allotment option to purchase 450,000 shares of common stock. The exercise of such option, which closed on September 9, 1997, resulted in net proceeds to the Company of $18.6 million.

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On September 24, 1997 the Company and UBS Mortgage, Inc. ("UBS") were jointly awarded 10,992 single-family discount loans with an unpaid principal balance of approximately $692.0 million auctioned by the Department of Housing and Urban Development. As between the Company and UBS, Ocwen was allocated 5,461 of those loans with an aggregate principal balance of $346.0 million.

On September 25, 1997 the Company completed the securitization of 910 sub-prime single-family residential mortgage loans with an aggregate unpaid principal balance of $102.2 million. The Company recorded total gains of $5.4 million on the sale of the senior classes of securities in connection with this transaction. The Company continues to service the loans for a fee and has retained an interest in the related residual class security.

On September 26, 1997 the Company completed the sale of an investment in low-income housing tax credit interest and realized a gain of $6.3 million on proceeds of $22.0 million.

On October 3, 1997 the Company, as part of a larger transaction involving the Company and BlackRock, completed the securitization of 302 small commercial mortgage loans with an aggregate unpaid principal balance of $62.7 million. The Company recorded total gains of $2.6 million on the sale of the senior classes of securities in connection with this transaction. The Company has retained an interest in the related residual class securities.

On October 24, 1997, the Bank entered into an agreement to act as a special loan servicer to sub-service approximately $75.0 million of 90-day-plus delinquent domestic loans for which Cityscape Corp. ("Cityscape") is the servicer under various securitizations. This agreement, which is subject to the approval of such securitizations' bond insurers, trustees and rating agencies, calls for Cityscape to transfer to the Bank the special servicing of approximately 1,000 non-performing loans.

On October 29, 1997, the Company's Board of Directors approved a 2-for-1 stock split of its issued and outstanding common stock, par value $.01 per share. The Company will effect the stock split through the distribution of authorized but unissued shares of its common stock on November 20, 1997, to holders of record of its common stock at the close of business on November 12, 1997. All references herein to the number of shares and per share amounts have been adjusted retroactively for the stock split.

On November 6, 1997, the Company acquired Amos, Inc., a Connecticut based company engaged primarily in the development of mortgage loan servicing software. Amos' products are Microsoft Windows based, client/server architecture and feature real-time processing, year 2000 compliance, a scaleable database platform and strong workflow capabilities. The aggregate purchase price was approximately $9.7 million, including $4.9 million which is contingent on Amos, Inc. meeting certain software development performance criteria.

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CONSOLIDATED FINANCIAL HIGHLIGHTS

	At or For the Three Months Ended September 30,		
	1997	1996	Change
FOR THE PERIOD:	(Dollars in thousands, except share data)		
Net interest income	$ 37,382	$ 16,928	121%
Provision for loan losses	4,088	4,469	(9)
Non-interest income	25,431	15,146	68
Non-interest expense	31,219	21,531	45
Equity in earnings of investment in joint ventures	546	4,139	(87)
Net income	20,165	10,056	101
PER COMMON SHARE			
Net income (5)	$ 0.35	$ 0.19	84%
Stock price: (1)			
High	22.38	10.50	113
Low	16.06	9.50	69
Close	21.06	10.19	107
AVERAGE BALANCES			
Interest-earning assets	$ 2,423,833	$ 1,559,942	55%
Interest-bearing liabilities	2,362,201	1,701,987	39
Stockholders' equity	304,770	161,878	88
KEY RATIOS			
Interest rate spread:			
Yield on interest-earning assets	12.76%	11.32%	13%
Cost of interest-bearing liabilities	6.76	6.40	6
Interest rate spread	6.00	4.92	22
Annualized return on average assets (2)	2.78	1.85	50
Annualized return on average equity	26.47	24.85	7
Efficiency ratio(3) (4)	49.27	42.30	16
Core (leverage) capital ratio	10.48	8.65	21
Risk-based capital ratio	13.99	13.64	3

	At or For the Nine Months Ended September 30,		
	1997	1996	Change
FOR THE PERIOD:	(Dollars in thousands, except share data)		
Net interest income	$ 82,819	$ 61,349	35%
Provision for loan losses	21,739	18,839	15
Non-interest income	80,070	26,507	202
Non-interest expense	84,995	47,085	81
Equity in earnings of investment in joint ventures	16,220	5,217	211
Net income	55,998	25,082	123
PER COMMON SHARE			
Net income (5)	$ 1.01	$ 0.47	115%
Stock price (1)			
High	22.38	10.50	113
Low	12.63	9.50	33
Close	21.06	10.19	107
AVERAGE BALANCES			
Interest-earning assets	$ 2,308,516	$ 1,563,579	48%
Interest-bearing liabilities	2,322,348	1,709,455	36
Stockholders' equity	250,077	151,056	66
KEY RATIOS			
Interest rate spread:			
Yield on interest-earning assets	11.48%	12.25%	(6)%
Cost of interest-bearing liabilities	6.66	6.42	4
Interest rate spread	4.82	5.83	(17)
Annualized return on average assets (2)	2.71	1.54	76
Annualized return on average equity	29.86	22.14	35
Efficiency ratio (3)(4).	47.45	43.91	8

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(1) For the period ended September 30 retroactively adjusted for the 2-for-1 stock split approved by the Company's Board of Director's on October 29, 1997.

(2) Includes the Company's pro rata share of average assets held by its 50% joint venture.

(3) Excluding 1996 SAIF assessment. Inclusive of the SAIF assessment, the efficiency ratio for the three and nine months ended September 30, 1996 would have been 59.46% and 50.59%, respectively.

(4) Before provision for loan losses and including equity in earnings of investment in joint venture.

(5) Retroactively adjusted for the 2-for-1 stock split approved by the Company's Board of Directors on October 29, 1997. Exclusive of such retroactive adjustment, earnings per share would have been $0.70 and $0.37 for the three months ended September 30, 1997 and 1996, respectively, and $2.02 and $0.94 for the nine months ended September 30, 1997 and 1996, respectively. See Note 6 to the Interim Consolidated Financial Statements included in Item 1 hereof.

THIRD QUARTER SUMMARY

The Company's net income amounted to $20.2 million or $0.35 per share for the three months ended September 30, 1997 as compared to net income of $10.1 million, or $0.19 per share for the same period in 1996.

The $20.5 million or 121% increase in net interest income during the third quarter of 1997 as compared to the third quarter of 1996 is primarily due to an $863.9 million increase in average interest-earnings assets, primarily discount loans, offset in part by a $660.2 million increase in average interest-bearing liabilities, and a 183 basis point increase in the net interest margin due largely to $5.5 million of additional interest received in connection with the payoff of three loans held in the loan portfolio.

The $10.3 million or 68% increase in non-interest income for the three months ended September 30, 1997 is the result of a $6.3 million gain recognized in connection with the sale of an investment in a low-income housing tax credit interest and a $6.2 million increase in servicing fees and other charges reflecting a 194% increase in the average balance of loans serviced for others, offset in part by a $2.0 million decline in gains on sales of interest earning assets.

Equity in earnings of investment in joint ventures of $546,000 for the three months ended September 30, 1997 declined $3.6 million or 87% as compared to the same period in 1996 as a result of the declining asset base of the joint ventures primarily due to the sale of loans and real estate owned by the LLC, including the $51.7 million securitization of loans in March 1997.

Non-interest expense increased $9.7 million or 45% during the three months ended September 30, 1997 as compared to the same period in 1996 primarily as a result of (i) a $12.0 million increase in compensation and benefits, due to a 135% increase in the average number of employees and a $4.4 million increase in employee profit sharing expense in line with improved earnings and (ii) a $2.9 million increase in occupancy and equipment expense, offset by (iii) a $7.1 million assessment during the third quarter of 1996 to recapitalize the SAIF.

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The following table presents the estimated contribution by business activity to the Company's net income for the periods indicated.

	Three months ended September 30,		Nine months ended September 30,	
	1997	1996	1997	1996
Discount Loans:				
Single-family residential loans.....	(8)%	-%	18%	1%
Large Commercial	48	43	33	30
Small Commercial...................	2	7	3	6
Investment in low-income housing tax credits..............................	25	23	21	29
Commercial lending.....................	18	10	10	16
Sub-prime single family lending........	(2)	13	1	14
Mortgage loan servicing................	7	4	4	4
Investment securities..................	10	2	9	1
Other..................................	-	(2)	1	(1)
	100%	100%	100%	100%

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AVERAGE BALANCE AND RATE ANALYSIS. The following table sets 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 rate spread and net interest margin. Information is based on daily balances during the indicated periods.

	Three months ended September 30,					
	1997			1996		
	Average Balance	Interest	Annualized Yield/Rate	Average Balance	Interest	Annualized Yield/Rate
	(Dollars in thousands)					
AVERAGE ASSETS:						
Federal funds sold and repurchase agreements	$ 341,868	$ 4,844	5.67%	$ 126,121	$ 1,742	5.52%
Securities available for sale ..	232,957	8,087	13.89	256,926	5,890	9.17
Loans available for sale (1) ...	172,053	4,267	9.92	116,806	2,685	9.19
Investment securities and other (2)	48,018	1,333	11.10	45,503	1,073	9.43
Loan portfolio (1)	412,520	16,425	15.93	325,830	8,961	11.00
Discount loan portfolio	1,216,417	42,370	13.93	688,756	23,794	13.82
Total interest-earning assets, interest income	2,423,833	77,326	12.76	1,559,942	44,145	11.32
Non-interest earning cash	6,061			6,639		
Allowance for loan losses	(25,415)			(14,048)		
Investments in low-income housing tax credit interests.	95,399			100,015		
Investment in joint ventures ...	25,552			62,192		
Real estate owned, net	139,143			126,458		
Other assets	238,941			101,893		
Total assets	$2,903,514			$1,943,091		
AVERAGE LIABILITIES AND STOCKHOLDERS' EQUITY:						
Interest-bearing demand deposits	$ 34,521	$ 282	3.27%	$ 46,444	$ 334	2.88
Savings deposits	1,933	11	2.28	3,505	20	2.28
Certificates of deposit	1,964,058	30,764	6.27	1,464,844	22,434	6.13
Total interest-bearing deposits	2,000,512	31,057	6.21	1,514,793	22,788	6.02
Notes, debentures and other	358,058	8,823	9.86	115,696	3,471	12.00
Securities sold under agreements to repurchase	3,075	56	7.28	-	-	-
Federal Home Loan Bank advances.	556	8	5.76	71,498	958	5.36
Total interest-bearing liabilities, interest expense	2,362,201	39,944	6.76	1,701,987	27,217	6.40
Non-interest bearing deposits .	37,269			15,966		
Escrow deposits	80,840			12,493		
Other liabilities	118,434			50,767		
Total liabilities	2,598,744			1,781,213		
Stockholders' equity	304,770			161,878		
Total liabilities and stockholders' equity	$2,903,514			$1,943,091		
Net interest income before provision for loan losses ...		$ 37,382			$ 16,928	
Net interest rate spread			6.00%			4.92%
Net interest margin			6.17%			4.34%
Ratio of interest-earning assets to interest-bearing liabilities	103%			92%		

(1) The average balance includes non-performing loans, interest on which is recognized on a cash basis.

