UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2002

OR

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

Commission File No. 0-21341

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

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

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

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

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

Number of shares of Common Stock, $.01 par value, outstanding as of November 11, 2002: 67,339,571 shares

OCWEN FINANCIAL CORPORATION
FORM 10-Q

I N D E X

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

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

	September 30, 2002	December 31, 2001
Assets		
Cash and amounts due from depository institutions	$ 11,799	$ 33,442
Interest earning deposits	43,883	101,213
Federal funds sold and repurchase agreements	220,000	126,000
Trading securities, at fair value:		
Collateralized mortgage obligations (AAA-rated)	50,448	161,191
Subordinates, residuals and other securities	36,593	65,058
Real estate held for sale	--	13,418
Investments in real estate	59,982	116,896
Affordable housing properties	32,721	102,069
Loans, net	102,833	185,293
Match funded assets	153,952	174,351
Real estate owned, net	65,432	110,465
Premises and equipment, net	45,748	44,589
Income taxes receivable	22,231	20,842
Advances on loans and loans serviced for others	273,767	283,183
Mortgage servicing rights	167,757	101,107
Other assets	81,906	72,033
	$ 1,369,052	$ 1,711,150
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	$ 454,812	$ 656,878
Escrow deposits on loans and loans serviced for others	106,430	73,565
Securities sold under agreements to repurchase	--	79,405
Bonds - match funded agreements	142,020	156,908
Obligations outstanding under lines of credit	92,567	84,304
Notes, debentures and other interest bearing obligations	154,755	160,305
Accrued interest payable	12,964	12,836
Excess of net assets acquired over purchase price	--	18,333
Accrued expenses, payables and other liabilities	26,977	28,351
Total liabilities	990,525	1,270,885
Minority interest in subsidiaries	1,625	--
Company obligated, mandatorily redeemable securities of subsidiary trust holding solely junior subordinated debentures of the Company	56,249	61,159
Commitments and Contingencies (Note 9)		
Stockholders' equity		
Preferred stock, $.01 par value; 20,000,000 shares authorized; 0 shares issued and outstanding	--	--
Common stock, $.01 par value; 200,000,000 shares authorized; 67,336,276 and 67,289,313 shares issued and outstanding at September 30, 2002 and December 31, 2001, respectively	673	673
Additional paid-in capital	224,419	224,142
Retained earnings	95,715	154,412
Accumulated other comprehensive loss, net of taxes:		
Net unrealized foreign currency translation loss	(154)	(121)
Total stockholders' equity	320,653	379,106
	$ 1,369,052	$ 1,711,150

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)

For the periods ended September 30,	Three Months 2002	Three Months 2001	Nine Months 2002	Nine Months 2001
Net interest expense				
Income	$ 8,612	$ 18,594	$ 30,132	$ 68,629
Expense	12,925	22,307	44,035	73,915
Net interest expense before provision for loan losses	(4,313)	(3,713)	(13,903)	(5,286)
Provision for loan losses	(901)	(388)	10,510	18,029
Net interest expense after provision for loan losses	(3,412)	(3,325)	(24,413)	(23,315)
Non-interest income				
Servicing and other fees	34,024	35,952	105,598	100,809
Gain (loss) on interest earning assets, net	--	(1,851)	(2,773)	(3,260)
Gain (loss) on trading and match funded securities, net	944	3,394	3,897	13,133
Gain (loss) on real estate owned, net	(337)	(715)	(16,307)	(3,804)
Gain (loss) on other non-interest earning assets, net	508	(414)	(333)	(933)
Net operating gains (losses) on investments in real estate	495	(1,197)	(8,844)	2,068
Amortization of excess of net assets acquired over purchase price	--	4,583	--	13,749
Gain (loss) on repurchase of debt	(35)	--	1,039	3,819
Equity in income (loss) of investment in unconsolidated entities	115	(84)	146	100
Other income	2,312	1,989	9,669	6,471
	38,026	41,657	92,092	132,152
Non-interest expense				
Compensation and employee benefits	19,594	21,531	60,375	63,775
Occupancy and equipment	2,914	3,055	8,959	9,322
Technology and communication costs	6,899	5,675	17,960	21,379
Loan expenses	2,437	4,192	9,808	11,262
Net operating losses on investments in affordable housing properties	225	4,005	22,135	11,823
Amortization of excess of purchase price over net assets acquired	--	778	--	2,334
Professional services and regulatory fees	2,573	3,882	10,341	11,632
Other operating expenses	2,450	1,483	7,040	6,786
	37,092	44,601	136,618	138,313
Distributions on Company-obligated, mandatorily redeemable securities of subsidiary trust holding solely junior subordinated debentures of the Company	1,529	1,663	4,758	5,413
Loss before income taxes and effect of change in accounting principle	(4,007)	(7,932)	(73,697)	(34,889)
Income tax expense	--	65,000	1,166	83,000
Net loss before effect of change in accounting principle	(4,007)	(72,932)	(74,863)	(117,889)
Effect of change in accounting principle, net of taxes	--	--	16,166	--
Net loss	$ (4,007)	$ (72,932)	$ (58,697)	$ (117,889)
Earnings (loss) per share Basic and Diluted:				
Net loss before effect of change in accounting principle	$ (0.06)	$ (1.08)	$ (1.11)	$ (1.75)
Effect of change in accounting principle, net of taxes	--	--	0.24	--
Net loss	$ (0.06)	$ (1.08)	$ (0.87)	$ (1.75)
Weighted average common shares outstanding	67,336,246	67,269,343	67,315,913	67,206,688

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

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

For the periods ended September 30,	Three Months 2002	Three Months 2001	Nine Months 2002	Nine Months 2001
Net loss	$ (4,007)	$ (72,932)	$ (58,697)	$ (117,889)
Other comprehensive income (loss), net of taxes:				
Change in unrealized foreign currency translation adjustment arising during the period (1)	(34)	127	(33)	(381)
Change in accounting principle for derivative financial instruments	--	--	--	59
Reclassification of gain on derivative financial instruments to earnings	--	--	--	(59)
Change in unrealized gain on derivative financial instruments	--	--	--	--
Other comprehensive income (loss)	(34)	127	(33)	(381)
Comprehensive loss	$ (4,041)	$ (72,805)	$ (58,730)	$ (118,270)

(1) Net of tax benefit (expense) of $21 and $(73) for the three months ended September 30, 2002 and 2001, respectively, and $36 and $219 for the nine months ended September 30, 2002 and 2001, respectively.

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

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002
(Dollars in thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Taxes	Total
	Shares	Amount				
Balances at December 31, 2001	67,289,313	$ 673	$ 224,142	$ 154,412	$ (121)	$ 379,106
Net loss	--	--	--	(58,697)	--	(58,697)
Directors' compensation	14,026	--	63	--	--	63
Stock options exercised	32,937	--	214	--	--	214
Other comprehensive loss, net of taxes:						
Change in unrealized foreign currency translation loss	--	--	--	--	(33)	(33)
Balances at September 30, 2002	67,336,276	$ 673	$ 224,419	$ 95,715	$ (154)	$ 320,653

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,	2002	2001
Cash flows from operating activities		
Net loss	$ (58,697)	$ (117,889)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Net cash provided (used) by trading activities	151,145	172,479
Premium amortization on securities, net	1,044	6,481
Depreciation and amortization	49,061	46,226
Provision for loan losses	10,510	18,029
Provision for losses on real estate owned	19,859	12,141
(Gain) loss on interest-earning assets, net	2,773	3,260
(Gain) loss on trading and match funded securities	(3,897)	(13,133)
(Gain) loss on sale of other non-interest earning assets	333	933
Impairment charges on investment in real estate	15,317	4,515
Provisions for losses on affordable housing properties	21,294	11,097
(Gain) loss on sale of real estate owned, net	(2,835)	(12,632)
(Gain) loss on repurchase of long-term debt	(1,039)	(3,819)
Effect of change in accounting principle before taxes	(15,000)	--
(Increase) decrease in income taxes receivable	(1,389)	1,710
(Increase) decrease in advances and match funded advances on loans and loans serviced for others	9,699	(94,703)
(Increase) decrease in other assets, net	23,318	79,617
Increase (decrease) in accrued expenses, interest payable and other liabilities	(928)	(17,512)
Net cash provided (used) by operating activities	220,568	96,800
Cash flows from investing activities		
Principal payments received on match funded loans	13,416	22,265
Investment in affordable housing properties	(3,563)	(9,744)
Proceeds from sales of affordable housing properties	14,757	42,202
Purchase of mortgage servicing rights	(106,360)	(58,732)
Proceeds from sales of loans	46,893	229,258
Proceeds from sale of real estate held for sale	13,932	1,000
Proceeds from sales of real estate held for investment	47,711	8,024
Purchase, originations and funded commitments of loans, net of undisbursed loan funds	(20,393)	(21,783)
Capital improvements to real estate held for investment	(8,399)	(3,873)
Principal payments received on loans	34,663	64,137
Proceeds from sale of real estate owned	38,895	93,531
Capital improvements to real estate owned	(2,085)	(11,490)
Additions to premises and equipment	(10,932)	(9,316)
Net cash provided (used) by investing activities	58,535	345,479

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,	2002	2001
Cash flows from financing activities		
Decrease in deposits and escrow deposits on loans and loans serviced for others	(169,201)	(359,477)
Proceeds from (repayments of) securities sold under agreements to repurchase	(79,405)	66,434
Proceeds from (repayments of) obligations under lines of credit, net	8,263	77,640
Proceeds from (repayments of) bonds-match funded agreements, net	(15,326)	(34,319)
Repurchase of Capital Securities	(3,796)	(14,247)
Repayment of other interest bearing obligations, net	(1,197)	--
Repurchases of notes	(3,585)	(4,265)
Exercise of stock options	171	955
Net cash provided (used) by financing activities	(264,076)	(267,279)
Net increase (decrease) in cash and cash equivalents	15,027	175,000
Cash and cash equivalents at beginning of period	260,655	153,736
Cash and cash equivalents at end of period	$ 275,682	$ 328,736
Reconciliation of cash and cash equivalents at end of period		
Cash and amounts due from depository institutions	$ 11,799	$ 23,172
Interest-earning deposits	43,883	18,564
Federal funds sold and repurchase agreements	220,000	287,000
	$ 275,682	$ 328,736
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Interest	$ 43,907	$ 75,834
Income tax payments	$ 582	$ 2,461
Supplemental schedule of non-cash investing and financing activities:		
Real estate owned acquired through foreclosure	$ 9,578	$ 58,202
Exchange of real estate held for sale for loans	$ 9,153	$ --
Accounts receivable from sale of affordable housing properties	$ 38,824	$ 11,427

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NOTE 1: BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements have been prepared in conformity with the instructions to Form 10-Q and Article 10, Rule 10-01 of Regulation S-X for interim financial statements. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles ("GAAP") for complete financial statements. Ocwen Financial Corporation's ("OCN") interim consolidated financial statements include the accounts of OCN and its subsidiaries. OCN owns directly and indirectly all of the outstanding common and preferred stock of its primary subsidiaries, Ocwen Federal Bank FSB (the "Bank"), Investors Mortgage Insurance Holding Company ("IMI"), Ocwen Technology Xchange, Inc. ("OTX"), Ocwen Asset Investment Corp. ("OAC") and Ocwen Financial Solutions, Private Limited ("India"). OCN owns 99.6% of Ocwen Financial Services, Inc. ("OFS"), with the remaining 0.4% owned by the shareholders of Admiral Home Loan. OCN also owns 70% of Global Servicing Solutions, LLC, ("GSS") with the remaining 30% held by Merrill Lynch. All significant intercompany transactions and balances have been eliminated in consolidation.

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

In our opinion, the accompanying unaudited financial statements contain all adjustments, consisting only of normal recurring accruals, necessary for a fair statement of our financial condition at September 30, 2002 and December 31, 2001, the results of our operations for the three and nine months ended September 30, 2002 and 2001, our comprehensive loss for the three and nine months ended September 30, 2002 and 2001, our changes in stockholders' equity for the nine months ended September 30, 2002 and our cash flows for the nine months ended September 30, 2002 and 2001, respectively. The results of operations and other data for the three and nine month periods ended September 30, 2002 and 2001 are not necessarily indicative of the results that may be expected for any other interim periods or the entire year ending December 31, 2002. The unaudited consolidated financial statements presented herein should be read in conjunction with the audited consolidated financial statements and related notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2001. Certain reclassifications have been made to the prior periods' interim consolidated financial statements to conform to the September 30, 2002 presentation.

In preparing the consolidated financial statements, we are 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. Material estimates that are particularly significant in the near or medium term relate to our determination of the allowance for loan losses and our valuation of securities, real estate, affordable housing properties, servicing rights, intangibles and our deferred tax asset. Actual results could differ from those estimates and assumptions.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Excess of Cost over Net Assets Acquired

We report the excess of purchase price over net assets of acquired businesses ("goodwill") at cost. Prior to our adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" on January 1, 2002, we amortized goodwill on a straight-line basis over the estimated future periods to be benefited, ranging from 3 to 7 years. Effective January 1, 2002 we no longer amortize our goodwill, but we do review the carrying value at least annually for impairment in accordance with the provisions of SFAS No. 142.

SFAS No. 142 prescribes a methodology for performing the impairment analyses for goodwill and other intangibles. This methodology uses an approach based on fair value of the assets rather than on undiscounted cash flows as was the case prior to adoption. We perform this analysis using projections of future income discounted at a market rate. The determination of market discount rates is subjective and may vary by product based on the type of product, stage of development and sales to date.

See Note 3 below for a discussion of the initial impact on our financial statements from the adoption of SFAS No. 142.

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NOTE 3: CURRENT ACCOUNTING PRONOUNCEMENTS

In 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 142, "Goodwill and Other Intangible Assets." Except for goodwill and intangible assets acquired after June 30, 2001, which were immediately subject to its provisions, SFAS No. 142 was effective starting with fiscal years beginning after December 15, 2001.

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

We adopted the provisions of SFAS No. 142 effective January 1, 2002. As a result, we reversed the unamortized balance of the excess of net assets acquired over purchase price ("negative goodwill"). This reversal resulted in a credit to income of $18,333. The impact from the adoption of other elements of SFAS No. 142 resulted in our recording impairment charges of $3,333 on goodwill and intangible assets originally recorded in connection with the formation of REALSynergy, Inc. in 1999. These amounts have been reported as the effect of a change in accounting principle, net of an income tax benefit of $1,166.