(2) Included in interest income on investment securities and other is interest income earned on that portion of the deferred tax asset which relates to tax residuals. Inclusive of the average balance of the deferred tax asset related to tax residuals as investment securities

and other, the average yield for the three months ended September 30, 1997 and 1996 would have been 10.86% and 7.43%, respectively.

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Nine months ended September 30,

	1997 Average Balance	1997 Interest	1997 Annualized Yield/Rate	1996 Average Balance	1996 Interest	1996 Annualized Yield/Rate
	(Dollars in thousands)					
AVERAGE ASSETS:						
Federal funds sold and repurchase agreements.....	$ 179,132	$ 7,296	5.43%	$ 90,709	$ 3,840	5.64%
Securities available for sale	293,393	22,770	10.35	286,935	19,954	9.27
Securities held for trading..	4,393	248	7.53	--	--	--
Loans available for sale (1).	142,194	11,091	10.40	198,941	14,169	9.50
Investment securities and other (2)	33,388	2,759	11.02	40,951	3,053	9.94
Loan portfolio (1)	427,749	37,791	11.78	305,458	26,734	11.67
Discount loan portfolio......	1,228,267	116,840	12.68	640,585	75,852	15.79
Total interest - earning assets, interest income...	2,308,516	198,795	11.48	1,563,579	143,602	12.25
Non-interest earning cash...	9,872			6,461		
Allowance for loan losses....	(21,274)			(9,554)		
Investments in low income housing tax credit interests.................	95,525			92,767		
Investment in joint ventures.	39,772			39,442		
Real estate owned, net.......	117,966			143,819		
Other assets.................	197,516			97,560		
Total assets.............	$ 2,747,893			$1,934,074		
AVERAGE LIABILITIES AND STOCKHOLDERS' EQUITY:						
Interest-bearing demand deposits	$ 33,940	$ 1,005	3.95%	$ 48,073	$ 785	2.18%
Savings deposits.............	2,197	38	2.31	3,458	60	2.31
Certificates of deposit......	1,986,270	91,278	6.13	1,455,305	67,389	6.17
Total interest-bearing deposits.................	2,022,407	92,321	6.09	1,506,836	68,234	6.04
Notes, debentures and other..	276,385	22,686	10.94	115,992	10,344	11.89
Securities sold under agreements to repurchase..	12,760	533	5.57	15,862	685	5.76
Federal Home Loan Bank advances.............	10,796	436	5.38	70,765	2,990	5.63
Total interest-bearing liabilities, interest interest expense.........	2,322,348	115,976	6.66	1,709,455	82,253	6.42
Non-interest bearing deposits	26,986			9,352		
Escrow deposits.............	74,853			11,452		
Other liabilities............	73,629			52,759		
Total liabilities.........	2,497,816			1,783,018		
Stockholders' equity.........	250,077			151,056		
Total liabilities and stockholders' equity......	$ 2,747,893			$1,934,074		
Net interest income before provision for loan losses.		$ 82,819			$ 61,349	
Net interest rate spread..			4.82%			5.83%
Net interest margin..........			4.78%			5.23%
Ratio of interest-earning assets to interest-bearing liabilities	99%			91%		

(1) The average balance includes non-performing loans, interest on which is recognized on a cash basis.

(2) Included in interest income on investment securities and other is interest income earned on that portion of the deferred tax asset which relates to tax residuals. Inclusive of the average balance of the deferred tax asset related to tax residuals as investment securities and other, the average yield for the nine months ended September 30, 1997 and 1996 would have been 10.92% and 7.28%, respectively.

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

FOR THE PERIODS ENDED SEPTEMBER 30 (DOLLARS IN THOUSANDS)	Three months 1997 vs. 1996 Increase (decrease) due to			Nine months 1997 vs. 1996 Increase (decrease) due to		
	Rate	Volume	Total	Rate	Volume	Total
INTEREST-EARNING ASSETS:						
Federal funds sold and repurchase agreements	$ 46	$ 3,056	$ 3,102	$ (369)	$ 3,825	$ 3,456
Securities held for trading .	--	--	--	248	--	248
Securities available for sale	2,790	(593)	2,197	2,358	458	2,816
Loans available for sale	226	1,356	1,582	2,825	(5,903)	(3,078)
Loans	4,682	2,782	7,464	255	10,802	11,057
Discount loans	198	18,378	18,576	(36,438)	77,426	40,988
Investment securities and other	198	62	260	633	(927)	(294)
Total interest-earning assets	8,140	25,041	33,181	(30,488)	85,681	55,193
INTEREST-BEARING LIABILITIES:						
Interest-bearing demand deposits	41	(93)	(52)	764	(544)	220
Savings deposits	--	(9)	(9)	--	(22)	(22)
Certificates of deposit	521	7,809	8,330	(1,294)	25,183	23,889
Total interest-bearing deposits	562	7,707	8,269	(530)	24,617	24,087
Notes, debentures and other interest bearing obligations	(722)	6,074	5,352	(2,096)	14,438	12,342
Securities sold under agreements to repurchase	28	28	56	(22)	(130)	(152)
Federal Home Loan Bank advances	66	(1,016)	(950)	(127)	(2,427)	(2,554)
Total interest-bearing liabilities	(66)	12,793	12,727	(2,775)	36,498	33,723
Increase in net interest income	$ 8,206	$ 12,248	$ 20,454	$(27,713)	$ 49,183	$ 21,470

RESULTS OF OPERATIONS: THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1997 VERSUS THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1996

NET INTEREST INCOME. The Company's net interest income of $37.4 million increased $20.5 million or 121% during the three months ended September 30, 1997 as compared to the comparable period in the prior year. Interest income increased $33.2 million or 75% due to an $863.9 million or 55% increase in the Company's average interest-earning assets from period to period and a 144 basis point increase in the weighted average yield earned. Interest expense increased $12.7 million or 47% due to a $660.2 million or 39% increase in the Company's average interest-bearing liabilities.

Net interest income of $82.8 million for the nine months ended September 30, 1997 increased $21.5 million or 35% over the comparable period of the prior year. The increase resulted from a $744.9 million or 48% increase in average interest-earning assets from period to period which was offset in part by a 77 basis point decrease in the weighted average yield earned on those assets, and a $612.9 million or 36% increase in average interest-bearing liabilities.

INTEREST INCOME. Interest income on the discount loan portfolio increased by $18.6 million or 78% in the three months ended September 30, 1997 versus the three months ended September 30, 1996 as a result of a $527.7 million or 77% increase in the average balance of the discount loan portfolio. For the nine months ended September 30, 1997 as compared to the same period in 1996, interest income on the discount loan portfolio increased $41.0 million or 54% due to a $587.7 million or 92% increase in the average balance of the discount loan portfolio which was offset in part by a 311 basis point decrease in the weighted average yield earned. The decline in the yields during the nine months ended September 30, 1997, as compared to 1996, is primarily attributable to an increase in the average balance of

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single-family discount loans acquired from HUD, and the Company's decision to cease accretion of discount on non-performing single-family discount loans effective January 1, 1997. Discount accretion on non-performing single-family residential discount loans amounted to $1.3 million or 77 basis points in yield during the three months ended September 30, 1996 and $6.3 million or 132 basis points in yield during the nine months ended September 30, 1996. The Company believes that for the remainder of 1997 the yield earned on its single-family discount loan portfolio will remain below the yield earned in the prior year due to its decision to cease accretion of discount and its current strategy of attempting to work with borrowers to either (i) bring their loans current, (ii) modify the terms of their loans, (iii) enter into forbearance agreements that require the borrower to make monthly payments greater than or equal to scheduled payment amount or (iv) refinance the loans with the Company. This resolution strategy results in lower initial yields as compared to borrowers paying off their loans in full or in part, and to the extent the loans are ultimately sold will result in a significant portion of the earnings being reflected in gains on sales of interest earning assets. In addition, the majority of the single-family HUD loans acquired by the Company in February and September 1997 are currently under a HUD forbearance plan, whereby the borrower makes payments based upon ability to pay for a specific period of time, which generally results in a lower effective yield than the contract rate. Once this period is over the borrower must make at least its contractual mortgage payment or the Company can pursue foreclosure or other actions. The yield on the overall discount loan portfolio is also likely to continue to fluctuate from quarter to quarter as a result of the timing of resolutions, particularly the resolution of large multifamily and commercial loans, and the mix of the overall portfolio between paying and nonpaying loans.

Interest income on the loan portfolio increased by $7.5 million or 83% in the third quarter of 1997 from the comparable period in 1996 primarily due to $5.5 million of additional interest received in connection with the payoff of three loans secured by hotel and office properties and, to a lesser extent, an increase in the average balance of the loan portfolio for the three months ended September 30, 1997 of $86.7 million or 27% over that of the same period in 1996. For the nine months ended September 30, 1997, interest income on the loan portfolio increased $11.1 million or 41% over that of the same period in 1996 as a result of a $122.3 million or 40% increase in the average balance of the loan portfolio. Interest income on the loan portfolio includes $6.4 million and $2.1 million of additional interest received during the nine months ended September 30, 1997 and 1996, respectively, in connection with the payoff of loans.

Interest income on federal funds sold and repurchase agreements increased $3.1 million or 178% during the third quarter of 1997 as compared to the same period in 1996 primarily as a result of a $215.7 million increase in the average balance. Interest income on federal funds sold and repurchase agreements increased $3.5 million or 90% during the nine months ended September 30, 1997 as compared to the same period in 1996 due to an increase in the average balance of $88.4 million or 97%.

INTEREST EXPENSE. The increases in interest expense during the three and nine months ended September 30, 1997 as compared to the same periods in 1996 reflect the Company's continued use of certificates of deposit to fund its asset growth and the issuance of $125.0 million of 11.875% Notes in September 1996. The average amount of the Company's certificates of deposit increased from $1.46 billion during the three and nine months ended September 30, 1996, to $1.96 billion and $1.99 billion during the three and nine months ended September 30, 1997, respectively. Also contributing to the increase in interest expense during 1997 is the interest expense on lines of credit established at OFS (see "Notes, Debentures and other Interest-Bearing Obligations"), which amounted to $2.0 million and $2.3 million during the three and nine months ended September 30, 1997, respectively, as compared to $0 during 1996.

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

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The following table sets forth the components of the Company's provision for loan losses for the periods indicated.

For the periods ended September 30- (Dollars in thousands)	Three Months 1997	Three Months 1996	Nine Months 1997	Nine Months 1996
Discount loans................	$ 4,245	$ 3,902	$ 20,409	$ 17,140
Loan portfolio................	(157)	567	1,330	1,699
Total....................	$ 4,088	$ 4,469	$ 21,739	$ 18,839

The amount provided for discount loans during the nine months ended September 30, 1997 included $2.0 million established during the first quarter on single-family residential loans acquired from HUD in 1995 and 1996 which were not included in the March 1997 securitization. The negative loan portfolio loss provision of $(157) during the three months ended September 30, 1997 is primarily due to the recapture of previously established loss provisions in connection with significant payoffs of loans during the third quarter of 1997.

Although management utilizes its best judgment in providing for possible loan losses, there can be no assurance that the Company will not change its provisions for possible loan losses in subsequent periods to a higher level from that recorded to date in 1997. Changing economic and business conditions, fluctuations in local markets for real estate, future changes in non-performing asset trends, large upward movements in market interest rates or other reasons could affect the Company's future provisions for loan losses. In addition, the OTS, as an integral part of its examination process, periodically reviews the adequacy of the Company's allowances for losses on loans and discount loans. Such agency may require the Company to recognize changes to such allowances for losses based on its judgment about information available to it at the time of examination. For further discussion and analysis regarding the provisions for loan losses, see "Changes in Financial Condition - Allowances for Losses."

NON-INTEREST INCOME. The following table sets forth the principal components of the Company's non-interest income during the periods indicated.

For the periods ended September 30- (Dollars in thousands)	Three Months 1997	Three Months 1996	Nine Months 1997	Nine Months 1996
Servicing fees and other charges..........	$ 7,321	$ 1,158	$ 17,402	$ 1,945
Gains on sales of interest-earning assets, net.................................	5,999	7,979	46,142	17,580
Gain on real estate owned, net...........	4,793	5,495	8,628	4,467
Other income.............................	7,318	514	7,898	2,515
Total...............................	$ 25,431	$ 15,146	$ 80,070	$ 26,507

The increase in servicing fees and other charges during 1997 was due to an increase in loan servicing and related fees as a result of the Company's increase in loans (primarily sub-prime and non-performing) serviced for others. The average unpaid principal balance of loans serviced for others amounted to $3.03 billion and $2.52 billion during the three and nine months ended September 30, 1997, respectively, as compared to $1.03 billion and $645.1 million during the three and nine months ended September 30, 1996, respectively. Included in servicing fees and other charges during the nine months ended September 30, 1997 was $1.8 million of fees earned in connection with the setup of loans transferred to the Company for servicing during the period, of which $668,000 were earned during the third quarter. In addition, servicing fees and other charges earned during the nine months ended September 30, 1996 included $1.6 million in valuation adjustments as a result of $928,000 and $702,000 charges recorded during the first and third quarters, respectively, to purchased mortgage servicing rights due to a significant increase in prepayments of the underlying loans serviced resulting primarily from refinancings.

The following table sets forth the Company's loans serviced for others at September 30, 1997.

	Discount Loans Amount	Discount Loans No. of Loans	Sub-prime Loans Amount	Sub-prime Loans No. of Loans	Other Loans Amount	Other Loans No. of Loans	Total Amount	Total No. of Loans

	(Dollars in thousands)							
Loans securitized and sold with recourse	$ 422,960	7,444	$ 372,662	3,361	$ --	--	$ 795,622	10,805
Loans services for third parties	1,563,931	24,469	922,010	11,069	159,877	1,156	2,645,818	36,694
	$1,986,891	31,913	$1,294,672	14,430	$ 159,877	1,156	$3,441,440	47,499

Net gains on sales of interest-earning assets in the third quarter of 1997 were primarily comprised of a $5.4 million gain in connection with the securitization of 910 sub-prime single-family residential loans with an aggregate unpaid principal balance of $102.2 million. The Company continues to service the loans for a fee and has retained an interest in the related residual class security with a book value of $7.0 million. Net gains on sales of interest-earning assets in the third quarter of 1996 were primarily comprised of a $2.5 million gain from the sale of sub-prime single-family residential loans, a $2.0 million gain on the sale of a subordinate security, a $4.5 million gain on the sale of a commercial discount loan, a

$539,000 loss on the sale of multi-family loans and a $492,000 adjustment to record delinquent single-family loans to sub-prime borrowers carried as available for sale to the lower of cost or market.

Net gains on sales of interest-earning assets for the nine months ended September 30, 1997 also included (i) a $17.2 million gain in connection with the securitization of 1,783 single-family residential discount loans with an aggregate unpaid principal balance of $170.6 million (of which 1,751 loans with an unpaid principal balance of $168.3 million were discount loans and 32 loans with an unpaid principal balance of $2.3 million were from the loan portfolio) and in which the Company has retained an interest in the related residual class security with a book value of $6.7 million, (ii) a $4.5 million net gain in connection with the securitization of 896 sub-prime single-family residential loans with an aggregate unpaid principal balance of $104.8 million and in which the Company has retained an interest in the related residual class security with a book value of $7.1 million, (iii) a $2.6 million gain on the sale of mortgage-related securities to OAIC, (iv) $2.7 million of gains from the sales of single-family sub-prime loans, (v) $3.5 million of gains from sales of certain large commercial loans in the Company's discount loan portfolio and (vi) a $9.5 million net gain in connection with the securitization completed in March 1997 of single-family residential mortgage loans acquired from HUD in 1995 and 1996 and in which the Company has retained an interest in the related residual class security with a book value of $3.0 million.

The following table sets forth the results of the Company's investment in real estate owned, which was primarily related to the discount loan portfolio, during the periods indicated:

For the periods ended September 30- (Dollars in thousands)	Three Months 1997	Three Months 1996	Nine Months 1997	Nine Months 1996
Gains on sales........................	$ 9,171	$ 9,730	$ 19,637	$ 17,758
Provision for loss in fair value.......	(2,478)	(4,013)	(4,725)	(13,801)
Rental income (carrying costs), net....	(1,900)	(222)	(6,284)	510
Gain on real estate owned, net.......	$ 4,793	$ 5,495	$ 8,628	$ 4,467

Included in other income for the three and nine months ended September 30, 1997 is a $6.3 million gain recognized in connection with the sale of an investment in low-income housing tax credit project.

NON-INTEREST EXPENSE. The following table sets forth the principal components of the Company's non-interest expense during the periods indicated.

For the periods ended September 30- (Dollars in thousands)	Three Months 1997	Three Months 1996	Nine Months 1997	Nine Months 1996
Compensation and employee benefits	$ 20,471	$ 8,431	$ 55,069	$ 23,170
Occupancy and equipment	5,029	2,151	11,818	6,378
Net operating loss (income) on investments in real estate and certain low-income housing tax credit interests	622	(161)	1,819	(99)
Savings Association Insurance Fund recapitalization assessment	--	7,140	--	7,140
Other operating expenses	5,097	3,970	16,289	10,496
Total	$ 31,219	$ 21,531	$ 84,995	$ 47,085

The increases in compensation and employee benefits during the three and nine months ended September 30, 1997 reflect increases in the average number of full-time equivalent employees as well as increases in profit sharing expense in line with improved earnings. The average number of full-time equivalent employees was 944 and 795 during the three and nine months ended September 30, 1997, respectively, and 402 and 368 during the three and nine months ended September 30, 1996, respectively. Profit sharing expenses accounted for $4.4 million of the $12.0 million increase in compensation and benefits during the third quarter of 1997 as compared to the same period in 1996, and $11.2 million of the $31.9 million increase during the nine months ended September 30, 1997 as compared to the same period in 1996.

The increases in occupancy and equipment expenses during the three and nine months ended September 30, 1997, as compared to the same periods in the prior year, were primarily due to increases in data processing costs, general

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office equipment expenses and rent expense, all largely attributable to the increase in leased corporate and loan production office space and the increase in employees discussed above.

Net operating losses on investments in real estate and certain low-income housing tax credit interests, which includes hotel operations, increased $783,000 and $1.9 million during the three and nine months ended September 30, 1997, respectively, primarily as a result of net operating losses and depreciation expense on low-income housing tax credit properties placed in service during 1997. The associated tax credits on such projects are reported as a reduction of income tax expense. See "Income Tax Expense" below.

Included in non-interest expense for the three and nine months ended September 30, 1996 is a $7.1 million non-recurring expense related to the FDIC's assessment to recapitalize the SAIF.

Other operating expenses increased by $1.1 million during the three months ended September 30, 1997 as compared to the comparable period in the prior year primarily due to a $763,000 increase in loan related expenses. Other operating expenses increased $5.8 million during the nine months ended September 30, 1997, as compared to the comparable period in the prior year primarily due to a $2.2 million increase in loan related expenses, a $1.4 million reserve established for a receivable, a $1.1 million increase in professional fees, a $636,000 increase in amortization of offering costs, $600,000 of certain other one-time charges and $310,000 of amortization of excess of purchase price over net assets acquired, offset in part by a $1.3 million decrease in FDIC insurance premiums.

DISTRIBUTIONS ON COMPANY-OBLIGATED, MANDATORILY REDEEMABLE SECURITIES OF SUBSIDIARY TRUST HOLDING SOLELY JUNIOR SUBORDINATED DEBENTURES OF THE COMPANY. In August 1997, Ocwen Capital Trust I, a wholly owned subsidiary of Ocwen, issued $125.0 million of 10 7/8% Capital Securities. Cash distributions on the Capital Securities accrue from the date of original issuance and payable semi-annually in arrears on February 1, and August 1 of each year, commencing on February 1, 1998, at an annual rate of 10 7/8% of the liquidation amount of $1,000 per Capital Security. Through September 30, 1997, the Company has accrued $1.9 million of distributions payable to holders of the Capital Securities.