The following tables present the pro forma effect on prior periods of the adoption of SFAS No. 142:

	Three Months		Nine Months	
For the periods ended September 30,	2002	2001	2002	2001
Loss before effect of change in accounting principle	$ (4,007)	$ (72,932)	$ (74,863)	$(117,889)
Adjustments related to adoption of SFAS No. 142:				
Deduct amortization of negative goodwill	--	(4,583)	--	(13,749)
Add back amortization of goodwill	--	778	--	2,334
Total adjustments	--	(3,805)	--	(11,415)
Adjusted loss before effect of change in accounting principle	$ (4,007)	$ (76,737)	$ (74,863)	$(129,304)
Net loss	$ (4,007)	$ (72,932)	$ (58,697)	$(117,889)
Adjustments related to adoption of SFAS No. 142:				
Deduct amortization of negative goodwill	--	(4,583)	--	(13,749)
Add back amortization of goodwill	--	778	--	2,334
Total adjustments	--	(3,805)	--	(11,415)
	$ (4,007)	$ (76,737)	$ (58,697)	$(129,304)
Earnings (loss) per share:				
Loss before effect of change in accounting principle	$ (0.06)	$ (1.08)	$ (1.11)	$ (1.75)
Adjustments related to adoption of SFAS No. 142:				
Deduct amortization of negative goodwill	--	(0.07)	--	(0.20)
Add back amortization of goodwill	--	0.01	--	0.03
Adjusted loss before effect of change in accounting principle	(0.06)	(1.14)	(1.11)	(1.92)
Net loss	$ (0.06)	$ (1.08)	$ (0.87)	$ (1.75)
Adjustments related to adoption of SFAS No. 142:				
Deduct amortization of negative goodwill	--	(0.07)	--	(0.20)
Add back amortization of goodwill	--	0.01	--	0.03
Adjusted net loss	$ (0.06)	$ (1.14)	$ (0.87)	$ (1.92)
Weighted average common shares outstanding	67,336,246	67,269,343	67,315,913	67,206,688

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

We adopted the provisions of SFAS No. 144 effective January 1, 2002. Adoption of SFAS No. 144 did not have a material impact on our results of operations, financial positions or cash flows.

In May 2002, the FASB issued SFAS No. 145, "Rescission of FASB statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 4 required that gains or losses from the extinguishment of debt, net of taxes, be reported as an extraordinary item in the statement of operations. We immediately adopted the provisions of SFAS No. 145 as they relate to the rescission of SFAS No. 4.

Effective with the rescission of SFAS No. 4, gains or losses from the extinguishment of debt are reported as a component of non-interest income in the statement of operations. Results of operations for prior periods have been reclassified to conform with this presentation.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", which addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" (EITF 94-3). The principal difference between SFAS No. 146 and EITF 94-3 relates to SFAS No. 146's requirements for recognition of a liability for a cost associated with an exit or disposal activity. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF 94-3, a liability for an exit cost as generally defined in EITF 94-3 was recognized at the date of an entity's commitment to an exit plan. We will adopt the new standard effective January 1, 2003. We do not anticipate that the adoption of SFAS No. 146 will have a material impact on our results of operations, financial positions or cash flows.

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

In August 1997, the Ocwen Capital Trust ("OCT") issued $125,000 of 10.875% Capital Securities (the "Capital Securities"). Proceeds from the issuance of the Capital Securities were invested in 10.875% Junior Subordinated Debentures issued by OCN. The Junior Subordinated Debentures, which represent the sole assets of OCT, will mature on August 1, 2027. To date, OCT has repurchased $68,751 of its Capital Securities. During the nine months ended September 30, 2002, OCT repurchased $4,910 of its Capital Securities in the open market resulting in a gain of $1,074.

Holders of the Capital Securities are entitled to receive cumulative cash distributions accruing from the date of original issuance and payable semiannually in arrears on February 1 and August 1 of each year, commencing on February 1, 1998, at an annual rate of 10.875% of the liquidation amount of $1,000 per Capital Security. Payment of distributions out of moneys held by OCT, and payments on liquidation of OCT or the redemption of Capital Securities, are guaranteed by OCN to the extent OCT has funds available. If OCN does not make principal or interest payments on the Junior Subordinated Debentures, OCT will not have sufficient funds to make distributions on the Capital Securities, in which event the guarantee shall not apply to such distributions until OCT has sufficient funds available therefore. Accumulated distributions payable on the Capital Securities amounted to $1,019 and $2,771 at September 30, 2002 and December 31, 2001, respectively, and are included in accrued interest payable.

OCN has the right to defer payment of interest on the Junior Subordinated Debentures at any time or from time to time for a period not exceeding 10 consecutive semiannual periods with respect to each deferral period, provided that no extension period may extend beyond the stated maturity of the Junior Subordinated Debentures. Upon the termination of any such extension period and the payment of all amounts then due on any interest payment date, OCN 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 OCN may not permit any subsidiary to, (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, our capital stock or (ii) make any payment of principal, interest or premium, if any, on or repay, repurchase or redeem any debt securities that rank pari passu with or junior to the Junior Subordinated Debentures. During an extension period, interest on the Junior Subordinated Debentures will continue to accrue at the rate of 10.875% per annum, compounded semiannually.

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

Debentures at maturity or their earlier redemption, in an amount equal to the amount of the related Junior Subordinated Debentures maturing or being redeemed and at a redemption price equal to the redemption price of the Junior Subordinated Debentures, plus accumulated and unpaid distributions thereon to the date of redemption.

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

In connection with the issuance of the Capital Securities, we incurred certain costs, which have been capitalized and are being amortized over the term of the Capital Securities. The unamortized balance of these issuance costs amounted to $1,859 and $2,083 at September 30, 2002 and December 31, 2001, respectively, and is included in other assets.

NOTE 5: DERIVATIVE FINANCIAL INSTRUMENTS

We use derivative financial instruments for the purpose of managing our exposure to adverse fluctuations in interest and foreign currency exchange rates.

Interest Rate Management

We have purchased amortizing caps and floors to hedge our interest rate exposure relating to our match funded loans and securities. During 2001, we determined that these caps and floors no longer qualified for hedge accounting; therefore, changes in fair value are recorded in the income statement. The terms of these outstanding caps and floors at September 30, 2002 and December 31, 2001 are as follows:

	Notional Amount	Maturity	Index	Strike Rate	Fair Value
September 30, 2002:					
Caps.....	$ 115,190	October 2003	LIBOR 1-Month	7.00%	$ 1
Floors.....	$ 31,518	October 2003	CMT 2-Year	4.35	722
					$ 723
December 31, 2001:					
Caps.....	$ 125,933	October 2003	LIBOR 1-Month	7.00%	$ 104
Floors.....	$ 34,100	October 2003	CMT 2-Year	4.35	300
					$ 404

Foreign Currency Management

We enter into foreign currency derivatives to hedge our investments in foreign subsidiaries that own residual interests backed by residential loans originated in the UK ("UK residuals") and in the shopping center located in Halifax, Nova Scotia (the "Nova Scotia Shopping Center"). It is our policy to periodically adjust the amount of foreign currency derivative contracts we have entered into in response to changes in our recorded investments in these assets. As hedges of our investment in foreign operations, changes in the fair value of these contracts are included in the net unrealized foreign currency translation adjustment in accumulated other comprehensive income. The following table sets forth the terms and values of these foreign currency financial instruments at September 30, 2002 and December 31, 2001:

	Position	Maturity	Notional Amount	Strike Rate	Fair Value
September 30, 2002:					
Canadian Dollar currency futures.....	Short	December 2002	C$ 11,400	$0.6300	$ 15
British Pound currency futures.....	Short	December 2002	(pound) 16,938	$1.5500	(213)
					$ (198)
December 31, 2001:					
Canadian Dollar currency futures.....	Short	March 2002	C$ 34,000	$0.6380	$ 353
British Pound currency futures.....	Short	March 2002	(pound) 17,250	$1.4350	(235)
					$ 118

NOTE 6: REGULATORY REQUIREMENTS

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 and the regulations promulgated thereunder established certain minimum levels of regulatory capital for savings institutions subject to OTS supervision. The Bank must follow specific capital guidelines stipulated by the OTS that 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, 2002, the minimum regulatory capital requirements were:

- Tangible and core capital of 1.5% and 3% of total adjusted assets, respectively, consisting principally of stockholders' equity, but excluding most intangible assets, such as goodwill and any net unrealized gains or losses on debt securities available for sale. The OTS minimum core capital ratio provides that only those institutions with a Uniform Financial Institution Rating System rating of "1" are subject to a 3% minimum core capital ratio. All other institutions are subject to a 4% minimum core capital ratio.

- Risk-based capital, consisting of core capital plus certain subordinated debt and other capital instruments and, subject to certain limitations, general valuation allowances on loans receivable, equal to 8% of the value of risk-weighted assets.

At September 30, 2002, the Bank was "well capitalized" under the prompt corrective action regulations adopted by the OTS pursuant to the Federal Deposit Insurance Corporation Improvement Act of 1991. To be categorized as "well capitalized," the Bank must maintain minimum core capital, Tier 1 risk-based capital and risk-based capital ratios as set forth in the following table. The Bank's capital amounts and classification are subject to review by federal regulators about components, risk-weightings and other factors. There are no conditions or events since September 30, 2002 that management believes have changed the institution's category.

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

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

The following table summarizes the Bank's actual and required regulatory capital at September 30, 2002:

	Actual		Minimum for Capital Adequacy Purposes		To be Well Capitalized for Prompt Corrective Action Provisions		Committed Capital Requirements
	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Stockholders' equity, and ratio to total assets	15.64%	$ 164,210					
Disallowed servicing assets		(11,364)					
Disallowed deferred tax assets		(1,053)					
Non-includable subsidiary		(643)					
Tier 1 (core) capital and ratio to adjusted total assets	14.58%	151,150	4.00%	$ 41,474	5.00%	$ 51,842	9.00%
Non-mortgage servicing assets		(2,906)					
Tangible capital and ratio to tangible assets	14.34%	$ 148,244	1.50%	$ 15,509			
Tier 1 capital and ratio to risk-weighted assets	17.91%	$ 151,150			6.00%	$ 50,651	
Allowance for loan and lease losses		10,612					
Qualifying subordinated debentures		26,800					
Tier 2 capital		37,412					
Total risk-based capital and ratio to risk- weighted assets	22.34%	$ 188,562	8.00%	$ 67,534	10.00%	$ 84,418	13.00%
Total regulatory assets		$1,049,927					
Adjusted total assets		$1,036,838					
Tangible assets		$1,033,932					
Risk-weighted assets		$ 844,176					

NOTE 7: INTEREST INCOME AND EXPENSE BEFORE PROVISION FOR LOAN LOSSES

	Three Months		Nine Months	
For the periods ended September 30,	2002	2001	2002	2001
Interest income:				
Interest earning cash and other	$ 59	$ 41	$ 220	$ 638
Federal funds sold and repurchase agreements	783	1,942	2,055	6,040
Trading securities	3,507	4,601	12,024	14,474
Loans	3,075	9,355	10,588	39,602
Match funded loans and securities	1,188	2,655	5,245	7,875
	8,612	18,594	30,132	68,629
Interest expense:				
Deposits	5,990	13,789	21,689	48,167
Securities sold under agreements to repurchase	32	244	230	246
Bonds - match funded agreements	1,445	1,391	5,161	6,099
Obligations outstanding under lines of credit	833	1,871	2,982	4,327
Notes, debentures and other interest bearing obligations	4,625	5,012	13,973	15,076
	12,925	22,307	44,035	73,915
Net interest expense before provision for loan losses	$ (4,313)	$ (3,713)	$(13,903)	$ (5,286)

NOTE 8: BUSINESS SEGMENT REPORTING

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

	Net Interest Income (Expense)	Provision for Loan Losses	Non-Interest Income	Non-Interest Expense	Pre-Tax Income (Loss)	Total Assets
At or for the three months ended September 30, 2002:						
Residential Loan Servicing	$ (4,724)	$ --	$ 28,664	$ 16,782	$ 7,157	$ 504,967
OTX (1)	--	--	1,780	7,774	(5,993)	8,950
Ocwen Realty Advisors	--	--	3,232	2,330	902	216
Unsecured Collections	--	(28)	2,777	1,748	1,057	131
Residential Discount Loans	1,254	(3)	(442)	1,380	(617)	49,331
Commercial Finance	(1,249)	(878)	1,259	2,259	(1,370)	222,009
Affordable Housing	(1,054)	8	491	757	(1,329)	79,313
Subprime Finance	3,222	--	1,443	1,202	3,516	44,566
Corporate items and other	(1,762)	--	(1,178)	2,860	(7,330)	459,569
	$ (4,313)	$ (901)	$ 38,026	$ 37,092	$ (4,007)	$1,369,052
At or for the three months ended September 30, 2001:						
Residential Loan Servicing	$ (4,445)	$ --	$ 31,948	$ 18,452	$ 9,052	$ 311,537
OTX	(100)	--	496	8,158	(7,762)	14,304
Ocwen Realty Advisors	--	--	3,253	3,171	83	741
Unsecured Collections	7	322	605	1,579	(1,288)	814
Residential Discount Loans	4,062	(3,480)	(1,865)	2,034	3,406	154,106
Commercial Finance	(1,734)	2,780	(62)	2,702	(7,277)	476,859
Affordable Housing	(1,672)	(10)	(266)	4,539	(6,467)	135,246
Subprime Finance	1,113	--	2,476	940	2,886	85,533
Corporate items and other	(944)	--	5,072	3,026	(565)	661,268
	$ (3,713)	$ (388)	$ 41,657	$ 44,601	$ (7,932)	$1,840,408

	Net Interest Income (Expense)	Provision for Loan Losses	Non-Interest Income	Non-Interest Expense	Pre-Tax Income (Loss)	Total Assets
At or for the nine months ended September 30, 2002:						
Residential Loan Servicing	$(13,461)	$ --	$ 89,251	$ 53,000	$ 22,788	$ 504,967
OTX (1)	--	--	4,924	21,102	(16,179)	8,950
Ocwen Realty Advisors	--	--	10,860	8,939	1,921	216
Unsecured Collections	--	(279)	8,242	5,381	3,140	131
Residential Discount Loans	5,303	(2,304)	(2,210)	4,294	1,103	49,331
Commercial Finance	(4,837)	9,147	(23,347)	6,783	(44,114)	222,009
Affordable Housing	(3,926)	3,946	803	23,918	(30,987)	79,313
Subprime Finance	7,365	--	4,613	3,653	8,325	44,566
Corporate items and other	(4,347)	--	(1,044)	9,548	(19,694)	459,569
	$(13,903)	$ 10,510	$ 92,092	$136,618	$(73,697)	$1,369,052
At or for the nine months ended September 30, 2001:						
Residential Loan Servicing	$(12,633)	$ --	$ 89,734	$ 51,028	$ 26,073	$ 311,537
OTX	(363)	--	1,487	30,445	(29,320)	14,304
Ocwen Realty Advisors	--	--	8,362	7,933	429	741
Unsecured Collections	43	1,844	1,527	5,355	(5,629)	814
Residential Discount Loans	12,275	5,799	(3,224)	5,596	(2,893)	154,106
Commercial Finance	(2,167)	10,375	4,767	10,677	(18,452)	476,859
Affordable Housing	(5,876)	11	(807)	14,589	(21,283)	135,246
Subprime Finance	1,714	--	8,801	2,626	8,437	85,533
Corporate items and other	1,721	--	21,505	10,064	7,749	661,268
	$ (5,286)	$ 18,029	$132,152	$138,313	$(34,889)	$1,840,408

(1) For the three and nine month periods ended September 30, 2002, non-interest income of OTX includes $1,101 and $3,111 of revenues charged to other business segments.