EQUITY IN EARNINGS OF INVESTMENT IN JOINT VENTURES. Equity in earnings of investment in joint ventures of $546,000 and $4.1 million for the three months ended September 30, 1997 and 1996, respectively, and $16.2 million and $5.2 million for the nine months ended September 30, 1997 and 1996, respectively, relates to the LLC, the joint venture formed in March 1996 to acquire discount single-family residential loans from HUD. The Company's earnings from this joint venture consist of 50% of the net income of the LLC before deduction of the Company's 50% share of loan servicing fees, which are paid 100% to the Company. Net income of the joint venture is primarily attributable to interest income on discount loans and gains on the sale of discount loans, including a $9.2 million gain in connection with the securitization of HUD loans in March 1997. Equity in earnings for the nine months ended September 30, 1997 includes the recapture of $3.3 million of valuation allowances established in 1996 by the Company on its equity investment in the LLC as a result of the resolution and securitization of loans during 1997. See Note 3 to the Interim Consolidated Financial Statements included in Item 1 hereof.

INCOME TAX EXPENSE. Income tax expense amounted to $6.2 million and $157,000 during the three months ended September 30, 1997 and 1996, respectively, and $14.9 million and $2.1 million during the nine months ended September 30, 1997 and 1996, respectively. The Company's income tax expense is reported net of tax credits of $3.9 million and $2.3 million during the third quarter of 1997 and 1996, respectively, and $10.3 million and $7.2 million during the nine months ended September 30, 1997 and 1996, respectively, resulting from the Company's investment in certain low-income housing tax credit interests. Exclusive of such amounts, the Company's effective tax rate amounted to 38.3% and 33.4% during the three months ended September 30, 1997 and 1996, respectively, and 35.8% and 34.3% during the nine months ended September 30, 1997 and 1996, respectively. See "Changes in Financial Condition-Investments in Low Income Housing Tax Credit Interests" for additional information regarding tax credits.

MINORITY INTEREST. Minority interest in net loss of consolidated subsidiary represents the loss attributable to the 20% interest in OFS owned by Admiral.

CHANGES IN FINANCIAL CONDITION

GENERAL. From December 31, 1996 to September 30, 1997 total assets increased by $472.6 million or 19%. This increase was primarily due to a $410.4 million increase in discount loans, a $63.6 million increase in the loans available for sale, a $53.7 million increase in cash and cash equivalents, a $45.7 million increase in real estate owned, a $45.1 million increase in investment securities and a $29.0 million increase in escrow advances and other assets, offset in part by an $89.3 million decrease in securities available for sale, a $75.6 million decrease in securities held for trading and a $44.0 million decrease in investment in joint ventures. Total liabilities increased by $131.8 million from December 31, 1996 to September 30, 1997 and was primarily due to a $51.2 million increase in deposits and a $142.7 million increase in notes, debentures and other interest bearing obligations, offset by a $71.5

million decrease in securities sold under agreements to repurchase.

SECURITIES HELD FOR TRADING. The Company held a $75.6 million single-family CMO for trading at December 31, 1996. This security, which was acquired from the LLC in connection with the LLC's securitization in October 1996, was sold in January 1997.

SECURITIES AVAILABLE FOR SALE. At September 30, 1997, an aggregate of $4.5 million of net unrealized gains, net of related deferred taxes of $2.7 million on securities classified as available for sale, were included in stockholders' equity, as compared to $3.5 million of net unrealized gains at December 31, 1996, net of related deferred taxes of $2.0 million.

The following table sets forth the carrying value (which represents market value) of the Company's securities available for sale at the dates indicated.

	September 30, 1997	December 31, 1996
	(Dollars in thousands)	
Mortgage-related securities:		
Single-family residential:		
AAA-rated CMOs	$ 39,575	$ 73,935
FHLMC interest only	58,101	47,571
FNMA interest only	60,968	49,380
AAA-rated interest only	29,840	1,173
Subordinates	37,335	19,164
REMIC residuals	25,515	20,560
Futures contracts	(120)	(1,921)
	251,214	209,862
Multi-family residential and commercial:		
AAA-rated interest only	1,812	83,590
Non-investment grade interest only	2,190	3,799
Subordinates	9,507	57,534
Futures contracts	--	(780)
	13,509	144,143
Total	$ 264,723	$ 354,005

The Company's securities available for sale of $264.7 million at September 30, 1997 decreased by $89.3 million or 25% from December 31, 1996 due primarily to $208.9 million of sales, $30.1 million of maturities and principal repayments and $33.7 million of net premium amortization, offset in part by $193.2 million of purchases.

The Company currently plans not to purchase subordinate classes of mortgage-related securities created by unaffiliated parties. The Company held five such securities with a carrying value of $32.0 million at March 31, 1997, which subsequently were sold to OAIC on May 19, 1997. The Company may retain subordinate classes or REMIC residuals resulting from the securitization of assets held by it directly or indirectly through the Bank and investments in joint ventures, although any such securities held by the Bank will be distributed to Ocwen as a dividend, subject to the Bank's ability to declare such dividends under applicable limitations. Two such securities with an aggregate book value of $19.5 million were distributed to Ocwen in the form of a dividend during June 1997. At September 30, 1997, the Bank held five subordinate securities and one residual security with an aggregate carrying value and book value of $45.0 million and $37.8 million, respectively, of which one subordinate security and one residual security with an aggregate book value of $14.3 million were dividended to Ocwen in November 1997.

LOANS AVAILABLE FOR SALE. The Company's loans available for sale at September 30, 1997, which are carried at the lower of cost or fair value, increased by $63.6 million or 50% from December 31, 1996 and consist primarily of single-family residential loans to sub-prime borrowers. The Company generally intends to sell or securitize its single-family residential loans to sub-prime borrowers and, as a result, all of such loans were classified as available for sale at September 30, 1997 and December 31, 1996. The Company's single-family residential lending activities to sub-prime borrowers is conducted by OFS.

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The following table sets forth the composition of the Company's loans available for sale by type of loan at the dates indicated.

	September 30, 1997	December 31, 1996
	(Dollars in thousands)	
Single-family residential loans	$ 189,466	$ 111,980
Multi-family residential loans	-	13,657
Consumer loans	546	729
	$ 190,012	$ 126,366

The following table sets forth the activity in the Company's net loans available for sale during the periods indicated.

For the periods ended September 30, - (Dollars in thousands)	Three Months 1997	Three Months 1996	Nine Months 1997	Nine Months 1996
Balance at beginning of period	$ 103,627	$ 84,078	$ 126,366	$ 251,790
Purchases:				
Single-family residential	24,102	95,266	86,606	226,960
Multi-family residential	--	--	--	10,456
	24,102	95,266	86,606	237,416
Originations:				
Single-family residential	170,752	1,434	297,254	2,154
Sales	(101,271)	(107,267)	(289,119)	(392,440)
Increase in lower of cost or market reserve	(683)	(492)	(1,125)	(2,282)
Loans transferred to loan portfolio	--	--	(13,694)	(9)
Principal repayments, net of capitalized interest	(5,724)	(1,109)	(11,975)	(23,552)
Transfer to real estate owned	(791)	(1,662)	(4,301)	(2,829)
Net increase (decrease) in loans	86,385	(13,830)	63,646	(181,542)
Balance at end of period	$ 190,012	$ 70,248	$ 190,012	$ 70,248

During the nine months ended September 30, 1997 and 1996 the Company purchased and originated $379.8 million and $230.6 million, respectively, of single-family residential loans to sub-prime borrowers. The Company also sold $285.1 million of sub-prime loans during the nine months ended September 30, 1997 for a gain of $12.7 million. Of the $285.1 million and $377.5 million of sub-prime loans sold during the nine months ended September 30, 1997 and 1996, respectively, $207.0 million and $219.6 million, respectively, were the result of the Company's securitization of such loans.

The following table presents a summary of the Company's non-performing loans (loans which were past due 90 days or more) in the loans available for sale portfolio at the dates indicated:

	September 30, 1997	December 31, 1996
	(Dollars in thousands)	
Non-performing loans:		
Single-family	$ 12,601	$ 14,410
Consumer	42	36
	$ 12,643	$ 14,446
Non-performing loans as a percentage of:		
Total loans available for sale	6.65%	11.43%
Total assets	0.43%	0.58%

Non-performing loans available for sale consist primarily of sub-prime single-family residential loans, reflecting the higher risks of default associated with such loans. Although sub-prime loans generally have higher levels of default than prime loans, the Company believes that the borrower's equity in the secured property and its expertise in the area of resolution of non-performing loans will mitigate any resulting losses.

INVESTMENT SECURITIES. Investment securities increased by $45.1 million from December 31, 1996 to September 30, 1997 as a result of the Company's $43.1 million investment in 9.8% of the outstanding common stock of OAIC and a $2.0 million increase in the required holdings of FHLB stock. At September 30, 1997 a $13.4 million net unrealized gain, net of related deferred taxes of $1.8 million, was included in stockholders' equity in connection with the Company's investment in the outstanding common stock of OAIC.

DISCOUNT LOAN PORTFOLIO. The following table sets forth the composition of the Company's discount loan portfolio by type of loan at the dates indicated.

	September 30, 1997	December 31, 1996
	(Dollars in thousands)	
Single-family residential loans (1)	$ 1,047,192	$ 504,049
Multi-family residential loans	241,981	341,796
Commercial real estate loans	515,082	465,801
Other loans	1,864	2,753
Total discount loans	1,806,119	1,314,399
Unaccreted discount	(316,531)	(241,908)
Allowance for loan losses	(18,337)	(11,538)
Discount loans, net	$ 1,471,251	$ 1,060,953

(1) Does not include the Company's 50% ownership interest in the LLC, which held $31.2 million and $110.7 million of discount single-family residential loans at September 30, 1997 and December 31, 1996, respectively. See "Changes in Financial Condition - Investment in Joint Ventures" below. Inclusive of the Company's pro rata interest in such loans, the Company's discount loans, net amounted to $1.49 billion and $1.12 billion at September 30, 1997 and December 31, 1996, respectively.

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The following tables set forth the activity in the Company's gross discount loan portfolio during the periods indicated.