NOTE 9: COMMITMENTS AND CONTINGENCIES

At September 30, 2002, we had commitments of $906 to fund construction loans secured by multi-family properties. In addition, we had commitments under outstanding letters of credit in the amount of $210. Through our investment in subordinated securities and subprime residuals, which had a fair value of $36,593 at September 30, 2002, we support senior classes of securities.

On April 20, 1999, a complaint was filed on behalf of a putative class of public shareholders of OCN in the Circuit Court of the Fifteenth Judicial Circuit, Palm Beach County, Florida against OCN and OAC. On April 23, 1999, a complaint was filed on behalf of a putative class of public shareholders of OAC in the Circuit Court of the Fifteenth Judicial Circuit, Palm Beach County, Florida, against OAC and certain directors of OAC. The plaintiffs in both complaints sought to enjoin consummation of the acquisition of OAC by OCN. The cases were consolidated, and on September 13, 1999 a consolidated amended complaint was filed. The injunction was denied, and on October 14, 1999 OCN was dismissed as a party. Plaintiffs' remaining claims were for damages for alleged breaches of common law fiduciary duties. In October 2001, the parties reached a settlement agreement in principle, which we expect to be presented for court approval in mid-December 2002.

On June 3, 1999, Walton Street Capital, L.L.C. ("Walton") filed suit against OAC and Ocwen Partnership, L.P. in the Circuit Court of Cook County, Illinois. Walton has alleged that OAC committed an anticipatory breach of contract with respect to the proposed sale by OAC of all of its interest in its commercial mortgage-backed securities portfolio to Walton. Walton has claimed damages in an amount in excess of $20,000. As of October 20, 2000, both Walton and OAC filed motions for Summary Judgement. On December 21, 2000, the Circuit Court granted Walton's Limited Motion for Summary Judgement concerning liability. On February 20, 2001, OAC filed a motion for reconsideration requesting the Circuit Court vacate its order granting summary judgment to Walton. On January 29, 2002, after oral argument, the Circuit Court reversed its

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earlier ruling by vacating the order granting summary judgment. Discovery is in its final phases. On October 25, 2002, the Circuit Court denied Walton's motion for summary judgment. Trial is scheduled to begin on March 4, 2003.

The former owners of Admiral Home Loan filed a Demand for Arbitration against OCN and William C. Erbey claiming damages in the amount of $21,250 based on alleged breaches of the 1997 acquisition agreement pursuant to which a subsidiary of OCN acquired all of the assets of Admiral Home Loan. Discovery continues and the matter is set for binding arbitration before a three-person panel on February 10, 2003.

Although litigation is always uncertain, we believe the claims asserted in the Walton and Admiral Home Loan matters are without merit and we will continue to defend them vigorously. We are subject to various other pending legal proceedings. In our opinion, the resolution of these other claims will not have a material effect on the interim consolidated financial statements.

On November 26, 2002 we will exercise redemption options on two of our outstanding debt obligations for a combined debt reduction of $73,500. OCN will exercise its redemption option to call $40,000 of its $83,475 of 11.875% Notes due October 2003 at a price of 102.969% as provided for in the terms of the indenture. The Bank will exercise its redemption option to call $33,500 of its $67,000 of 12% Subordinated Debentures due September 2005 at a price of 102.667% as provided for in the terms of the indenture. The respective trustees notified debtholders during October in accordance with the terms of the related indentures. As a result of these early redemptions at a premium, we will incur $2,499 of expense in the fourth quarter of 2002, including the write-off of $416 of unamortized issuance costs.

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

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General

Our primary businesses are the servicing and special servicing of nonconforming, subperforming and nonperforming residential and commercial mortgage loans. We also specialize in the development of related loan servicing technology and business-to-business e-commerce solutions for the mortgage and real estate industries.

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

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

Selected Consolidated Financial Information	September 30, 2002	December 31, 2001	Increase (Decrease) $	Increase (Decrease) %
Total assets	$ 1,369,052	$ 1,711,150	$ (342,098)	(20)%
Trading securities, at fair value	87,041	226,249	(139,208)	(62)
Real estate held for sale	--	13,418	(13,418)	(100)
Investments in real estate	59,982	116,896	(56,914)	(49)
Affordable housing properties	32,721	102,069	(69,348)	(68)
Loans, net	102,833	185,293	(82,460)	(45)
Match funded assets, net	153,952	174,351	(20,399)	(12)
Real estate owned, net	65,432	110,465	(45,033)	(41)
Advances on loans and loans serviced for others	273,767	283,183	(9,416)	(3)
Mortgage servicing rights	167,757	101,107	66,650	66
Deposits	454,812	656,878	(202,066)	(31)
Escrow deposits on loans and loans serviced for others	106,430	73,565	32,865	45
Securities sold under agreements to repurchase	--	79,405	(79,405)	(100)
Bonds-match funded agreements	142,020	156,908	(14,888)	(9)
Obligations outstanding under lines of credit	92,567	84,304	8,263	10
Notes, debentures and other interest-bearing obligations	154,755	160,305	(5,550)	(3)
Minority interest in subsidiary	1,625	--	1,625	--
Company-obligated mandatorily redeemable securities of subsidiary trust holding solely junior subordinated debentures of the Company	56,249	61,159	(4,910)	(8)
Stockholders' equity	320,654	379,106	(58,452)	(15)

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

	At or for the Three Months Ended September 30,			
			Favorable/(Unfavorable)	
	2002	2001	$	%
Operations Data				
Net interest expense	$ (4,313)	$ (3,713)	$ (600)	(16)%
Provision for loan losses	(901)	(388)	513	132
Non-interest income	38,026	41,657	(3,631)	(9)
Non-interest expense	37,092	44,601	7,509	17
Distributions on Company obligated, mandatorily redeemable securities of subsidiary trust holding solely junior subordinated debentures of the Company	1,529	1,663	134	8
Income tax expense	--	65,000	65,000	100
Net loss	(4,007)	(72,932)	68,925	95
Per Common Share				
Net loss:				
Basic	$ (0.06)	$ (1.09)	$ 1.03	94%
Diluted	$ (0.06)	$ (1.09)	$ 1.03	94%
Stock price:				
High	$ 5.80	$ 11.20	$ (5.40)	(48)%
Low	2.67	6.40	(3.73)	(58)%
Close	2.90	7.21	(4.31)	(60)%
Key Ratios				
Annualized return on average assets	(1.18)%	(14.90)%	N/A	92%
Annualized return on average equity	(4.96)%	(66.52)%	N/A	93%
Efficiency ratio (1)	110.02%	117.54%	N/A	6%
Core (leverage) capital ratio	14.58%	13.20%	N/A	10%
Risk-based capital ratio	22.34%	21.95%	N/A	2%

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

	At or for the nine months ended September 30,			
			Favorable/(Unfavorable)	
	2002	2001	$	%
Operations Data				
Net interest expense	$ (13,903)	(5,286)	$ (8,617)	(163)%
Provision for loan losses	10,510	18,029	7,519	42
Non-interest income	92,092	132,152	(40,060)	(30)
Non-interest expense	136,618	138,313	1,695	1
Distributions on Company obligated, mandatorily redeemable securities of subsidiary trust holding solely junior subordinated debentures of the company	4,758	5,413	655	12
Income tax expense	1,166	83,000	81,834	99
Effect of change in accounting principle, net of taxes	16,166	--	16,166	--
Net loss	(58,697)	(117,889)	59,192	50
Per Common Share				
Net loss:				
Basic	$ (0.87)	$ (1.75)	$ 0.88	50%
Diluted	$ (0.87)	$ (1.75)	$ 0.88	50%
Stock price:				
High	$ 8.48	$ 11.20	$ (2.72)	(24)%
Low	2.67	6.38	(3.71)	(58)%
Key Ratios				
Annualized return on average assets	(5.29)%	(7.60)%	N/A	30%
Annualized return on average equity	(22.10)%	(33.51)%	N/A	34%
Efficiency ratio (1)	174.73%	109.02%	N/A	(60)%

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

Overview of Risks and Related Critical Accounting Policies

For the past several years, we have been undergoing a fundamental transition in the nature of our business. We are exiting our capital-intensive businesses and growing our fee-based revenue sources. Both of these strategies are affected by risks in the marketplace. Our ability to measure and report our operating results and financial position is heavily impacted by the need to estimate the effect or outcome of these risks as well as to estimate the effect of other future events. Our critical accounting policies are those that relate to the estimation and measurement of these risks; an understanding of these policies is fundamental to understanding Management's Discussion and Analysis of Results of Operations and Financial Condition. Our significant accounting policies are discussed in detail in Note 1 to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2001 and in Note 2 of our Interim Consolidated Financial Statements (which are incorporated herein by reference). The following is a summary of our more subjective and complex accounting policies as they relate to our overall business strategy.

Our exit from our capital intensive discount loan, real estate and affordable housing businesses is largely focused on the orderly disposition or resolution of the assets associated with these lines of business. The critical accounting policies that affect the measurement of these businesses are those that determine the valuation of real estate and affordable housing assets as well as the determination of the allowance for loan losses.

Real estate-related assets include real estate owned, investments in real estate and investments in affordable housing properties. These assets are carried at different bases by asset class and at different amounts within each asset class, depending on whether the assets are classified as held for investment or held for sale. In addition, all of these assets are subject to ongoing impairment tests using various impairment methodologies that differ by asset class. In general, none of the assets have readily determinable fair values based on quoted market prices. In certain cases, we utilize appraisals or other market value estimates, in conjunction with

estimates of completion costs or costs of disposition, to determine asset values. In other cases, we value these assets based on future cash flow analyses. These cash flow analyses involve assumptions such as discount rates, anticipated rents received, etc. that are highly dependent on management judgment and estimation. Our task of estimation is even more challenging given the current risks in the economic environment, which can result in material and sometimes rapid changes in valuation estimates. Individual assumptions between and within asset classes can vary significantly with variances in assumptions resulting in substantially different asset values.

The allowance for loan losses is established and maintained at levels we deem adequate to cover losses resulting from the inability of borrowers to make contractually required loan payments. Estimates for loan losses are developed by analyzing historical loan losses, current trends in delinquencies and charge offs, plans for problem loan administration and resolution, the views of our regulators, changes in the size and composition of the loan portfolio and peer group information. Where there is a question as to the impairment of specific loans, we obtain valuations of the property or other collateral securing the loan, and, if applicable, the borrower's current financial information. We also include in our estimates of inherent probable loan losses the impact of economic events, the outcome of which are uncertain. These events may include, but are not limited to, deterioration in general economic conditions, increases or decreases in overall lending rates, political conditions, legislation that directly and indirectly affects the banking industry and regional economic conditions affecting specific geographical areas in which we conduct business.

Our most significant area of growth has been our residential loan servicing business, with increased transaction volumes during the year. Inherent in our growth of this business has been an increase in purchased mortgage servicing rights, an intangible asset representing the present value of the right to service loans in a portfolio. Our ability to continue to expand the business may be limited by liquidity or regulatory constraints. The most critical accounting policy for this business line is the methodology we use to determine the valuation of mortgage servicing rights. Application of this methodology requires the development of a number of estimates, including anticipated amortization and periodic revaluation. Interest rates, prepayment speeds and the payment performance of the underlying loans significantly affect both our initial and ongoing valuations and the rate of amortization of mortgage servicing rights. In general, during periods of declining interest rates, the value of mortgage servicing assets declines due to increasing prepayments attributable to increased mortgage refinance activity. We amortize mortgage servicing rights over the period of estimated net servicing income based on our projections of the amount and timing of future cash flows. The amount and timing of servicing asset amortization is adjusted periodically based on actual results and updated projections.

Our other core business line is OTX, our technology solutions business. We have goodwill and intellectual property recorded as a result of the acquisitions of three predecessor technology companies, as well as capitalized software development costs for the period of early development, which ended in 1999. Effective January 1, 2002 we adopted Statement of Financial Accounting Standards ("SFAS") No. 142, Goodwill and Other Intangibles. SFAS 142 prescribed a methodology for performing the impairment analyses for goodwill and other intangibles, which changed to an approach based on fair value of the assets rather than on undiscounted cash flows as was the case prior to adoption. We have performed this analysis using our previously developed projections of future income discounted at a market rate. The determination of market discount rates is also subjective and may vary by product based on the type of product, stage of development and sales to date. This impairment analysis resulted in a write-down of $3,333 related to the remaining balance of goodwill and intangible assets recorded in connection with our formation of REALSynergy, Inc. in 1999, which is reported as the effect of a change in accounting principle net of an income tax benefit of $1,166. At September 30, 2002, the unamortized balance of goodwill, intellectual property and capitalized software amounted to $3,849, $542 and $3,004, respectively.

Another risk factor affecting all of our business lines is the determination of our overall tax provision. This is a complex task and requires extensive judgment, particularly in evaluating the realizability of the gross deferred tax assets in the near term. During 2001 we recorded a substantial increase to our valuation allowance, and as of September 30, 2002 our remaining net deferred tax asset amounted to $7,568. The evaluation of the need for a valuation allowance takes into consideration our recent earnings history, current tax position and estimates of taxable income in the near term. The tax character (ordinary versus capital) and the carry forward periods of certain tax attributes (e.g., capital losses and tax credits) must also be considered. Significant judgment is required in considering the relative impact of negative and positive evidence related to realizability of the deferred tax assets. The determination of the amount of the aggregate valuation allowance is based on scenario analyses of the projected results of operations by line of business resulting in a range of potential valuation allowances within which a final amount is determined.

Results of Operations

General. We recorded a net loss of $(4,007) for the third quarter of 2002, as compared to $(72,932) for the third quarter of 2001. Our loss per share was $(0.06) for the third quarter of 2002, as compared with a loss per share of $(1.09) for the third quarter of 2001. For the nine months ended September 30, 2002 we recorded a net loss of $(58,697) or $(0.87) per share compared to $(117,889) or $(1.75)

per share for the nine months ended September 30, 2001. The net loss for the third quarter of 2001 included a $65,000 provision to increase the valuation allowance on the deferred tax asset and $6,782 of loss provisions and impairment charges on investments in real estate and affordable housing properties. No such provisions or charges were incurred during the third quarter of 2002. During 2002, we have continued our transition in business strategy from capital-intensive businesses to fee-based businesses: loan servicing and technology solutions for the mortgage and real estate industries. Our results reflect growth in the volume of our residential loan servicing businesses (although segment income has declined in 2002), continued investment in the development of our technology products, cessation of loan origination and acquisition activities and continuing sales of assets not associated with our core business segments. The combined results of our core business segments -- Residential Loan Servicing, OTX, Ocwen Realty Advisors and Unsecured Collections - -- improved in both the three and nine month periods ended September 30, 2002 as compared to the same periods of the prior year. See "Segment Profitability" below. The following table presents a summary of our non-core assets that remain to be sold at the dates indicated:

	September 30, 2002	June 30, 2002	March 31, 2002	December 31, 2001
Loans, net:				
Affordable housing	$ 12,613	$ 11,882	$ 15,198	$ 17,215
All other	90,220	110,127	135,359	168,078
Real estate held for sale	--	--	--	13,418
Investment in real estate	59,982	59,598	91,664	116,896
Real estate owned, net	65,432	84,101	100,490	110,465
Subordinates, residuals and other trading securities	36,593	41,210	39,899	65,058
Affordable housing properties (1)	19,491	18,877	19,729	52,176
	$ 284,331	$ 325,795	$ 402,339	$ 543,306

(1) Excludes $13,230 of properties subject to completed sales contracts that have not met accounting criteria for sales treatment.

Results for the nine months ended September 30, 2002 included a net increase to income during the first quarter of $16,166 from the adoption of SFAS No. 141 and No. 142. This is comprised of a credit to income of $18,333 for the reversal of negative goodwill and a write-down of $2,167 (net of tax benefit of $1,166) of unamortized goodwill and intangible assets at OTX. Amortization of negative goodwill, net of goodwill amortization expense, amounted to $3,805 and $11,415 during the three and nine months ended September 30, 2001.

Segment Profitability. The following is a discussion of the income (loss) before income taxes and effect of change in accounting principle of each of our reportable segments for the three and nine months ended September 30, 2002 and 2001:

- Residential Loan Servicing. Segment income declined from $9,052 for the three months ended September 30, 2001 to $7,157 for the three months ended September 30, 2002. Servicing and other fees, net, declined $3,282 during the third quarter of 2002, offset in part by a $1,669 decline in non-interest expense. Residential servicing and other fees, net, declined to $28,234 for the three months ended September 30, 2002 as compared to $31,516 for the same period of the prior year. Although gross servicing fees increased during the third quarter of 2002 as compared to 2001 as a result of continued growth, the increase in servicing fees was offset by an increase in both servicer expenses and amortization of servicing rights. Also, results for 2002 continue to be impacted negatively by lower earnings on collection account or float balances as a result of the lower short-term interest rate environment we have experienced since the first quarter of 2001. The average balance of residential loans we serviced for others amounted to $28,066,309 and $18,326,909 for the three months ended September 30, 2002 and 2001, respectively. See "Non-Interest Income - Servicing and Other Fees." At September 30, 2002 we were the servicer of 338,349 residential loans with an unpaid principal balance of $29,832,033, as compared to 301,652 loans and $21,952,096 of unpaid principal balance at December 31, 2001, a 36% increase in unpaid principal balance.

  Segment income declined from $26,073 for the nine months ended September 30, 2001 to $22,788 for the nine months ended September 30, 2002. Residential servicing and other fees, net, declined to $87,700 for the nine months ended September 30, 2002 as compared to $88,956 for the same period of the prior year. The average balance of residential loans we serviced for others amounted to $25,322,853 and $14,036,352 for the nine months ended September 30, 2002 and 2001, respectively. In addition to the $1,256 decline in servicing and other fees, net, during the nine months ended September 30, 2002, non-interest expenses increased by $1,973. Non-interest expenses for 2002 include a provision of $1,000 in the first quarter related to a pending settlement of a class

action litigation claim. Increased servicer expenses and servicing rights amortization more than offset the increase in gross servicing fees during 2002.

- OTX. Segment losses declined from $(7,762) for the three months ended September 30, 2001 to $(5,993) for the same period in 2002. The net losses incurred by OTX reflect our continuing investment in the development and marketing of our technology businesses. Non-interest income increased by $1,284 and non-interest expense declined by $385 during the third quarter of 2002 as compared to the same period of 2001. Non-interest expenses for the third quarter of 2002 included a $534 payment due in connection with the 1997 acquisition of Amos, Inc. Non-interest expense for the three months ended September 30, 2001 included $778 of goodwill amortization that has not been recognized in 2002 as a result of the adoption of SFAS No. 142 on January 1,2002.

  Segment losses declined from $(29,320) for the nine months ended September 30, 2001 to $(16,179) for the same period in 2002. Non-interest income increased by $3,437 and non-interest expenses declined by $9,342 during the first nine months of 2002 as compared to the same period of the prior year. Non-interest expense for the nine months ended September 30, 2001 included $4,685 of nonrecurring expenses in the first quarter, including $3,185 for a payment due in connection with the 1997 acquisition of Amos, Inc. Non-interest expense for the first nine months of 2001 also included $2,334 of goodwill amortization; amortization has been discontinued in 2002 as a result of the adoption of SFAS No. 142.

- Ocwen Realty Advisors ("ORA"). Through ORA we provide property valuation services for residential and commercial properties, including those that we service for others. Segment income improved to $902 for the three months ended September 30, 2002 as compared to $83 for the same period of 2001. The improvement in income during the third quarter of 2002 was largely due to a $516 decline in appraisal expense. Revenues were essentially unchanged in the third quarter of 2002 as compared to 2001.

  For the nine months ended September 30, 2002, segment income increased to $1,921 as compared to $429 for the same period of 2002. The increase in segment income during the first nine months of 2002 is primarily the result of a $2,498 increase in revenues from valuation services, offset in part by a $1,496 increase in appraisal expense.

- Unsecured Collections. This segment is primarily comprised of activities related to our charged-off unsecured credit card receivables, which we acquired at a discount, as well as collections we make on behalf of others. We accounted for collections of our unsecured credit card receivables under the cost recovery method, through the end of 2001, when we reduced the net book value of our unsecured receivables to zero as a result of collections and reserves. Beginning in 2002, we report collections as non-interest income. Segment results improved from a loss of $(1,288) for the three months ended September 30, 2001 to income of $1,057 for the three months ended September 30, 2002. Servicing fees for this segment increased to $1,808 for the three months ended September 30, 2002, as compared to $605 for the third quarter of 2001. Collections reported as income for the third quarter of 2002 amounted to $969 as compared to $0 for the third quarter of 2001.

  Segment results improved from a loss of $(5,629) for the nine months ended September 30, 2001 to income of $3,140 for the nine months ended September 30, 2002. Collections reported as income amounted to $3,463 for the nine months ended September 30, 2002 as compared to $0 for the same period of 2001. Servicing fees for this segment amounted to $4,780 and $1,527 during the nine months ended September 30, 2002 and 2001, respectively. Results for the nine months ended September 30, 2001 included provisions for losses of $1,844.

- Residential Discount Loans. Results for 2002 and 2001 reflect the sale and resolution of loans and real estate owned as part of our ongoing strategy to exit capital-intensive businesses. We have not acquired any residential discount loans since 2000. See "Changes in Financial Condition - Loans, Net." A loss of $(617) was incurred by this business segment for the three months ended September 30, 2002 as compared to income of $3,406 for the three months ended September 30, 2001. Results for the third quarter of 2002 reflect a $2,808 decline in net interest income before provision for loan losses as compared to the third quarter of 2001 as a result of loan sales. Also, sales of loans during the third quarter of 2001 resulted in $(1,950) of losses and a negative loan loss provision of $3,480. There were no loan sales during the third quarter of 2002 and the loan loss provision amounted to a negative $3. As a result of sales and resolutions (primarily during the first quarter), the amount of loans and real estate owned remaining in this segment have declined from $53,813 at December 31, 2001, to $4,174 at September 30, 2002.

  Segment income improved from a loss of $(2,893) for the nine months ended September 30, 2001 to income of $1,103 for the nine months ended September 30, 2002. A decline in non-interest expense and provisions for loan losses, plus an improvement in operating results from real estate owned, more than offset increased losses from loan sales and declines in net interest income and trading gains on securities. Non-interest expense declined by $1,302 for the first nine months of 2002 as compared to 2001 primarily as a result of reduced loan expenses and technology costs. Provisions for loan losses declined from $5,799 for the first nine months of 2001 to a negative provision of $2,304 for the same period of 2002. Results from the sale and operation of real estate owned improved to a gain of $387 for the nine months

ended September 30, 2002 as compared to a loss of $(5,958) for the same period of the prior year. Results for the first nine months of 2002 included $(2,554) of losses from the sale of loans as compared to

$(836) of losses during the same period of 2001. Net interest income declined by $6,972 for the first nine months of 2002 as compared to the same period of 2001 as a result of loan sales. Net trading gains (losses) on residential subordinate securities amounted to $(177) and $3,028 for the nine months ended September 30, 2002 and 2001, respectively.

- Commercial Finance. Results for 2002 and 2001 reflect our continuing exit from our loan and real estate businesses. With the exception of loans to facilitate sales of our own assets, we have not purchased or originated any loans since 2000. See "Changes in Financial Condition - Loans, Net." Segment losses declined from $(7,277) for the three months ended September 30, 2001 to $(1,370) for the three months ended September 30, 2002. The results for the three months ended September 30, 2002 include a negative provision for loan losses of $878 as compared to a provision of $2,780 for the three months ended September 30, 2001. Net operating gains on investments in real estate improved from a loss of $(1,175) for the third quarter of 2001 to income of $494 for the third quarter of 2002. The net operating loss on investments in real estate for the third quarter of 2001 included $3,044 of impairment charges, as compared to $0 for the third quarter of 2002. Total loans, investments in real estate and real estate owned held by this segment have declined from $354,159 at December 31, 2001 to $211,183 at September 30, 2002. The combined ratio of allowance for losses as a percentage of loans and real estate owned increased from 9.3% at December 31, 2001 to 20.7% at September 30, 2002.

  Segment losses increased from $(18,452) for the nine months ended September 30, 2001 to $(44,114) for the nine months ended September 30, 2002. The results for the nine months ended September 30, 2002 include losses of $(16,463) from the sale and operation of real estate owned as compared to income of $2,585 for the same period of the prior year, reflecting an increase in the provision for losses from $3,383 in 2001 to $18,306 in 2002. Operating income on investments in real estate declined from income of $2,131 for the nine months ended September 30, 2001 to a loss of $(8,844) for the same period of 2002. This decline in operating income is primarily due to impairment charges on investments in real estate, which amounted to $15,317 and $4,515 for the nine months ended September 30, 2002 and 2001 respectively. Results for the first nine months of 2001 includes $(2,485) of losses from sales of commercial loans as compared to $(541) for the same period of 2002. The provision for loan losses decreased to $9,147 during the nine months ended September 30, 2002 from $10,375 for the same period of the prior year. Non-interest expenses for this segment declined by $3,895 during the first nine months of 2002 as compared to the same period of 2001, primarily as a result of declines in loan expenses and technology costs

- Affordable Housing. During 2000, we began reducing our investment in affordable housing properties both as part of our shift in strategy to fee-based businesses and because the volume of tax credits being generated was in excess of our ability to realize them effectively. Segment losses declined from $(6,467) for the three months ended September 30, 2001 to $(1,329) for the three months ended September 30, 2002. Contributing to the losses in the third quarter of 2001 were charges of $3,738 to reserve for estimated losses from the sale of properties. No such provisions were required in the third quarter of 2002. The net book value of our remaining properties has been reduced from $102,069 at December 31, 2001 to $32,721 at September 30, 2002, of which $13,230 is subject to sales contracts although they have not yet qualified as sales for accounting purposes. See "Changes in Financial Condition - Affordable Housing Properties." The remaining balance of loans we made to finance the construction of affordable housing has declined from $17,215 at December 31, 2001 to $12,613 at September 30, 2002. At September 30, 2002, combined reserves on properties and loans had increased to 41% of remaining asset values as compared to 16% at December 31, 2001.

  Segment losses increased from $(21,283) for the nine months ended September 30, 2001 to $(30,987) for the nine months ended September 30, 2002. Charges of $17,350 and $11,097 were recorded during the nine months ended September 30, 2002 and 2001, respectively, to reserve for estimated losses from the sale of properties. The loss for 2002 also includes a $3,944 charge to record a discount on the long-term sale of properties in the second quarter. We are accreting this discount to income over the term of the related receivable balance, which extends through September 2014. The provision for loan losses increased to $3,946 for the nine months ended September 30, 2002 as compared to $11 for the same period of 2001, reflecting declines in estimated permanent loan financing proceeds to be received on affordable housing construction loans.