	Three months ended September 30,			
	1997		1996	
	Balance	No. of Loans	Balance	No. of Loans
	(Dollars in thousands)			
Balance at beginning of period	$ 1,590,427	11,110	$ 830,321	3,344
Acquisitions	445,869	6,455	509,819	2,507
Resolutions and repayments	(160,277)	(786)	(76,380)	(310)
Loans transferred to real estate owned	(69,900)	(358)	(47,767)	(232)
Sales	--	--	(12,987)	(3)
Balance at end of period	$ 1,806,119	16,421	$ 1,203,006	5,306

	Nine months ended September 30,			
	1997		1996	
	Balance	No. of Loans	Balance	No. of Loans
	(Dollars in thousands)			
Balance at beginning of period	$ 1,314,399	5,460	$ 943,529	4,543
Acquisitions (1)	1,288,220	16,209	671,630	2,651
Resolutions and repayments	(358,054)	(1,512)	(265,160)	(952)
Loans transferred to real estate owned	(190,398)	(1,102)	(107,380)	(676)
Sales	(248,048)	(2,634)	(39,613)	(260)
Balance at end of period	$ 1,806,119	16,421	$ 1,203,006	5,306

(1) During the nine months ended September 30, 1997, acquisitions consisted of $949.9 million of single-family residential loans, $57.6 million of multi-family residential loans and $280.7 million of commercial real estate and land loans. Included in acquisitions for the nine months ended September 30, 1997 are the Company's approximate one-half allocated share of (i) 13,781 single-family residential loans acquired by the Company and its co-investor at an auction by HUD during the first quarter with an aggregate unpaid principal balance of $855.7 million for a purchase price of $757.4 million and (ii) 10,992 single-family residential loans acquired by the Company and its co-investor at an auction by HUD during the third quarter with an aggregate unpaid principal balance of $692.0 million for a purchase price of $585.0 million.

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

	September 30, 1997		December 31, 1996	
	Principal Amount	% of Loans	Principal Amount	% of Loans
Loans without Forbearance Agreements:				
Current	$ 422,574	23.40%	$ 572,043	43.52%
Past due 31 to 89 days	13,074	0.72	19,458	1.48
Past due 90 days or more	571,483	31.64	506,113	38.51
Acquired and servicing not yet transferred	79,731	4.41	149,564	11.38
Subtotal	1,086,862	60.17	1,247,178	94.89
Loans with Forbearance Agreements:				
Current	86,253	4.78	7,554	0.57
Past due 31 to 89 days	10,864	0.60	2,703	0.21
Past due 90 days or more (1)	622,140	34.45	56,964	4.33
Subtotal	719,257	39.83	67,221	5.11
Total	$1,806,119	100.00%	$1,314,399	100.00%

(1) Includes $345.0 million of loans which were less than 90 days past due under the terms of the forbearance agreements at September 30, 1997, of which $297.0 million were current and $48.0 million were past due 31 to 89 days.

For discussion and analysis regarding the allowance for loan losses on discount loans, see "Changes in Financial Condition - Allowance for Losses" below.

LOAN PORTFOLIO. The following table sets forth the composition of the Company's loan portfolio by type of loan at the dates indicated.

	September 30, 1997	December 31, 1996
	(Dollars in thousands)	
Single-family residential loans	$ 48,805	$ 73,186
Multi-family residential loans	86,918	67,842
Commercial real estate and land loans:		
Hotel	173,249	200,311
Office buildings	122,732	128,782
Land	1,167	2,332
Other	18,796	25,623
Total	315,944	357,048
Commercial non-mortgage	--	2,614
Consumer	300	424
Total loans	451,967	501,114
Undisbursed loan funds	(50,075)	(89,840)
Unaccreted discount	(4,635)	(5,169)
Allowance for loan losses	(4,734)	(3,523)
Loans, net	$ 392,523	$ 402,582

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

For the periods ended September 30 - (Dollars in thousands)	Three months 1997	Three months 1996	Nine months 1997	Nine months 1996
Balance at beginning of period	$ 507,300	$ 389,124	$ 501,114	$ 342,649
Originations:				
Single-family residential loans	218	3,125	1,987	10,681
Multi-family residential loans	257	67,515	12,994	112,764
Commercial real estate loans and land loans	2,835	80,595	50,035	133,511
Commercial non-mortgage and consumer loans	--	1,500	1,134	1,500
Total loans originated	3,310	152,735	66,150	258,456
Purchases	--	278	78	278
Sales	--	--	(2,346)	--
Loans transferred from available for sale	--	--	13,802	6
Principal repayments, net of capitalized interest	(58,481)	(33,332)	(126,316)	(92,026)
Transfer to real estate owned	(162)	(607)	(515)	(1,165)
Net (decrease) increase in loans	(55,333)	119,074	(49,147)	165,549
Balance at end of period	$ 451,967	$ 508,198	$ 451,967	$ 508,198

The following table presents a summary of the Company's non-performing loans (loans which are past due 90 days or more) in the loan portfolio and significant ratios at the dates indicated:

	September 30, 1997	December 31, 1996
	(Dollars in thousands)	
Non-performing loans (1):		
Single-family residential loans	$ 1,957	$ 2,123
Multi-family residential loans	7,583	106
Consumer and other loans	33	55
	$ 9,573	$ 2,284
Non-performing loans as a percentage of:		
Total loans (2)	2.44%	0.56%
Total assets	0.32%	0.09%

(1) The Company did not have any loans which were accruing interest but past due 90 days or more at the dates indicated.

(2) Total loans is net of undisbursed loan proceeds.

ALLOWANCES FOR LOSSES. The Company maintains an allowance for loan losses for each of its loan portfolio and discount loan portfolio at a level which management considers adequate to provide for potential losses in each portfolio based upon an evaluation of known and inherent risks in such portfolios. When an impaired loan is either sold, transferred to real estate owned or charged off, only the excess or unused portion of any related specific valuation allowance is credited to the provision for loan losses.

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The following table sets forth the allocation of the Company's allowance for loan losses at the dates indicated by loan category and the percentage of loans in each category to total loans in the respective portfolios at the dates indicated:

	September 30, 1997			December 31, 1996		
	Allowance	Gross Loan Balance	Percent	Allowance	Gross Loan Balance	Percent
Loan Portfolio:						
Single-family	$ 378	$ 48,805	10.8%	$ 520	$ 73,186	14.6%
Multi-family	1,783	86,918	19.2%	673	67,842	13.5%
Commercial real estate.	2,556	315,944	69.9%	2,299	357,048	71.3%
Commercial non-mortgage	--	--		11	2,614	0.5%
Consumer	17	300	0.1%	20	424	0.1%
	$ 4,734	$ 451,967	100.0%	$ 3,523	$ 501,114	100.0%
Discount loan portfolio:						
Single-family	$ 10,467	$1,047,192	58.0%	$ 3,528	$ 504,049	38.4%
Multi-family	3,375	241,981	13.4%	3,124	341,796	26.0%
Commercial real estate.	4,495	515,082	28.5%	4,886	465,801	35.4%
Other	--	1,864	0.1%	--	2,753	0.2%
	$ 18,337	$1,806,119	100.0%	$ 11,538	$1,314,399	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 summarizes activity in the allowance for loan losses by portfolio and property type during the nine months ended September 30, 1997.

	Balance December 31, 1996	Additions	Charge-offs	Recoveries	Balance September 30, 1997
Loan Portfolio:					
Single-family	$ 520	$ (23)	$ (119)	$ --	$ 378
Multi-family	673	1,110	--	--	1,783
Commercial real estate..	2,299	257	--	--	2,556
Commercial non-mortgage.	11	(11)	--	--	--
Consumer	20	(3)	--	--	17
	$ 3,523	$ 1,330	$ (119)	$ --	$ 4,734
Discount loans:					
Single-family	$ 3,528	$ 15,768	$ (9,164)	335	$ 10,467
Multi-family	3,124	1,739	(1,488)	--	3,375
Commercial	4,886	2,902	(3,293)	--	4,495
	$ 11,538	$ 20,409	$(13,945)	$ 335	$ 18,337

INVESTMENTS IN LOW-INCOME HOUSING TAX CREDIT INTERESTS. In 1993, the Company commenced a program to invest in multi-family residential projects which have been allocated low income housing tax credits under Section 42 of the Internal Revenue Code by a state tax credit allocating agency. At September 30, 1997 the Company had $92.3 million of investments in low-income housing tax credit interests as compared to $93.3 million at December 31, 1996. On September 26, 1997 the Company completed the sale of its investment in a low-income housing tax credit project and realized a gain of $6.3 million on proceeds of $22.0 million.

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, which amounted to $29.1 million at September 30, 1997, are accounted for using the equity method in accordance with the consensus of the Emerging Issues Task Force through Issue Number 94-1. Limited partnership investments made prior to May 18, 1995, which amounted to $32.1 million at September 30, 1997, are accounted for under the effective yield method as a reduction of income tax expense.

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Low-income housing tax credit partnerships in which the Company invests as both a limited and, through a subsidiary, general partner amounted to $31.1 million at September 30, 1997 and are presented on a consolidated basis.

INVESTMENT IN JOINT VENTURES. The Company's investment in joint ventures decreased 65% from $67.9 million at December 31, 1996 to $23.9 million at September 30, 1997. The decrease in investment in joint ventures is primarily due to the sale of loans and real estate owned by the LLC, including the $51.7 million securitization of loans in March 1997, offset in part by the Company's $1.1 million investment in BCFL in January 1997. The Company's investment in the LLC amounted to $22.9 million and $67.9 million at September 30, 1997 and December 31, 1996, respectively, and is net of valuation allowances of $1.8 million and $5.1 million, respectively. See Note 3 to the Interim Consolidated Financial Statements included in Item 1 hereof.

In connection with the LLC's acquisition of the loans from HUD ("HUD Loans"), the Company entered into an agreement with the LLC to service the HUD Loans in accordance with its loan servicing and loan default resolution procedures. In return for such servicing, the Company receives specified fees which are payable on a monthly basis. The Company did not pay any additional amount to acquire these servicing rights and, as a result, the acquisition of the right to service the HUD Loans for the LLC did not result in the Company's recording capitalized mortgage servicing rights for financial reporting purposes. All of the HUD Loans are secured by second mortgage liens on single-family residential properties. In addition, all intercompany transactions between the Company and the LLC are eliminated for financial reporting purposes to the extent of the Company's ownership in the LLC.

The following table sets forth information relating to the payment status of the HUD Loans (gross principal amount) at the dates indicated.

	September 30, 1997		December 31, 1996	
	Principal Amount	% of HUD Loans	Principal Amount	% of HUD Loans
HUD Loans without Forbearance Agreements:				
Current	$ 2,141	4.69%	$ 6,709	4.21%
Past due 31 to 89 days:	507	1.11	3,011	1.89
Past due 90 days or more	17,291	37.85	84,509	53.02
Subtotal	19,939	43.65	94,229	59.12
HUD Loans with Forbearance Agreements:				
Current	2,551	5.59	4,867	3.05
Past due 31 to 89 days	693	1.52	5,168	3.24
Past due 90 days or more (1)	22,492	49.24	55,141	34.59
Subtotal	25,736	56.35	65,176	40.88
Total	$ 45,675	100.00%	$ 159,405	100.00%

(1) Includes $20.6 million of loans which were less than 90 days past due under the terms of the forbearance agreements at September 30, 1997, of which $19.0 million were current and $1.6 million were past due 31 to 89 days.

REAL ESTATE OWNED. Properties acquired through foreclosure are valued at the lower of the adjusted cost basis of the loan or fair value less estimated costs of disposal of the property at the date of foreclosure. Properties included in the Company's real estate owned are periodically re-evaluated to determine that they are being carried at the lower of cost or fair value less estimated costs to dispose. Rental income related to properties is reported as earned. Holding and maintenance costs related to properties are recorded as period costs as incurred. Decreases in market value of foreclosed real estate subsequent to foreclosure are recognized as a valuation allowance on a property specific basis. Subsequent increases in the market value of the foreclosed real estate are reflected as reductions in the valuation allowance, but not below zero. Such changes in the valuation allowance are charged or credited to income.

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

	September 30, 1997	December 31, 1996
	(Dollars in thousands)	
Discount loan portfolio:		
Single-family residential	$ 65,150	$ 49,728
Multi-family residential	22,207	14,046
Commercial real estate	59,285	36,264
Total	146,642	100,038
Loan portfolio	323	592
Loans available for sale portfolio	2,392	3,074
	$ 149,357	$ 103,704

The following table sets forth the activity in the valuation allowance on real estate owned for the periods indicated.

For the period ended September 30 (Dollars in thousands)	Three Months 1997	Three Months 1996	Nine Months 1997	Nine Months 1996
Balance at beginning of period	$ 5,633	$ 9,736	$ 11,493	$ 4,606
Provision for loss in fair value	2,478	4,013	4,725	13,801
Charge-offs and sales	(2,307)	(2,776)	(10,414)	(7,434)
Balance at end of period	$ 5,804	$ 10,973	$ 5,804	$ 10,973

The decline in the valuation allowance on real estate owned is primarily due to increased write offs of loans before transfer to real estate owned and the reversal of valuation allowance in connection with sales of real estate owned.

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The following table sets forth the activity in real estate owned during the periods indicated.

	Three months ended September 30, 1997 Amount	1997 No. of Properties	1996 Amount	1996 No. of Properties
	(Dollars in thousands)			
Balance at beginning of period	$ 117,703	866	$ 133,604	1,024
Properties acquired through foreclosure or deed-in-lieu thereof	49,158	372	35,559	253
Acquired in connection with acquisitions of discount loans	20,823	176	674	4
Sales	(38,156)	(308)	(53,632)	(373)
Change in allowance	(171)	--	(1,237)	--
Balance at end of period	$ 149,357	1,106	$ 114,968	908

	Nine months ended September 30, 1997 Amount	1997 No. of Properties	1996 Amount	1996 No. of Properties
	(Dollars in thousands)			
Balance at beginning of period	$ 103,704	825	$ 166,556	1,070
Properties acquired through foreclosure or deed-in-lieu thereof	139,416	1,149	78,818	716
Acquired in connection with acquisitions of discount loans	21,963	196	2,314	7
Sales	(121,415)	(1,064)	(126,353)	(885)
Change in allowance	5,689	--	(6,367)	--
Balance at end of period	$ 149,357	1,106	$ 114,968	908

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

	September 30, 1997	December 31, 1996
	(Dollars in thousands)	
One to two months	$ 49,775	$ 17,695
Three to four months	46,566	15,291
Five to six months	17,752	14,348
Seven to twelve months	18,217	13,004
Over twelve months	17,047	43,366
	$ 149,357	$ 103,704

INVESTMENT IN REAL ESTATE. In conjunction with its multi-family and commercial real estate lending business activities, the Company has made certain acquisition, development and construction loans in which the Company participates in the expected residual profits of the underlying real estate and the borrower has not made an equity contribution substantial to the overall project. As such, the Company accounts for these loans under the equity method of accounting as though it has made an investment in a real estate limited partnership. The Company's investment in such loans increased to $55.9 million at September 30, 1997, as compared to $24.9 million at December 31, 1996 primarily as a result of additional funding under existing commitments. In the near term, the Company does not intend,

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except for commitments outstanding, to originate new loans in which it participates in the residual profits in underlying real estate.

The Company's investment in the Hotel decreased to $1.3 million at September 30, 1997 from $16.1 million at December 31, 1996 primarily as a result of the Company's sale of a 69% partnership interest in the Hotel on July 15, 1997 for a minimal gain.

DEFERRED TAX ASSET. At September 30, 1997 the deferred tax asset, net of deferred tax liabilities, amounted to $14.6 million, an increase of $8.7 million from the $5.9 million deferred tax asset at December 31, 1996. At September 30, 1997, the gross deferred tax asset amounted to $24.5 million and consisted primarily of $1.5 million of mark-to-market adjustments and reserves on real estate owned, $4.0 million of deferred interest expense on the discount loan portfolio, $9.1 million of valuation allowance reserves, $3.2 million of profit sharing expense and $1.5 million of contingency reserves, and the gross deferred tax liability amounted to $9.9 million and consisted of primarily of $3.2 million of deferred interest income on the discount loan portfolio, $1.8 million related to hedging transactions and $2.1 million of mark-to-market adjustments on securities available for sale. At December 31, 1996, the gross deferred tax asset amounted to $15.1 million and consisted primarily of $3.7 million related to tax residuals, $3.5 million of mark-to-market adjustments and reserves on real estate owned and $3.9 million of deferred interest expense on the discount loan portfolio, and the gross deferred tax liability amounted to $9.2 million and consisted primarily of $4.6 million of deferred interest income on the discount loan portfolio and $2.1 million of mark-to-market adjustments on certain securities available for sale.

As a result of the Company's earnings history, current tax position and taxable income projections, management believes that the Company will generate sufficient taxable income in future years to realize the deferred tax asset which existed at September 30, 1997. In evaluating the expectation of sufficient future taxable income, management considered future reversals of temporary differences and available tax planning strategies that could be implemented, if required. A valuation allowance was not required at September 30, 1997 because it was management's assessment that, based on available information, it is more likely than not that all of the deferred tax asset will be realized. A valuation allowance will be established in the future to the extent of a change in management's assessment of the amount of the net deferred tax asset that is expected to be realized.

EXCESS OF PURCHASE PRICE OVER NET ASSETS ACQUIRED. During the second quarter of 1997, the Company consolidated its sub-prime single-family lending operations within OFS in connection with its acquisition of substantially all of the assets of Admiral. The excess of purchase price over net assets acquired related to this transaction amounted to $10.9 million at September 30, 1997 and is being amortized on a straight-line basis over a period of 15 years.

DEPOSITS. Deposits increased $51.2 million from December 31, 1996. The increase in deposits during 1997 was primarily the result of a $130.5 million increase in brokered deposits obtained through national investment banking firms which solicit deposits from their customers, which amounted to $1.35 billion at September 30, 1997, as compared to $1.22 billion at December 31, 1996, offset by a $98.0 million decrease in deposits obtained through direct solicitation and marketing efforts to regional and local investment banking firms, institutional investors and high net worth individuals. Deposits obtained in this manner amounted to $442.6 million at September 30, 1997, as compared to $540.6 million at December 31, 1996. At September 30, 1997 the Company had $187.5 million of certificates of deposit in amounts of $100,000 or more, including $87.0 million of deposits of states and political subdivisions in the U.S. which are secured or collateralized as required under state law. For additional information, see "- Liquidity, Commitments and Off-Balance Sheet Risks" below.

SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE. Securities sold under agreements to repurchase decreased $71.5 million to $3.1 million from December 31, 1996 to September 30, 1997. From time to time, the Company utilizes such collateralized borrowings as additional sources of liquidity.

NOTES, DEBENTURES AND OTHER INTEREST-BEARING OBLIGATIONS. Notes, debentures and other interest-bearing obligations increased by $142.7 million from December 31, 1996 to September 30, 1997 primarily as a result of $141.2 million in borrowings under new lines of credits established at OFS which have a one-year term and interest rates which float in accordance with a designated prime rate (see "Liquidity, Commitments and Off-Balance Sheet Risks") and the issuance of $2.1 million in short-term notes payable. Notes, debentures and other

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interest-bearing obligations also consist of $100.0 million of 12% Debentures issued by the Bank in June 1995 and due June 2005, and $125.0 million of 11.875% Notes issued by the Company in September 1996 and due September 2003.

COMPANY-OBLIGATED, MANDATORILY REDEEMABLE SECURITIES OF SUBSIDIARY TRUST HOLDING SOLELY JUNIOR SUBORDINATED DEBENTURES OF THE COMPANY. In August 1997, Ocwen Capital Trust I, a wholly owned subsidiary of Ocwen, issued $125.0 million of 10 7/8% Capital Securities. Proceeds from issuance of the Capital Securities were invested in 10 7/8% Junior Subordinated Debentures issued by Ocwen. The Junior Subordinated Debentures, which represent the sole assets of the Trust, will mature on August 1, 2027. Intercompany transactions between Ocwen Capital Trust I and the Company, including the Junior Subordinated Debentures, are eliminated in the consolidated financial statements of the Company.

Holders of the Capital Securities will be entitled to receive cumulative cash distributions accruing from the date of original issuance and payable semi-annually in arrears on February 1 and August 1 of each year, commencing on February 1, 1998, at an annual rate of 10 7/8% of the liquidation amount of $1,000 per Capital Security. Payment of distributions out of moneys held by Ocwen Capital Trust I, and payments on liquidation of Ocwen Capital Trust I or the redemption of Capital Securities, are guaranteed by the Company to the extent Ocwen Capital Trust I has funds available. If the Company does not make principal or interest payments on the Junior Subordinated Debentures, Ocwen Capital Trust I will not have sufficient funds to make distributions on the Capital Securities, in which event the guarantee shall not apply to such distributions until Ocwen Capital Trust I has sufficient funds available therefor. Through September 30, 1997, the Company had accrued $1.9 million of distributions payable to holders of the Capital Securities.