- Subprime Finance. We closed our domestic subprime origination business in 1999. Assets remaining in this segment at September 30, 2002 are primarily comprised of subprime residual trading securities with a fair value of $32,358 and match funded securities with a fair value of $11,802. Segment income improved from $2,886 for the three months ended September 30, 2001 to $3,516 for the three months ended September 30, 2002. A $2,109 increase in net interest income during the third quarter of 2002 more than offset the $1,507 decline in net trading gains on securities. Results for the three months ended September 30, 2002 include $1,191 of net trading gains on subprime residual and match funded securities, as compared to $2,698 for the same period of the prior year.

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Segment income declined from $8,437 for the nine months ended September 30, 2001 to $8,325 for the nine months ended September 30, 2002. Net interest income increased by $5,651 during the first nine months of 2002 as compared to the same period of 2001. Results for the nine months ended September 30, 2002 include $4,529 of net trading gains on subprime residual and match funded securities, including $3,791 of realized gains from sales, as compared to $9,219 for the same period of the prior year.

o Corporate Items and Other. Pre-tax results of this segment include business activities that are individually insignificant, amounts we do not allocate to our operating segments, distributions on Capital Securities, transfer pricing mismatches, gains from debt repurchases, other general corporate expenses and the results of the collateralized mortgage obligation ("CMO") trading portfolio. Segment results were a loss of $(7,330) and $(565) for the three months ended September 30, 2002 and 2001, respectively. For the nine months ended September 30, 2002, results declined to a loss of $(19,694) from income of $7,749 for the same period of 2001. Results for the three and nine months ended September 30, 2001 included $4,583 and $13,749, respectively, of amortization of negative goodwill. Results for this segment in 2002 reflect declines in net interest income as compared to 2001 resulting from high rates of fixed interest expense on notes and debentures and declining interest income earned on cash balances and our CMO portfolio. Net interest income (expense) amounted to $(1,762) and $(944) for the third quarter of 2002 and 2001, respectively, and $(4,347) and $1,721 for the first nine months of 2002 and 2001, respectively.

See Note 8 to the Interim Consolidated Financial Statements, included in Item 1 herein (which is incorporated herein by reference), for additional information related to our operating segments.

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

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

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

	Three Months Ended September 30,					
	2002			2001		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
Average Assets:						
Interest earning cash and other	$ 63,440	$ 59	0.37%	$ 3,817	$ 41	4.30%
Federal funds sold and repurchase agreements	174,642	783	1.79	215,525	1,942	3.60
Trading securities):						
CMOs (AAA-rated)	69,280	23	0.13	75,064	1,112	5.93
Subordinates, residuals and other	38,036	3,484	36.64	87,982	3,489	15.86
Loans, net (1)	127,217	3,075	9.67	388,858	9,355	9.62
Match funded loans and securities (1)	63,335	1,188	7.50	94,302	2,655	11.26
Total interest earning assets	535,950	8,612	6.43	865,548	18,594	8.59
Non-interest earning cash	15,223			98,365		
Allowance for loan losses	(18,176)			(18,033)		
Real estate held for sale	--			20,312		
Affordable housing properties	37,311			115,318		
Real estate owned, net	83,236			127,831		
Investment in real estate	59,665			115,599		
Advances on loans and loans serviced for others	259,026			339,414		
Mortgage servicing rights	147,687			86,121		
Match funded advances on loans serviced for others	97,983			--		
Other assets	145,249			207,114		
Total assets	$1,363,154			$1,957,589		
Average Liabilities and Stockholders' Equity:						
Interest-bearing demand deposits	$ 15,311	$ 57	1.49%	$ 11,921	$ 89	2.99%
Savings deposits	1,641	5	1.22	1,411	8	2.27
Certificates of deposit	433,326	5,928	5.47	843,169	13,692	6.50
Total interest-bearing deposits	450,278	5,990	5.32	856,501	13,789	6.44
Securities sold under agreements to repurchase	6,589	32	1.94	29,932	244	3.26
Bonds-match funded agreements	144,768	1,445	3.99	77,142	1,391	7.21
Obligations outstanding under lines of credit	83,865	833	3.97	112,661	1,871	6.64
Notes, debentures and other	156,196	4,625	11.84	169,130	5,012	11.85
Total interest-bearing liabilities	841,696	12,925	6.14	1,245,366	22,307	7.16
Non-interest bearing deposits	6,300			19,355		
Escrow deposits	93,378			92,755		
Excess of net assets acquired over purchase price	1,478			26,787		
Other liabilities	39,671			73,595		
Total liabilities	982,523			1,457,858		
Capital Securities	56,249			61,159		
Minority interest	1,335			--		
Stockholders' equity	323,047			438,572		
Total liabilities and stockholders' equity	$1,363,154			$1,957,589		
Net interest income (expense)		$ (4,313)			$ (3,713)	
Net interest spread			0.29%			1.43
Net interest margin			(3.22)%			(1.72)
Ratio of interest-earning assets to interest-bearing liabilities	64%			70%		

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

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

	Nine Months Ended September 30,					
	2002			2001		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
Average Assets:						
Interest earning cash and other	$ 53,348	$ 220	0.55%	$ 10,110	$ 638	8.41%
Federal funds sold and repurchase agreements	154,407	2,055	1.77	190,660	6,040	4.22
Trading securities):						
CMOs (AAA-rated)	106,554	2,167	2.71	116,718	5,589	6.38
Subordinates, residuals and other	47,550	9,857	27.64	103,399	8,885	11.46
Loans, net (1)	156,471	10,588	9.02	495,611	39,602	10.65
Match funded loans and securities (1)	69,612	5,245	10.05	109,225	7,875	9.61
Total interest earning assets	587,942	30,132	6.83	1,025,723	68,629	8.92
Non-interest earning cash	22,684			70,017		
Allowance for loan losses	(12,962)			(14,849)		
Real estate held for sale	4,425			21,062		
Affordable housing properties	67,106			128,733		
Real estate owned, net	97,267			132,192		
Investment in real estate	86,482			117,774		
Advances on loans and loans serviced for others	265,701			303,029		
Mortgage servicing rights	124,844			70,867		
Match funded advances on loans serviced for others	99,432			--		
Other assets	135,516			213,006		
Total assets	$1,478,437			$2,067,554		
Average Liabilities and Stockholders' Equity:						
Interest-bearing demand deposits	$ 14,170	$ 181	1.70%	$ 15,655	328	2.79%
Savings deposits	1,605	14	1.16	1,380	24	2.32
Certificates of deposit	493,731	21,494	5.80	985,730	47,815	6.47
Total interest-bearing deposits	509,506	21,689	5.68	1,002,765	48,167	6.40
Securities sold under agreements to repurchase	16,476	230	1.86	9,977	246	3.29
Bonds-match funded agreements	148,785	5,161	4.63	91,005	6,099	8.94
Obligations outstanding under lines of credit	89,436	2,982	4.45	76,959	4,327	7.50
Notes, debentures and other	157,985	13,973	11.79	170,482	15,076	11.79
Total interest-bearing liabilities	922,188	44,035	6.37	1,351,188	73,915	7.29
Non-interest bearing deposits	6,298			15,311		
Escrow deposits	85,566			70,518		
Excess of net assets acquired over purchase price	1,478			30,964		
Other liabilities	50,221			64,270		
Total liabilities	1,065,751			1,532,251		
Capital Securities	58,333			66,248		
Minority interest	292			--		
Stockholders' equity	354,061			469,055		
Total liabilities and stockholders' equity	$1,478,437			$2,067,554		
Net interest income (expense)		$(13,903)			$ (5,286)	
Net interest spread			0.46%			1.63%
Net interest margin			(3.15)%			(0.69)%
Ratio of interest-earning assets to interest-bearing liabilities	64%			76%		

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

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

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 our interest income and expense during the periods indicated. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (i) changes in volume (change in volume multiplied by prior rate), (ii) changes in rate (change in rate multiplied by prior volume) and (iii) total change in rate and volume. Changes attributable to both volume and rate have been allocated proportionately to the change due to volume and the change due to rate.

	Three Months: 2002 vs. 2001			Nine Months: 2002 vs. 2001		
	Favorable (Unfavorable) Variance			Favorable (Unfavorable) Variance		
	Rate	Due To Volume	Total	Rate	Due To Volume	Total
Interest Income from Interest-Earning Assets:						
Interest earning cash and other	$ (69)	$ 87	$ 18	$ (728)	$ 310	$ (418)
Federal funds sold and repurchase agreements	(842)	(317)	(1,159)	(3,001)	(984)	(3,985)
Trading securities:						
CMOs (AAA-rated)	(1,009)	(80)	(1,089)	(2,973)	(449)	(3,422)
Subordinates, residuals and other	2,760	(2,765)	(5)	5,331	(4,359)	972
Loans	44	(6,324)	(6,280)	(5,306)	(23,708)	(29,014)
Match funded loans and securities	(739)	(728)	(1,467)	130	(2,760)	(2,630)
Total interest income from interest-earning assets	145	(10,127)	(9,982)	(6,547)	(31,950)	(38,497)
Interest Expense on Interest-Bearing Liabilities:						
Interest-bearing demand deposits	53	(21)	32	118	29	147
Savings deposits	4	(1)	3	12	(2)	10
Certificates of deposit	1,900	5,864	7,764	4,485	21,836	26,321
Total interest-bearing deposits	1,957	5,842	7,799	4,615	21,863	26,478
Securities sold under agreements to repurchase	73	139	214	92	(76)	16
Bonds-match funded agreements	805	(859)	(54)	2,635	(1,697)	938
Obligations outstanding under lines of credit	635	403	1,038	1,631	(286)	1,345
Notes, debentures and other interest-bearing obligations	4	383	387	(1)	1,104	1,103
Total interest expense on interest-bearing liabilities	3,474	5,908	9,382	8,972	20,908	29,880
Favorable (unfavorable) variance, net	$ 3,619	$ (4,219)	$ (600)	$ 2,425	$(11,042)	$ (8,617)

Our net interest income has been declining since 1999. This trend reflects a decline in the ratio of interest-earning assets to interest-bearing liabilities. Both our acquisition of OAC in 1999 and our change in strategic direction from capital-intensive businesses to fee-based sources of income have contributed to an increase in the relative amount of noninterest-earning assets (such as real estate, servicing advances and servicing rights) that are funded by interest-bearing liabilities. We expect this trend to continue as we continue our strategic transition.

We incurred net interest expense before provision for loan losses of $(4,313) for the three months ended September 30, 2002 as compared to net interest expense of $(3,713) for the same period of the prior year, an unfavorable variance of $600 or 16%. This unfavorable variance was due to a decrease in the balance of our average interest-earning assets and a decrease in the net interest spread, offset by a decrease in the balance of our average interest-bearing liabilities. The average balance of our interest-earning assets decreased by $329,598 or 38% during the third quarter of 2002 and reduced interest income by $10,127. The average balance of our interest-bearing liabilities decreased by $403,670 or 32% during the third quarter of 2002 and decreased interest expense by $5,908. The net impact of these volume changes resulted in a $4,219 unfavorable variance. The net interest spread decreased 114 basis points as a result of a 216 basis-point decrease in the weighted average yield on our interest-earning assets, offset by a 102 basis-point decline in the weighted average rate on our interest-bearing liabilities. The net impact of these rate changes resulted in a $3,619 favorable variance.

For the nine months ended September 30, 2002, net interest expense before provision for loan losses amounted to $(13,903) as compared to net interest expense of $(5,286) for the same period of the prior year, an unfavorable variance of $8,617 or 163%. This unfavorable variance was due to a decrease in the balance of our average interest earning assets and a decrease in the net interest spread, offset by a decrease in the balance of our average interest-bearing liabilities. The average balance of our interest-earning assets

decreased by $437,781 or 43% during 2002 and reduced interest income by $31,950. The average balance of our interest-bearing liabilities decreased by $429,000 or 32% during 2002 and decreased interest expense by $20,908. The net impact of these volume changes resulted in an $11,042 unfavorable variance. The net interest spread decreased 117 basis points as a result of a 209 basis-point decrease in the weighted average yield on our interest-earning assets, offset by a 92 basis-point decline in the weighted average rate on our interest-earning liabilities. The net impact of these rate changes resulted in a $2,425 favorable variance.

For the three months ended September 30,	Average Balance 2002	Average Balance 2001	Increase (Decrease) $	Annualized Average Yield 2002	Annualized Average Yield 2001	Increase (Decrease) Basis Points
Interest earning cash and other.....	$ 63,440	$ 3,817	$ 59,623	0.37%	4.30%	(393)
Federal funds sold and repurchase agreements.....	174,642	215,525	(40,883)	1.79%	3.60%	(181)
Trading securities:						
CMOs (AAA-rated).....	69,280	75,064	(5,784)	0.13%	5.93%	(580)
Subordinates, residuals and other....	38,036	87,982	(49,946)	36.64%	15.86%	2,078
Loans, net.....	127,217	388,858	(261,641)	9.67%	9.62%	5
Match funded loans and securities.....	63,335	94,302	(30,967)	7.50%	11.26%	(376)
	$ 535,950	$ 865,548	$ (329,598)	6.43%	8.59%	(216)

For the nine months ended September 30,	Average Balance 2002	Average Balance 2001	Increase (Decrease) $	Annualized Average Yield 2002	Annualized Average Yield 2001	Increase (Decrease) Basis Points
Interest earning cash and other.....	$ 53,348	$ 10,110	$ 43,238	0.55%	8.41%	(786)
Federal funds sold and repurchase agreements.....	154,407	190,660	(36,253)	1.77%	4.22%	(245)
Trading securities:						
CMOs (AAA-rated).....	106,554	116,718	(10,164)	2.71%	6.38%	(367)
Subordinates, residuals and other....	47,550	103,399	(55,849)	27.64%	11.46%	1,618
Loans, net.....	156,471	495,611	(339,140)	9.02%	10.65%	(163)
Match funded loans and securities.....	69,612	109,225	(39,613)	10.05%	9.61%	44
	$ 587,942	$ 1,025,723	$ (437,781)	6.83%	8.92%	(209)

Interest income earned from our investment of available cash in federal funds sold and repurchase agreements declined $1,159 or 60% during the third quarter of 2002 as compared to the same period of 2001 as a result of a 181 basis-point decline in the average yield and a $40,883 or 19% decline in the average balance. For the nine month periods, interest income declined $3,985 or 66% in 2002 as compared to 2001 due to a 245 basis-point decline in the average yield and a $36,253 or 19% decline in the average balance. The decline in the average yields for the 2002 periods is due to a decline in interest rates on overnight funds.

Interest income we earned from our combined securities portfolio declined from $4,601 during the three months ended September 30, 2001 to $3,507 in the same period of 2002, a $1,094 or 24% decline. For the nine month periods, interest income from our securities portfolio declined from $14,474 in 2001 to $12,024 in 2002. The decline in interest income during the 2002 periods as compared to 2001 is primarily due to a decline in the average balance of our investment in subordinates and residuals and a decline in the average yield earned on CMOs, offset by an increase in the average yield earned on subordinates and residuals. Our average investment in subordinates and residuals during the third quarter of 2002 declined $49,946 or 57% as compared to the third quarter of 2001. For the nine month periods, the average balance of subordinates and residuals declined $55,849 or 54% during 2002 as compared to 2001. These declines in our average investment are primarily the result of sales of unrated subprime residuals and amortization. The increase in the average yield on subordinate and residual securities for the third quarter and first nine months of 2002 as compared to the same periods of 2001 is largely the result of sales of low-yielding unrated subprime residuals. Because CMOs have less cash flow variability, their average lives and yields to maturity generally are more stable, and therefore, CMOs are priced to yield less than classes of mortgage-related securities such as subordinates and residuals that are less stable. The decline in the average yield on CMOs during the 2002 periods is primarily the result of declining interest rates and increased prepayments of the underlying mortgages which back the bonds. When prepayments occur faster than anticipated, as in the third quarter of 2002, the amortization of premiums is accelerated resulting in a lower yield.

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

Interest income we earned on loans decreased by $6,280 or 67% during the three months ended September 30, 2002 as compared to the same period of the prior year primarily as a result of a $261,641 or a 67% decline in the average balance. For the nine month periods, interest income decreased by $29,014 or 73% during 2002 as compared to the same period of 2001 as a result of a $339,140 or 68% decline in the average balance and a 163 basis point decrease in the average yield. Sales, foreclosures and the absence of acquisitions have resulted in the declines in the average balance of loans during the 2002 periods as compared to 2001. The yield on loans is likely to fluctuate from period to period as a result of the timing of resolutions, particularly the resolution of large multi-family residential and commercial real estate loans, and the mix of the overall portfolio between performing and non-performing loans. Resolution income declined from $2,193 and $8,690 for the three and nine months ended September 30, 2001, respectively, to $605 and $3,295 for the same periods of 2002, respectively. See "Changes in Financial Condition - Loans, Net."

For the three months ended September 30,	Average Balance 2002	Average Balance 2001	Increase (Decrease) $	Annualized Average Rate 2002	Annualized Average Rate 2001	Increase (Decrease) Basis Points
Interest-bearing deposits	$ 450,278	$ 856,501	(406,223)	5.32%	6.44%	(112)
Securities sold under agreements to repurchase	6,589	29,932	(23,343)	1.94%	3.26%	(135)
Bonds-match funded agreements	144,768	77,142	67,626	3.99%	7.21%	(322)
Obligations outstanding under lines of credit	83,865	112,661	(28,796)	3.97%	6.64%	(267)
Notes, debentures and other	156,196	169,130	(12,934)	11.84%	11.85%	(1)
	$ 841,696	$ 1,245,366	$ (403,670)	6.14%	7.16%	(102)

For the nine months ended September 30,	Average Balance 2002	Average Balance 2001	Increase (Decrease) $	Annualized Average Rate 2002	Annualized Average Rate 2001	Increase (Decrease) Basis Points
Interest-bearing deposits	$ 509,506	$ 1,002,765	$ (493,259)	5.68%	6.40%	(72)
Securities sold under agreements to repurchase	16,476	9,977	6,499	1.86%	3.29%	(143)
Bonds-match funded agreements	148,785	91,005	57,780	4.63%	8.94%	(431)
Obligations outstanding under lines of credit	89,436	76,959	12,477	4.45%	7.50%	(305)
Notes, debentures and other	157,985	170,482	(12,497)	11.79%	11.79%	0
	$ 922,188	$ 1,351,188	$ (429,000)	6.37%	7.29%	(92)

Interest expense we incurred on our interest-bearing deposits decreased $7,799 or 57% during the three months ended September 30, 2002 as compared to the same period of the prior year due to a $406,223 or 47% decrease in the average balance and a 112 basis-point decline in the average rate. For the nine month periods, interest expense on interest-bearing deposits decreased $26,478 or 55% during the nine months ended September 30, 2002 as compared to the same period of the prior year due to a $493,259 or 49% decrease in the average balance and a 72 basis-point decline in the average rate. The decline in the average balance of deposits during the 2002 periods as compared to 2001 resulted primarily from maturing brokered certificates of deposit. We did not issue any new brokered certificates of deposit during 2002 and, at this time, do not intend to issue any such deposits in the foreseeable future. The decline in average deposits is consistent with the decline in average assets during the 2002 periods as compared to the same periods in 2001 as we continue our transition in business strategy from capital-intensive businesses to fee-based businesses. See "Changes in Financial Condition - Deposits."

Interest expense we incurred on bonds-match funded agreements declined $938 or 15% during the nine months ended September 30, 2002 as compared to the same period of the prior year as a result of a 431 basis-point decline in the average rate, offset in part by a $57,780 or 63% increase in the average balance outstanding. The decline in the average rates during the third quarter and first nine months of 2002 as compared to the same periods of 2001 is largely due to declines in LIBOR. The increase in the average balance during the 2002 periods is due to new match funded debt that resulted from our transfer of certain residential loan servicing-related advances to a third party in December 2001, offset in part by principal repayments. See "Changes in Financial Condition - Bonds - Match Funded Agreements."

Interest expense we incurred on lines of credit declined $1,038 or 55% during the third quarter of 2002 as compared to the third quarter of 2001. This decline was due to a 267 basis-point decline in the average rate and a $28,796 or 26% decline in the average balance outstanding. The decline in the average balance is primarily due to the repayment of lines used to fund (and collateralized by)

investments in real estate and commercial construction loans which were sold. See "Changes in Financial Condition - Obligations Outstanding Under Lines of Credit."

Provisions for Loan Losses. Provisions we record for losses on our loans are charged to operations to maintain an allowance for losses on our loans and match funded loans at a level that we consider adequate based upon an evaluation of known and inherent risks in such portfolios. Our ongoing evaluation is based on an analysis of our loans and match funded loans, historical loss experience, current economic conditions and trends, collateral values and other relevant factors.

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

	Three Months		Nine Months	
For the periods ended September 30,	2002	2001	2002	2001
Loans:				
Single	$ 26	$ (3,770)	$ (2,575)	$ 5,248
family	(166)	72	5,670	(82)
Multi-family	(704)	3,264	7,424	12,634
Commercial	(844)	(434)	10,519	17,800
Match funded loans	(57)	46	(9)	229
	$ (901)	$ (388)	$ 10,510	$ 18,029

The decline in the provision we recorded on loans during the nine months ended September 30, 2002 as compared to the same period in 2001 is primarily due to sales and resolutions of single family and commercial loans, offset in part by an increase in loss reserves provided on multi-family loans (primarily affordable housing construction) and remaining commercial loans. As indicated in the table below, we have increased our allowance as a percentage of loan value at September 30, 2002. The following table sets forth the allowance for loan losses as a percentage of the respective loan balances at the dates indicated:

	Loan Allowance	Balance	Allowance as a % of Loans
September 30, 2002:			
Loans:			
Single family	$ 157	$ 1,467	10.7%
Multi-family(1)	7,623	35,794	21.3%
Commercial(1)	9,859	83,211	11.8%
	17,639	120,472	14.6%
Match funded loans	162	41,174	0.4%
	$ 17,801	$ 161,646	11.0%
December 31, 2001:			
Loans:			
Single family	$ 3,401	$ 41,651	8.2%
Multi-family	2,186	31,239	7.0%
Commercial	4,827	122,817	3.9%
	10,414	195,707	5.3%
Match funded loans	170	53,123	0.3%
	$ 10,584	$ 248,830	4.3%
September 30, 2001:			
Loans:			
Single family	$ 4,073	$ 50,121	8.1%
Multi-family	1,844	36,076	5.1%
Commercial	8,468	221,544	3.8%
	14,385	307,741	4.7%
Match funded loans	211	60,571	0.3%
	$ 14,596	$ 368,312	4.0%

(1) The increase in reserves at September 30, 2002 is primarily in response to adverse changes in current market conditions, declines in estimated permanent loan financing proceeds to be received on affordable housing construction loans, and our analysis of other recent events and underlying collateral values.

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

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

	Three Months		Nine Months	
For the periods ended September 30,	2002	2001	2002	2001
Servicing and other fees	$ 34,024	$ 35,952	$ 105,598	$ 100,809
Gain (loss) on interest earning assets, net	--	(1,851)	(2,773)	(3,260)
Gain on trading and match funded securities, net	944	3,394	3,897	13,133
Loss on real estate owned, net	(337)	(714)	(16,307)	(3,804)
Gain (loss) on other non-interest earning assets, net	508	(414)	(333)	(933)
Net operating gains (losses) on investments in real estate	495	(1,197)	(8,844)	2,068
Amortization of excess of net assets acquired over purchase price	--	4,583	--	13,749
Gain (loss) on repurchase of debt	(35)	--	1,039	3,819
Equity in income (loss) of investment in unconsolidated entities	115	(84)	146	100
Other income	2,312	1,988	9,669	6,471
	$ 38,026	$ 41,657	$ 92,092	$ 132,152

Servicing and Other Fees. Our servicing and other fees are primarily comprised of fees we earned from investors for servicing mortgage loans (primarily residential) on their behalf. The increase in loan servicing fees is largely due to the growth in residential loans we service for others. The average unpaid principal balance of all loans we serviced amounted to $29,503,115 and $19,411,350 during the three months ended September 30, 2002 and 2001, respectively, and $26,761,093 and $14,991,626 during the nine months ended September 30, 2002 and 2001, respectively. The following table sets forth the principal components of our servicing and other fees for the periods indicated:

	Three Months		Nine Months	
For the periods ended September 30,	2002	2001	2002	2001
Loan servicing and related fees:				
Loan servicing fees	$ 37,207	$ 29,439	$ 105,469	$ 79,183
Late charges	7,266	6,216	21,300	15,023
Interest on custodial accounts (1)	2,109	2,957	5,845	6,729
Special servicing fees (2)	806	2,053	3,079	6,578
Servicer expenses (3)	(7,213)	(5,009)	(18,971)	(10,446)
Amortization of servicing rights (4)	(15,283)	(8,029)	(39,476)	(19,790)
Other, net	2,339	2,967	6,854	8,255
	27,231	30,594	84,100	85,532
Other fees:				
Property valuation fees (ORA)	3,242	3,254	10,984	8,362
Default servicing fees	1,052	619	3,464	2,794
Retail banking fees	1,093	730	3,181	1,717
Other	1,406	755	3,869	2,404
	$ 34,024	$ 35,952	$ 105,598	$ 100,809

(1) Interest we earned on custodial accounts during the holding period between collection of borrower payments and remittance to investors.

(2) Fees we earned under special servicing arrangements wherein we act as a special servicer for third parties, typically as part of a securitization. Under these arrangements, we service loans that become greater than 90 days past due and receive base special servicing fees plus incentive fees to the extent we achieve certain loss mitigation parameters.

(3) Servicer expenses are largely comprised of expense resulting from the difference between a full month of interest and the interest collected on loans that are repaid before the end of a calendar month.

(4) The increase in amortization expense during the 2002 periods reflects an increase in our purchases of rights to service loans for others. See "Changes in Financial Condition - Mortgage Servicing Rights."

The following table sets forth loans we serviced at the dates indicated:

	Subprime Loans (1)		Other Loans		Total	
	Amount	No. of Loans	Amount	No. of Loans	Amount	No. of Loans
September 30, 2002:						
Performing:						
Residential servicing	$ 26,169,141	286,225	$ 977,864	17,016	$ 27,147,005	303,241
Commercial servicing	--	--	846,252	442	846,252	442
	$ 26,169,141	286,225	$ 1,824,116	17,458	$ 27,993,257	303,683
Non-performing:						
Residential servicing	$ 2,415,615	30,701	$ 269,413	4,407	$ 2,685,028	35,108
Commercial servicing	--	--	517,025	238	517,025	238
	$ 2,415,615	30,701	$ 786,438	4,645	$ 3,202,053	35,346
Total loans serviced for others:						
Residential servicing	$ 28,584,756	316,926	$ 1,247,277	21,423	$ 29,832,033	338,349
Commercial servicing	--	--	1,363,277	680	1,363,277	680
	$ 28,584,756	316,926	$ 2,610,554	22,103	$ 31,195,310	339,029
December 31, 2001:						
Performing:						
Residential servicing	$ 18,068,542	242,664	$ 926,667	18,335	$ 18,995,209	260,999
Commercial servicing	--	--	1,055,317	1,701	1,055,317	1,701
	$ 18,068,542	242,664	$ 1,981,984	20,036	$ 20,050,526	262,700
Non-performing:						
Residential servicing	$ 2,638,235	35,585	$ 318,652	5,068	$ 2,956,887	40,653
Commercial servicing	--	--	156,599	200	156,599	200
	$ 2,638,235	35,585	$ 475,251	5,268	$ 3,113,486	40,853
Total loans serviced for others:						
Residential servicing	$ 20,706,777	278,249	$ 1,245,319	23,403	$ 21,952,096	301,652
Commercial servicing	--	--	1,211,916	1,901	1,211,916	1,901
	$ 20,706,777	278,249	$ 2,457,235	25,304	$ 23,164,012	303,553

(1) Subprime loans represent loans we service that were made by others to borrowers who did not qualify under guidelines of the FNMA and FHLMC ("nonconforming loans").

Loss on Interest Earning Assets, Net. For the three months ended September 30, 2001, the net loss resulted primarily from losses of $(2,299) on sales of residential discount and subprime loans offset in part by gains of $146 earned on sales of commercial loans. For the nine months ended September 30, 2002, the net loss we incurred on interest-earning assets is primarily comprised of $(2,822) of losses on the sale of residential discount and subprime loans and $(541) of losses from sales of commercial loans. Net loss on interest-earning assets for the nine months ended September 30, 2001 resulted primarily from losses of $(2,485) incurred on sales of commercial loans and losses of $(836) from the sale of residential discount and subprime loans.