STOCKHOLDERS' EQUITY. Stockholders' equity increased by $214.4 million or 105% from December 31, 1996 to September 30, 1997. The increase in stockholders' equity during this period was primarily attributable to $142.0 million of net proceeds resulting from the sale of 3,450,000 shares of common stock, net income of $56.0 million and an increase of $14.4 million in the unrealized gain on equity securities and securities available for sale. See the Consolidated Statements of Changes in Stockholders' Equity in the Interim Consolidated Financial Statements included in Item 1 hereof.

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 movements. In general, management's strategy is to match asset and liability balances within maturity categories to limit the Company's exposure to earnings variations and variations in the value of assets and liabilities as interest rates change over time. The Company's asset and liability management strategy is formulated and monitored by the Asset/Liability 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 Asset/Liability Committee meets regularly to review, among other things, the sensitivity of the Company's assets and liabilities to interest 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 Asset/Liability Committee also approves and establishes pricing and funding decisions with respect to overall asset and liability composition.

The Asset/Liability Committee is authorized to utilize a wide variety of off-balance sheet financial techniques to assist it in the management of interest rate risk. These techniques include interest rate exchange agreements, pursuant to which the parties exchange the difference between fixed-rate and floating-rate interest payments on a specified principal amount (referred to as the "notional amount") for a specified period without the exchange of the underlying principal amount. Interest rate exchange agreements are utilized by the Company to protect against the decrease in value of a fixed-rate asset or the increase in borrowing cost from a short-term, fixed-rate liability, such as reverse repurchase agreements, in an increasing interest-rate environment. At September 30, 1997, the Company had entered into interest rate exchange agreements with an aggregate notional amount of $39.2 million. Interest rate exchange agreements had the effect of decreasing the Company's net interest income by $40,000 and $0 during the three months ended September 30, 1997 and 1996, respectively, and by $154,000 and $0 during the nine months ended September 30, 1997 and 1996, respectively.

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The Company also enters into interest rate futures contracts, which are commitments to either purchase or sell designated financial instruments at a future date for a specified price and may be settled in cash or through delivery. Eurodollar futures contracts have been sold by the Company to hedge the repricing or maturity risk of certain short duration mortgage-related securities, and U.S. Treasury futures contracts have been sold by the Company to offset declines in the market value of its fixed-rate loans and certain fixed-rate mortgage-backed and related securities available for sale in the event of an increasing interest rate environment. At September 30, 1997, the Company had entered into U.S. Treasury futures (short) contracts with an aggregate notional amount of $313.2 million. The Company had no outstanding Eurodollar futures contracts at September 30, 1997. Futures contracts had the effect of increasing the Company's net interest income by $2,000 during the three months ended September 30, 1997 and decreasing the Company's net interest income by $159,000 during the three months ended September 30, 1996. Futures contracts had the effect of decreasing the Company's net interest income by $1.8 million and $540,000 during the nine months ended September 30, 1997 and 1996, respectively. See Note 4 to the Interim Consolidated Financial Statements included in Item 1 hereof.

The Asset/Liability 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.

The following table sets forth the estimated maturity or repricing of the Company's interest-earning assets and interest-bearing liabilities at September 30, 1997. 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) fixed-rate loans reflect scheduled contractual amortization, with no estimated prepayments, (v) 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 (vi) escrow deposits and other non-interest bearing checking accounts, which amounted to $107.3 million at September 30, 1997, are excluded. Management believes that these assumptions approximate actual experience and considers them reasonable; however, the interest rate sensitivity of the Company's assets and liabilities in the table could vary substantially if different assumptions were used or actual experience differs from the historical experience on which the assumptions are based.

	September 30, 1997				
	Within 3 Months	4 to 12 Months	More than 1 Year to 3 Years	3 Years and Over	Total
	(Dollars in thousands)				
Rate-Sensitive Assets:					
Interest-earning cash, federal funds sold and repurchase agreements	$ 90,313	$ --	$ --	$ --	$ 90,313
Securities available for sale ...	30,501	49,123	72,763	112,336	264,723
Loans available for sale (1)	6,806	52,239	117,662	13,305	190,012
Investment securities, net	--	--	--	54,042	54,042
Loan portfolio, net (1)	186,466	21,721	62,435	121,901	392,523
Discount loan portfolio, net	141,150	370,079	380,108	579,914	1,471,251
Total rate-sensitive assets ...	455,236	493,162	632,968	881,498	2,462,864
Rate-Sensitive Liabilities:					
NOW and money market checking deposits	5,427	1,085	2,174	4,181	12,867
Savings deposits	200	249	493	876	1,818
Certificates of deposit	322,562	411,127	694,847	420,465	1,849,001
Total interest-bearing deposits	328,189	412,461	697,514	425,522	1,863,686
Securities sold under agreements to repurchase	3,075	--	--	--	3,075
Notes, debentures and other interest bearing obligations ..	143,287	--	--	225,000	368,287
Total rate-sensitive liabilities	474,551	412,461	697,514	650,522	2,235,048
Interest rate sensitivity gap before off-balance sheet financial instruments	(19,315)	80,701	(64,546)	230,976	227,816
Off-Balance Sheet Financial Instruments:					
Futures contracts and interest rate swap	341,835	(60,136)	(52,213)	(229,486)	--
Interest rate sensitivity gap	$ 322,520	$ 20,565	$ (116,759)	$ 1,490	$ 227,816
Cumulative interest rate sensitivity gap	$ 322,520	$ 343,085	$ 226,326	$ 227,816	
Cumulative interest rate sensitivity gap as a percentage of total rate-sensitive assets	13.10%	13.93%	9.19%	9.25%	

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

Although interest rate sensitivity gap is a useful measurement and contributes toward effective asset and liability management, it is difficult to predict the effect of changing interest rates based solely on that measure. As a result, and as required by OTS regulations, the Asset/Liability Committee also regularly reviews interest rate risk by forecasting the impact of alternative interest rate environments on net interest income and market value of portfolio equity ("MVPE"), which is defined as the net present value of an institution's existing assets, liabilities and off-balance sheet instruments, and evaluating such impacts against the maximum potential changes in net interest income and MVPE that is authorized by the Board of Directors of the Company.

The following table sets forth at September 30, 1997 the estimated percentage change in the Company's net interest income over a four-quarter period and MVPE based upon the indicated changes in interest rates, assuming an instantaneous and sustained uniform change in interest rates at all maturities.

Change (in Basis Points) in Interest Rates	Estimated Change in Net Interest Income	Estimated Change in MVPE
+400	6.51%	(16.38)%
+300	3.60	(8.82)
+200	5.75	(2.05)
+100	2.82	1.12
0	-	-
-100	(3.03)	(6.01)
-200	(5.96)	(12.06)
-300	(9.30)	(13.70)
-400	(12.66)	(15.66)

The negative estimated changes in MVPE for -100 to -400 changes in interest rates is attributable to the Company's sensitivity to decreases in interest rates. Such sensitivity stems primarily from the Company's investments in IO stripped mortgage-backed securities. IO strips exhibit considerably more price volatility than mortgage or ordinary mortgage pass-through securities, due in part to the uncertain cash flows that result from changes in the prepayment rates of the underlying mortgages. In the case of IO strips, increased prepayments of the underlying mortgages as a result of a decrease in market interest rates or other factors can result in a loss of all or part of the purchase price of such security. The Company generally attempts to offset the interest rate risk associated with a particular IO strip by purchasing other securities which offset such risk.

Management of the Company believes that the assumptions used by it to evaluate the vulnerability of the Company's operations to changes in interest rates approximate actual experience and considers them reasonable; however, the interest rate sensitivity of the Company's assets and liabilities and the estimated effects of changes in interest rates on the Company's net interest income and MVPE could vary substantially if different assumptions were used or actual experience differs from the historical experience on which they are based.

LIQUIDITY, COMMITMENTS AND OFF-BALANCE SHEET RISKS

Liquidity is a measurement of the Company's ability to meet potential cash requirements, including ongoing commitments to fund deposit withdrawals, repay borrowings, fund investment, loan acquisition and lending activities and for other general business purposes. The primary sources of funds for liquidity consist of deposits, FHLB advances, reverse repurchase agreements and maturities and principal payments on loans and securities and proceeds from sales thereof.

Sources of liquidity include certificates of deposit obtained primarily from wholesale sources. At September 30, 1997 the Company had $1.85 billion of certificates of deposit, including $1.36 billion of brokered certificates of deposit obtained through national investment banking firms, all of which are non-cancelable. At the same date scheduled maturities of certificates of deposit during the 12 months ending September 30, 1998 and 1999 and thereafter amounted to $733.7 million, $431.6 million and $683.7 million, respectively. Brokered and other wholesale deposits generally are more responsive to changes in interest rates than core deposits and, thus, are more likely to be withdrawn from the Company upon maturity as changes in interest rates and other factors are perceived by investors to make other investments more attractive. Management of the Company believes that it can adjust the rates paid on certificates of deposit to retain deposits in changing interest rate environments, and that brokered and other wholesale deposits can be both a relatively cost-effective and stable source of funds. There can be no assurance that this will continue to be the case in the future, however.

Sources of borrowings include an unsecured $10.0 million line of credit with the Bank of New York, 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. Although at September 30, 1997, the Company had no FHLB advances outstanding, it was eligible to borrow up to an aggregate of $636.9 million from the FHLB of New York (subject to the availability of acceptable collateral) and had $41.1 million of single-family residential loans, $10.4 million of multi-family residential loans and $32.9 million of loans secured by hotel properties which could be pledged as security for such advances. At the same date, the Company had contractual relationships with 12 brokerage firms and the FHLB of New York pursuant to which it could obtain funds from reverse repurchase agreements and had $108.2 million of unencumbered mortgage-related securities which could be used to secure such borrowings.

The liquidity of the Company includes lines of credit obtained by OFS subsequent to its acquisition of substantially all of the assets of Admiral in a transaction which closed on May 1, 1997, as follows: (1) a $200.0 million secured line of credit from Morgan Stanley Mortgage Capital Inc. and (ii) a $50.0 million secured line of credit from Texas Commerce National Association. An aggregate of $141.2 million was outstanding to OFS under these lines of credit at September 30, 1997, which have interest rates which float in accordance with a designated prime rate.

During November 1997, the Company obtained $8.0 million and $30.0 million in lines of credit on behalf of the Company and OFS, respectively. Additionally, the Company is currently exploring obtaining approximately $400.0 million, and $500.0 million in lines of credit on behalf of OFS and the Bank, respectively. If obtained, these lines of credit will enhance the Company's ability to manage its liquidity and sources of funds to utilize those which are the most cost effective.