Gain on Trading and Match Funded Securities, Net. The gain on trading and match funded securities, net, includes both unrealized gains and losses on securities and realized gains and losses resulting from sales thereof. Changes in fair value are reported in income in the period of change.

For the periods ended September 30,	Three Months 2002	Three Months 2001	Nine Months 2002	Nine Months 2001
Unrealized gain (loss):				
Trading securities	$ 855	$ 1,470	$ (336)	$ 4,203
Match funded securities	77	274	350	1,871
	932	1,744	14	6,074
Realized gain (loss):				
Trading securities	12	1,650	3,883	7,059
Match funded securities	--	--	--	--
	12	1,650	3,883	7,059
	$ 944	$ 3,394	$ 3,897	$13,133

Loss on Real Estate Owned, Net. The following table sets forth the results of our real estate owned (which does not include investments in real estate that are discussed below), during the periods indicated:

For the periods ended September 30,	Three Months 2002	Three Months 2001	Nine Months 2002	Nine Months 2001
Gains on sales	$ 272	$ 3,109	$ 2,835	$12,632
Provision for losses in fair value	(783)	(2,438)	(19,859)	(12,141)
Rental income (carrying costs), net	174	(1,385)	717	(4,295)
Loss on real estate owned, net	$ (337)	$ (714)	$(16,307)	$(3,804)

These results reflect a significant decline in the number of properties owned, as well as an increase in reserves on those properties held by us for more than one year. See "Changes in Financial Condition - Real Estate Owned" for additional information regarding real estate owned and related reserves for losses in fair value.

Net Operating Gains (Losses) on Investments in Real Estate. The following table sets forth the results of our investment in real estate operations during the periods indicated:

For the periods ended September 30,	Three Months 2002	Three Months 2001	Nine Months 2002	Nine Months 2001
Operating income, net (1)	$ 534	$ 1,986	$ 2,604	$ 6,255
Equity in earnings (losses) of loans accounted for as investments in real estate (2)	(39)	(139)	3,869	328
Impairment charges (3)	--	(3,044)	(15,317)	(4,515)
	$ 495	$(1,197)	$(8,844)	$ 2,068

(1) Operating income has declined in 2002 principally because, in the second quarter of 2001, we received past-due rent of approximately $1,600 from a tenant of an office building in Jacksonville, Florida, as a result of a settlement agreement with the tenant. The decline in operating income is also the result of sales during 2002 of three assisted living facilities and a shopping center. See "Changes in Financial Condition - Investments in Real Estate and - Real Estate Held for Sale."

(2) The increase in equity in earnings during 2002 related to certain loans accounted for as investments in real estate is primarily due to the repayment of loans during the first quarter of 2002, which generated significant resolution gains.

(3) In 2002, impairment charges principally represent write-downs totaling $14,549 of the carrying value of our remaining properties held for investment. In 2001, the charges represent the write-down of the carrying value of our investment in properties that were sold in 2002. These changes were recorded to reduce the carrying value of these properties to

our estimate of their net realizable values. See "Changes in Financial Condition - Investments in Real Estate and - Real Estate Held for Sale."

Amortization of Excess of Net Assets Acquired over Purchase Price. The amortization of excess of net assets acquired over purchase price resulted from our acquisition of OAC on October 7, 1999. The acquisition resulted in an excess of net assets acquired over purchase price of $60,042, which was amortized on a straight-line basis through 2001. Effective January 1, 2002, upon adoption of SFAS No. 142, we reversed the unamortized balance of $18,333 to income as the effect of a change in accounting principle as required by this statement. See Note 3 to our Interim Consolidated Financial Statements included in Item 1.

Gain (Loss) on Repurchase of Debt. The following table sets forth the components of the net gains resulting from repurchases of our debt securities during the periods indicated:

	Three Months		Nine Months	
For the periods ended September 30,	2002	2001	2002	2001
Capital Securities:				
Face amount repurchased	$ --	$ --	$ 4,910	$18,371
Gain (loss)	$ --	$ --	$ 1,074	$ 3,722
11.875% Notes due October 1, 2003:				
Face amount repurchased	$ 2,825	$ --	$ 3,550	$ 4,200
Gain (loss)	$ (35)	$ --	$ (35)	$ 97
Total Debt Repurchases:				
Face amount repurchased	$ 2,825	$ --	$ 8,460	$22,571
Net gain (loss)	$ (35)	$ --	$ 1,039	$ 3,819

Other Income. The following table sets forth the principal components of other income for the periods indicated:

	Three Months		Nine Months	
For the periods ended September 30,	2002	2001	2002	2001
Unsecured collections (1)	$ 973	$ --	$ 3,463	$ --
Consulting fees (2)	--	375	1,398	1,845
Software revenue (3)	671	496	1,680	1,517
Commissions (4)	480	508	1,732	901
Other	188	609	1,396	2,208
	$ 2,312	$ 1,988	$ 9,669	$ 6,471

(1) Collections of unsecured receivables were accounted for under the cost recovery method until they had been reduced to zero as of December 31, 2001 through collections and reserves. Collections in 2002 are reported as Other Income.

(2) Consulting fees earned as advisor to Jamaica's Financial Sector Adjustment Company in the resolution or liquidation of non-performing loans and real estate assets.

(3) Software revenues earned by OTX from unaffiliated customers. These amounts exclude revenues earned from other consolidated affiliates of $1,101 and $3,111 for the three and nine months ended September 30, 2002, respectively, which have been eliminated in consolidation. See Note 8 to the Interim Consolidated Financial Statements included in Item 1 herein (which is incorporated herein by reference.

(4) Commissions earned from sales of real estate owned properties.

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

For the periods ended September 30,	Three Months 2002	Three Months 2001	Nine Months 2002	Nine Months 2001
Compensation and employee benefits	$ 19,594	$ 21,531	$ 60,375	$ 63,775
Occupancy and equipment	2,914	3,055	8,959	9,322
Technology and communication costs	6,899	5,675	17,960	21,379
Loan expenses	2,437	4,192	9,808	11,262
Net operating losses on investments in affordable housing properties	225	4,005	22,135	11,823
Amortization of excess of purchase price over net assets acquired	--	778	--	2,334
Professional services and regulatory fees	2,573	3,882	10,341	11,632
Other operating expenses	2,450	1,483	7,040	6,786
	$ 37,092	$ 44,601	$136,618	$138,313

Compensation and Employee Benefits. The following table presents the principal components of compensation and benefits we incurred for the periods indicated:

For the periods ended September 30,	Three Months 2002	Three Months 2001	Nine Months 2002	Nine Months 2001
Salaries (1)	$ 13,227	$ 14,930	$ 41,074	$ 42,862
Bonuses (2)	2,171	2,526	6,753	7,090
Payroll taxes	946	1,050	3,554	3,832
Commissions	780	718	2,802	2,877
Insurance	668	610	2,055	2,127
Severance	1,051	319	1,652	1,232
Contract programmers	68	451	457	1,195
Relocation	218	412	466	904
Other	465	515	1,562	1,656
	$ 19,594	$ 21,531	$ 60,375	$ 63,775

(1) Salaries includes fees paid for the services of temporary employees.

(2) Bonus expense includes compensation related to stock options we granted to employees at an exercise price below fair market value.

Salary expense has declined during 2002 in spite of an increase in the average number of our employees. This is due in large part to our ongoing globalization initiative to reduce labor costs through the migration of certain functions (primarily in support of our residential servicing business and OTX) to our offices in Bangalore and Mumbai, India, which have an adequate supply of highly skilled and less expensive labor. During the third quarter of 2002, we had an average of 1,813 employees, including an average of 621 in our India offices. For the third quarter of 2001, our total number of employees averaged 1,620 and included an average of 193 employees in our India locations. For the nine month periods, our total number of employees averaged 1,757 during 2002 as compared to 1,465 during 2001.

Occupancy and Equipment. Occupancy and equipment costs consist principally of rents, depreciation, mail and delivery expenses and other costs of our office operations.

Technology and Communication Costs. Technology and communication costs consist primarily of depreciation on our computer hardware and software, technology-related consulting fees (primarily OTX), imaging and telephone expenses. Technology costs for the first quarter of 2001 included $4,685 of one-time expense comprised primarily of a $3,185 payment related to the acquisition of Amos, Inc. in 1997. Technology costs for the third quarter of 2002 includes an additional payment of $534 related to this acquisition.

Loan Expenses. Loan expenses are largely comprised of appraisal fees incurred in connection with property valuation services we provided through ORA, but also includes other expenses incurred in connection with loans we own and those we service for others. The decline in loan expenses during 2002 is primarily the result of a decline in loans we own. See "Changes in Financial Condition - Loans, Net."

Net Operating Losses on Investments in Affordable Housing Properties. Net operating losses on our investments in affordable housing properties declined by $3,780 during the third quarter of 2002 as compared to the third quarter of 2001. This decline is primarily the result of charges we recorded in the amount of $3,738 during the three months ended September 30, 2001, which represent expected losses from the sale of properties and reflect revisions to completion cost estimates and modifications to projected sales results. These charges amounted to $17,350 and $11,097 during the nine months ended September 30, 2002 and 2001, respectively. Losses for 2002 also include a $3,944 charge to record a discount on a long-term sale of seven properties during the second quarter. We are accreting this discount to income over the term of the related receivable balance, which extends through 2014. See "Changes in Financial Condition - Affordable Housing Properties."

Professional Services and Regulatory Fees. Professional services and regulatory fees are primarily comprised of non-technology related consulting fees, legal and audit fees and FDIC insurance. The $1,309 decline in professional services and regulatory fees during the third quarter of 2002 as compared to the third quarter of 2001 resulted primarily from a $1,211 decline in consulting fees.

Other Operating Expenses. Other operating expenses primarily include travel costs, check processing costs, marketing costs, amortization of deferred costs and provisions for uncollectible receivables. Other operating expenses for the third quarter of 2002 included $789 of charges to provide for uncollectible receivables, as compared to $201 for the third quarter of 2001.

Distributions on Company Obligated, Mandatorily Redeemable Securities of Subsidiary Trust Holding Solely Junior Subordinated Debentures of the Company. Cash distributions on the Capital Securities are payable semi-annually in arrears on February 1 and August 1 of each year at an annual rate of 10.875%. We recorded $1,529 and $1,663 of distributions to holders of the Capital Securities during the three months ended September 30, 2002 and 2001, respectively, and $4,758 and $5,413 during the nine months ended September 30, 2002 and 2001, respectively. The decline in distributions is the result of repurchases during 2002 and 2001. See Note 4 to the Interim Consolidated Financial Statements included in Item 1 (which is incorporated herein by reference) and "Changes in Financial Condition - Company-Obligated, Mandatorily Redeemable Securities of Subsidiary Trust Holding Solely Junior Subordinated Debentures of the Company."

Income Tax Expense (Benefit). The following table provides details of our income tax expense (benefit) for the periods indicated:

	Three Months		Nine Months	
For the periods ended September 30,	2002	2001	2002	2001
Income tax expense on loss before taxes and effect of change in accounting principle	$ (2,276)	$ (8,154)	$(28,156)	$(18,541)
Provision for valuation allowance on current year's deferred tax asset	2,276	8,154	29,322	18,541
Provision for valuation allowance on prior year's deferred tax asset	--	65,000	--	83,000
Income tax expense	--	65,000	1,166	83,000
Income tax benefit on effect of change in accounting principle	--	--	(1,166)	--
Total income tax expense	$ --	$ 65,000	$ --	$ 83,000

For the three months ended September 30, 2002, our effective tax rate was 0%. Income tax expense includes the effects of tax credits of $599 and $565 during the three months ended September 30, 2002 and 2001, respectively, resulting from our investment in affordable housing properties.

For the nine months ended September 30, 2002, our effective tax rate was 0%. Income tax expense of $1,166 offsets the benefit of $1,166 related to the effect of the change in accounting principle recorded during the first quarter. Income tax expense includes the effects of tax credits of $2,087 and $1,516 during the nine months ended September 30, 2002 and 2001, respectively, resulting from our investment in affordable housing properties.

The provision for deferred tax asset valuation allowance is a non-cash charge increasing the aggregate valuation allowance based on our estimate under the applicable accounting rules of the amount of the deferred tax asset that we are more likely than not to realize.

Changes in Financial Condition

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

	September 30, 2002	December 31, 2001
Mortgage-related securities:		
Collateralized mortgage obligations (AAA-rated) (1)	$ 50,448	$ 161,191
Subordinates and residuals (2) (3):		
Single family residential:		
BB-rated subordinates	607	625
B-rated subordinates	641	799
Unrated subordinates	410	1,008
Unrated subprime residuals	32,358	60,049
	34,016	62,481
Commercial unrated subordinates	2,577	2,577
	$ 36,593	$ 65,058

(1) During the nine months ended September 30, 2002, CMO trading securities declined $110,743. This decline was primarily due to $197,505 of maturities and principal repayments offset in part by purchases of $88,938.

(2) During the nine months ended September 30, 2002, subordinate and residual trading securities declined by $28,465. This decline was primarily due to $29,253 of sales.

(3) Subordinate and residual securities at September 30, 2002 and December 31, 2001 included retained interests with a fair value of $1,537 and $25,274, respectively, from securitizations of loans that we completed in prior years.

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

The following table presents information regarding our subordinate and residual trading securities summarized by classification and rating at September 30, 2002:

Rating/Description (1)	Fair Value	Percent Owned	Original Anticipated Yield to Maturity (2)	Anticipated Yield to Maturity at 9/30/02 (3)	Coupon	Anticipated Weighted Average Remaining Life (4)	Prospective Yield at 9/30/02 (5)
Single-family residential:							
BB-rated subordinates.....	$ 607	100.00%	16.80%	7.21%	6.54%	2.75	70.32%
B-rated subordinates.....	641	100.00	17.46	31.78	6.78	1.84	65.76
Unrated subordinates.....	410	100.00	15.23	19.69	7.08	0.32	133.01
Unrated subprime residuals.	32,358	100.00	19.85	27.93	N/A	4.81	56.12
	34,016						
Commercial:							
Unrated subordinates.....	2,577	25.00	22.15	12.10	N/A	1.35	14.06
	$ 36,593						

N/A - Not Available

(1) Refers to the credit rating designated by the rating agency for each securitization transaction. Classes designated "A" have a superior claim on payment to those rated "B", which are superior to those rated "C." Additionally, multiple letters have a superior claim to designations with fewer letters. Thus, for example, "BBB" is superior to "BB," which in turn is superior to "B." The lower class designations in any securitization will receive interest payments after senior classes and will experience losses before any senior class. The lowest potential class designation is unrated which, if included in a securitization, will always receive interest last and experience losses first.