The Company's operating activities provided cash flows of $67.8 million and $188.5 million during the nine months ended September 30, 1997 and 1996, respectively. During the foregoing periods cash flows from operating activities were provided primarily by net income, the sale of securities held for trading and proceeds from sales of loans available for sale, and cash resources were used primarily to purchase and originate loans available for sale.

The Company's investing activities used cash flows totaling $400.7 million and $228.2 million during the nine months ended September 30, 1997 and 1996, respectively. During the foregoing periods, cash flows from investing activities were provided primarily by principal payments on and sales of discount loans and loans held for investment and proceeds from sales of securities available for sale and real estate owned. Cash flows from investing activities were primarily utilized to purchase and originate discount loans and loans held for investment and purchase securities available for sale.

The Company's financing activities provided $386.6 million and $194.6 million during the nine months ended September 30, 1997 and 1996, respectively. During the foregoing periods, cash flows from financing activities were provided primarily by proceeds from the issuance of common stock, the issuance of notes and other interest bearing obligations, the issuance of the Capital Securities, and changes in the Company's deposits and reverse repurchase agreements.

The Bank is 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. Current OTS regulations require that a savings association maintain liquid assets of not less than 5% of its average daily balance of net withdrawable deposit accounts and borrowings payable in one year or less (which has been proposed to be reduced to 4%), of which short-term liquid assets must consist of not less than 1%. Monetary penalties may be imposed for failure to meet applicable liquidity requirements. The Bank's liquidity, as measured for regulatory purposes, averaged 6.09% during the nine months ended September 30, 1997.

At September 30, 1997, the Company had $236.6 million of unfunded commitments related to the purchase and origination of loans. Management of the Company believes that the Company has adequate resources to fund all of its commitments to the extent required and that substantially all of such commitments will be funded during 1997. For additional information relating to commitments and contingencies at September 30, 1997, see Note 8 to the Interim Consolidated Financial Statements included in Item 1 hereof.

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In addition to commitments to extend credit, the Company is party to various off-balance sheet financial instruments in the normal course of business to manage its interest rate risk. See "Asset and Liability Management" above and Note 5 to the Interim Consolidated Financial Statements included in Item 1 hereof.

The Company conducts business with a variety of financial institutions and other companies in the normal course of business, including counterparties to its off-balance sheet financial instruments. The Company is subject to potential financial loss if the counterparty is unable to complete an agreed upon transaction. The Company seeks to limit counterparty risk through financial analysis, dollar limits and other monitoring procedures.

REGULATORY CAPITAL REQUIREMENTS

Federally-insured savings associations such as the Bank are required to maintain minimum levels of regulatory capital. These standards generally must be as stringent as the comparable capital requirements imposed on national banks. The OTS also is authorized to impose capital requirements in excess of these standards on individual associations on a case-by-case basis. Based upon recent discussions with the OTS, the Bank has determined to maintain a core capital ratio of at least 9% and a total risk-based capital ratio of no less than 13%. The Bank believes at this time that it will continue to be a "well-capitalized institution" under OTS regulations. See Note 7 to the Interim Consolidated Financial Statements included in Item 1 hereof.

In August 1993, the OTS promulgated regulations which incorporate an interest rate risk component into the OTS risk-based capital requirements, and in August 1995 the OTS postponed the effectiveness of this regulation after having previously deferred the effective date several times. Because only institutions whose measured interest rate risk exceeds certain parameters will be subject to the interest rate risk capital requirement, management of the Bank does not believe that this regulation will increase the Bank's risk-based regulatory capital requirement if it becomes effective in its current form. For additional information relating to regulatory capital requirements and the Bank's capital ratios, see Note 7 to the Interim Consolidated Financial Statements included in Item 1 hereof.

FORWARD-LOOKING STATEMENTS

CERTAIN STATEMENTS CONTAINED HEREIN ARE NOT, AND CERTAIN STATEMENTS CONTAINED IN FUTURE FILINGS BY THE COMPANY WITH THE SEC, 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. 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 OR PERIODS, OR BY THE USE OF FORWARD-LOOKING TERMINOLOGY, SUCH AS "MAY," "WILL," "BELIEVE," "EXPECT," "ANTICIPATE," "CONTINUE," OR SIMILAR TERMS OR VARIATIONS ON THOSE TERMS, OR THE NEGATIVE OF THOSE TERMS. ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN FORWARD-LOOKING STATEMENTS DUE TO A VARIETY OF FACTORS, INCLUDING, BUT NOT LIMITED TO, THOSE RELATED TO THE ECONOMIC ENVIRONMENT, PARTICULARLY IN THE MARKET AREAS IN WHICH THE COMPANY OPERATES, COMPETITIVE PRODUCTS AND PRICING, FISCAL AND MONETARY POLICIES OF THE U.S. GOVERNMENT, CHANGES IN GOVERNMENT REGULATIONS AFFECTING FINANCIAL INSTITUTIONS, INCLUDING REGULATORY FEES AND CAPITAL REQUIREMENTS, CHANGES IN PREVAILING INTEREST RATES, ACQUISITIONS AND THE INTEGRATION OF ACQUIRED BUSINESSES, CREDIT RISK MANAGEMENT, ASSET/LIABILITY MANAGEMENT, THE FINANCIAL AND SECURITIES MARKETS AND THE AVAILABILITY OF AND COSTS ASSOCIATED WITH SOURCES OF LIQUIDITY. THE COMPANY DOES NOT UNDERTAKE, AND SPECIFICALLY DISCLAIMS ANY OBLIGATION, TO PUBLICLY RELEASE THE RESULTS OF ANY REVISIONS WHICH 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.

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

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PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is involved in various legal proceedings occurring in the ordinary course of business which management of the Company believes will not have a material adverse effect on the financial condition or operations of the Company.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

(c) During July 1997, the Company issued 1,876 shares of Common Stock to directors of the Company as compensation pursuant to the 1996 Directors Stock Plan. These shares were issued in reliance on the private offering exemption from registration set forth in Section 4(2) of the Securities Act. In addition to the foregoing, the Company issued 1,223 shares of Common Stock as gifts to employees of the Company and their spouses on July 29, 1997 in order to satisfy a minimum shareholder requirement in order for the Common Stock to be listed on the NYSE.

(d) On August 6, 1997, Ocwen Capital Trust I (the "Trust") commenced a public offering of $125.0 million of 10 7/8% Capital Securities ("Capital Securities"), Liquidation Amount $1,000 per capital Security (Registration Statement on Forms S-1, File Nos. 333-28889 and 333-28889-01). The offering closed on August 12, 1997. The managing underwriters of the offering were Lehman Brothers, Friedman, Billings, Ramsey & Co., Inc. and Morgan Stanley Dean Witter. The registration statement registered an aggregate of $125.0 million of Capital Securities and $125.0 million of Capital Securities were sold in the offering. Total expenses of the offering were estimated to be $4,322,500, including $4,062,500 of underwriters discounts and commissions ($32.50 per Capital Security). The total net proceeds to the Trust were $120,677,500. The proceeds were used to purchase $125.0 million of $10 7/8% Junior Subordinated Debentures from Ocwen Financial Corporation. Ocwen Financial Corporation used the proceeds of the Debentures for the purchase of $113.0 million of discount single-family loans and $12.0 million of mortgage-backed securities.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

The following exhibits are filed with or incorporated by reference in this report on Form 10-Q:

4.3 Certificate of Trust of Ocwen Capital Trust I (i)

4.4 Amended and Restated Declaration of Trust of Ocwen Capital Trust I (i)

4.5 Form of Capital Security of Ocwen Capital Trust I (included as Exhibit A to Exhibit 4.4)

4.6 Form of Indenture relating to 10 7/8% Junior Subordinated Debentures due 2007 of the Company (i)

4.7 Form of 10 7/8% Junior Subordinated Debenture due 2027 of the Company (included as Exhibit A to Exhibit 4.6)

4.8 Form of Guarantee of the Company relating to the Capital Securities of Ocwen Capital Trust I (i)

27 Financial Data Schedule

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(i) Incorporated by reference to the similarly identified 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.

(b) Reports on Form 8-K.

(1) A Form 8-K was filed by the Company on July 28, 1997 which contained a news release announcing the Company's financial results for the three and six months ended June 30, 1997.

(2) A Form 8-K was filed by the Company on October 29, 1997 which contained a news release announcing the Company's financial results for the three and nine month periods ended September 30, 1997.

SIGNATURE

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

Ocwen Financial Corporation

By: /s/ Mark S. Zeidman

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

Date: November 14, 1997

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION FROM OCWEN FINANCIAL CORPORATION'S CONSOLIDATED STATEMENT OF FINANCIAL CONDITION AND STATMENT OF OPERATIONS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

0000873860
OCWEN
1,000
USD

9-MOS
DEC-31-1997
JAN-01-1997
SEP-30-1997
1
15,641
7,469
82,844
0
264,723
54,042
54,042
2,053,786
23,071
2,956,300
1,970,952
3,075
69,556
368,287
0
0
605
417,439
2,956,300
165,722
25,777
7,296
198,795
92,321
115,976
82,819
21,739
31,081
86,845
70,525
70,525
0
0
55,998
1.01
1.01
11.48
1,119,261
0
0
0
15,061
14,064
335
23,071
23,071
0
0

TAG 17 INCLUDES LOANS AVAILABLE FOR SALE OF $190,012, LOAN PORTFOLIO OF $392,523, AND DISCOUNT LOAN PORTFOLIO OF $1,471,251.
TAG 18 INCLUDES ALLOWANCE FOR LOAN LOSSES ON LOAN PORTFOLIO OF $4,734, AND ON DISCOUNT LOAN PORTFOLIO OF $18,337.
TAG 23 INCLUDES $141,188 IN LINES OF CREDIT WHICH HAVE A ONE YEAR TERM.
TAG 29 INCLUDES INTEREST INCOME ON LOANS AVAILABLE FOR SALE OF $11,091, LOANS OF $37,991 AND DISCOUNT LOANS OF $116,840.
TAG 38 INCLUDES NON-INTEREST EXPENSE OF $84,995 AND DISTRIBUTIONS ON COMPANY-OBLIGATED, MANDATORILY REDEEMABLE SECURITIES OF SUBSIDIARY TRUST HOLDING SOLELY JUNIOR SUBORDINATED DEBENTURES OF THE COMPANY OF $1,850.