(2) Represents the effective yield from inception to maturity based on the purchase price and anticipated future cash flows under pricing assumptions.

(3) Represents the effective yield based on the purchase price, actual cash flows received from inception until the respective date, and the then current estimate of future cash flows under the assumptions at the respective date. Changes in the September 30, 2002 anticipated yield to maturity from that originally anticipated are primarily the result of changes in prepayment assumptions and loss assumptions.

(4) Represents the weighted average life based on the September 30, 2002 book value.

(5) Represents the effective yield based on the book value of the investment and the then current estimate of the future cash flows under assumptions at the respective date. Prospective yields are considerably higher than the anticipated yield to maturity because book values have been reduced by impairments recorded on the securities when they were classified as available for sale.

The following table sets forth the principal amount of mortgage loans by the geographic location of the property securing the mortgages that underlie our subordinate and residual trading securities at September 30, 2002:

Description	U.K.	California	New Jersey	New York	Texas	Other (1)	Total
Single family residential.....	$ 94,396	$ 34,613	$ 31,685	$ 28,585	$ 26,002	$ 175,586	$ 390,867
Commercial.....	--	15,565	--	--	--	42,323	57,888
Multi-family.....	--	--	204	--	--	280	484
Total	$ 94,396	$ 50,178	$ 31,889	$ 28,585	$ 26,002	$ 218,189	$ 449,239
Percentage (2).....	21.01%	11.17%	7.10%	6.36%	5.79%	48.57%	100.00%

(1) Consists of properties located in 46 other states, none of which aggregated over $19,132 in any one state.

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

Real Estate Held for Sale. Our real estate held for sale at December 31, 2001 consisted of three assisted living facilities with a carrying value of $13,418. These properties were sold during the first quarter of 2002 for a gain of $677.

Investments in Real Estate. Our investment in real estate consisted of the following at the dates indicated:

	September 30, 2002	December 31, 2001
Properties held for investment:		
Office buildings	$ 27,598	$ 32,132
Retail	9,026	29,637
Building improvements	16,589	17,513
Tenant improvements and lease commissions	2,723	4,537
Furniture and fixtures	30	52
	55,966	83,871
Accumulated depreciation	(4,998)	(5,327)
	50,968	78,544
Nonresidential loans accounted for as investments in real estate	2,147	30,436
Investment in real estate partnerships	6,867	7,916
	$ 59,982	$ 116,896

Properties Held for Investment. Properties held for investment at September 30, 2002 consisted of one office building (approximately 61% leased) located in Jacksonville, Florida and one shopping center (approximately 66% leased) located in Halifax, Nova Scotia. The $27,576 decline in the aggregate net carrying value of our properties held for investment during 2002 was primarily due to the sale of our shopping center in Bradenton, Florida, which had a carrying value of $19,902, and impairment charges of $14,459 to reduce the properties to our estimate of their net realizable value, offset in part by $8,399 of net capitalized improvements.

Loans Accounted for as Investments in Real Estate. We acquired certain acquisition, development and construction loans in January 2000 in which we participate in the expected residual profits of the underlying real estate, and where the borrower has not contributed substantial equity to the project. As such, we have accounted for these loans under the equity method of accounting as though we had an investment in a real estate limited partnership. The decline in the balance during 2002 is primarily due to repayments of loans.

Investments in Real Estate Partnerships. Consists of interests in four limited partnerships operating as real estate ventures, consisting of multi-family type properties. The decline in carrying value during 2002 is primarily the result of a $768 impairment write-down recorded during the second quarter.

Affordable Housing Properties. We invested in multi-family residential projects that have been allocated low-income housing tax credits under Section 42 of the Internal Revenue Code of 1986, as amended, by a state tax credit allocating agency. The carrying values of our investments in affordable housing properties are as follows at the dates indicated:

	September 30, 2002	December 31, 2001
Properties subject to sales agreements (1)	$ 13,230	$ 49,893
Properties not yet sold	19,491	52,176
Total	$ 32,721	$ 102,069

(1) These sales agreements have not yet met all the accounting criteria to qualify for sales treatment.

The decline in the balances during the nine months ended September 30, 2002 was primarily due to sales of projects with a book value of approximately $55,604 and loss provisions of $17,350 ($0 during the third quarter) to reserve for estimated losses from future sales, offset by additional investments in projects under construction of approximately $3,563.

The qualified affordable housing projects underlying our investments in low-income housing tax credit interests are geographically located throughout the United States. At September 30, 2002, our largest single investment was $11,305, which relates to a project located in Escondido, Ca.

Low-income housing tax credit partnerships in which we invest both as a limited and, through a subsidiary, as general partner are presented on a consolidated basis and totaled $29,486 and $73,463 at September 30, 2002 and December 31, 2001, respectively. We recorded a loss from operations after depreciation of $225 and $4,005 for the three months ended September 30, 2002 and 2001, respectively, and $22,135 and $11,823 for the nine months ended September 30, 2002 and 2001, respectively. These losses from operations include provisions to reserve for estimated losses on properties. See "Results of Operations - Non-Interest Expense - Net Operating Losses on Investments in Affordable Housing Properties".

Loans, Net. Loans declined by $82,460 or 45% during the nine months ended September 30, 2002 as sales, resolutions and foreclosures more than offset originations. Originations in 2002 primarily represent loans we made to facilitate sales of our own assets. Otherwise, we have not originated or acquired any new loans since 2000. The following table sets forth the composition of our loans, net, by portfolio type at the dates indicated:

	September 30, 2002	December 31, 2001
Discount loan portfolio	$ 61,673	$ 119,327
Loan portfolio	41,086	64,925
Loans available for sale	74	1,041
	$ 102,833	$ 185,293

Composition of Loans, Net. The following table sets forth the composition of our loans by type of loan at the dates indicated:

	September 30, 2002	December 31, 2001
Single family residential loans	$ 2,025	$ 58,118
Multi-family residential loans	37,264	33,319
Commercial real estate loans:		
Office buildings	52,536	56,713
Hotels	11,668	38,576
Retail properties	27,500	47,492
Other properties	1,038	607
	92,742	143,388
Other loans	200	231
	132,231	235,056
Unaccreted discount and deferred fees:		
Single family residential loans	(558)	(16,467)
Multi-family residential loans	(564)	(650)
Commercial real estate and other loans	(9,731)	(19,318)
	(10,853)	(36,435)
	121,378	198,621
Undisbursed loan funds	(906)	(2,914)
Allowance for loan losses	(17,639)	(10,414)
Loans, net	$ 102,833	$ 185,293

Loans are secured by mortgages on property located throughout the United States. The following table sets forth the five states in which the largest amount of properties securing our loans were located at September 30, 2002:

	Single Family Residential	Multi-Family Residential	Commercial Real Estate and Other	Total
Wisconsin	$ --	$ --	$ 34,122	$ 34,122
New York	206	--	25,518	25,724
Connecticut	75	--	11,705	11,780
New Jersey	--	9,943	--	9,943
Florida	--	--	7,068	7,068
Other (1)	1,186	26,757	4,798	32,741
Total	$ 1,467	$ 36,700	$ 83,211	$121,378

(1) Consists of properties located in 16 other states, none of which aggregated over $5,787 in any one state.

Activity in Loans. The following table sets forth our loan activity during the periods indicated:

	Three Months		Nine Months	
For the periods ended September 30,	2002	2001	2002	2001
Amount:				
Balance at beginning of period	$ 122,009	$ 388,498	$ 185,293	$ 640,052
Originations (1):				
Single-family residential loans	118	--	997	--
Multi-family residential loans	1,146	--	10,647	--
Commercial real estate loans and other	--	305	7,068	14,264
	1,264	305	18,712	14,264
Resolutions and repayments (2)	(19,796)	(21,823)	(41,488)	(90,231)
Loans transferred to real estate owned	(2,864)	(18,543)	(16,079)	(84,095)
Sales	--	(92,777)	(64,002)	(263,614)
Decrease (increase) in undisbursed loan proceeds	246	1,357	2,008	6,300
Decrease in discount and deferred fees	1,083	33,855	25,614	73,536
(Increase) decrease in allowance for loan losses	891	3,299	(7,225)	(2,041)
Balance at end of period	$ 102,833	$ 294,171	$ 102,833	$ 294,171

(1) Multifamily and commercial real estate originations represent loans made to facilitate sales of our own assets and fundings of construction loans we originated in prior years. The total includes a loan of $9,153 that we made to facilitate the sale of three assisted living facilities during the first quarter of 2002. Single-family originations represents repurchases of loans previously sold.

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

The following table sets forth certain information relating to our non-performing loans at the dates indicated:

	September 30, 2002	December 31, 2001
Non-performing loans (1):		
Single family residential loans	$ 1,326	$ 32,430
Multi-family residential loans	23,938	23,637
Commercial real estate and other	26,203	38,240
Total	$ 51,467	$ 94,307
Non-performing loans as a percentage of (1):		
Total loans (2)	42.72%	48.19%
Total assets	3.76%	5.51%
Allowance for loan losses as a percentage of:		
Total loans (2)	14.64%	5.32%
Non-performing loans (1)	34.27%	11.04%

(1) Loans that are contractually past due 90 days or more in accordance with the original terms of the loan agreement.

(2) Total loans are net of unaccreted discount, unamortized deferred fees and undisbursed loan funds.

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

Match Funded Assets. Match funded assets are comprised of the following at the dates indicated:

	September 30, 2002	December 31, 2001
Single family residential loans (1)	$ 41,174	$ 53,123
Allowance for loan losses	(162)	(170)
Match funded loans, net	41,012	52,953
Match funded securities	11,802	19,435
Match funded advances on loans serviced for others:		
Principal and interest	59,977	65,705
Taxes and insurance	27,459	21,900
Other	13,702	14,358
	101,138	101,963
	$ 153,952	$ 174,351

(1) Includes $3,160 and $4,405 of non-performing loans at September 30, 2002 and December 31, 2001, respectively.

Match funded loans were securitized and transferred by OAC to a real estate mortgage investment conduit on November 13, 1998. The transfer did not qualify as a sale for accounting purposes. Accordingly, we recorded the proceeds that we received from the transfer as a liability (bonds-match funded agreements). The $11,941 decline in the balance during the first nine months of 2002 was largely due to repayment of loan principal.

The match funded loans are secured by mortgages on properties located throughout the United States. The following table sets forth the five states in which the largest amount of properties securing our loans were located at September 30, 2002:

Michigan	$ 6,688
Texas	3,542
California	3,432
Massachusetts	2,550
Florida	2,508
Other (1)	22,454
Total	$ 41,174

(1) Consists of properties located in 37 other states, none of which aggregated over $2,175 in any one state.

Match funded securities resulted from our transfer of four unrated residual securities to a trust on December 16, 1999 in exchange for non-recourse notes. The transfer did not qualify as a sale for accounting purposes. Accordingly, we reported the amount of proceeds we received from the transfer as a secured borrowing with pledge of collateral (bonds-match funded agreements). The decline of $7,633 in the balance during the first nine months of 2002 was primarily due to principal repayments.

The following table presents information regarding our match funded securities at September 30, 2002:

	Fair Value	Percent Owned	Original Anticipated Yield to Maturity	Anticipated Yield to Maturity at 6/30/02 (1)	Coupon	Anticipated Weighted Average Remaining Life(2)	Prospective Yield at 6/30/02
Unrated residuals	$ 11,802	100.00%	17.04%	3.18%	N/A	5.75	13.99%

N/A - Not Available

(1) Changes in the September 30, 2002 anticipated yield to maturity from that originally anticipated are primarily the result of changes in prepayment assumptions and, to a lesser extent, loss assumptions.

(2) Equals the weighted average duration based on the September 30, 2002 book value.

The following table sets forth the principal amount of mortgage loans by the geographic location of the property securing the mortgages that underlie our match-funded securities at September 30, 2002:

Description	California	Florida	Illinois	New York	Oregon	Other (1)	Total
Single family residential	$ 30,848	$ 24,922	$ 10,427	$ 9,225	$ 8,458	$ 124,336	$ 208,216
Multi-family	1,087	312	480	598	--	3,265	5,742
Total	$ 31,935	$ 25,234	$ 10,907	$ 9,823	$ 8,458	$ 127,601	$ 213,958
Percentage (2)	14.93%	11.79%	5.10%	4.59%	3.95%	59.64%	100.00%

(1) Consists of properties located in 44 other states, none of which aggregated over $7,948 in any one state.

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

Match funded advances on loans serviced for others resulted from our transfer of certain residential loan servicing related advances to a third party in exchange for cash beginning in 2001. The original and subsequent transfers did not qualify as a sale for accounting purposes. Accordingly, we report the amount of proceeds we received from the transfers as a secured borrowing with pledge of collateral (bonds-match funded agreements.) See "Bonds-Match Funded Agreements."

Allowances for Loan Losses. We maintain an allowance for loan losses for each of our loan and match funded loan portfolios at a level that we consider adequate to provide for inherent losses in each portfolio based upon an ongoing evaluation of known and inherent risks in such portfolios.

The following table sets forth the breakdown of the allowance for loan losses on our loans and match funded loans by loan category and the percentage of allowance and loans in each category to totals in the respective portfolios at the dates indicated:

	September 30, 2002				December 31, 2001			
	Allowance		Loan Balance		Allowance		Loan Balance	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Loans:								
Single family	$ 157	0.9%	$ 1,467	1.2%	$ 3,401	32.7%	$ 41,651	21.3%
Multi-family	7,623	43.2%	35,794	29.7%	2,186	21.0	31,239	16.0
Commercial real estate and other	9,859	55.9%	83,211	69.1%	4,827	46.3	122,817	62.7
	$ 17,639	100.0%	$ 120,472	100.0%	$ 10,414	100.0%	$ 195,707	100.0%
Match funded loans:								
Single family	$ 162	100.0%	$ 41,174	100.0%	$ 170	100.0%	$ 53,123	100.0%

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

The following table sets forth an analysis of activity in the allowance for loan losses relating to our loans and match funded loans during the nine months ended September 30, 2002:

	Balance December 31, 2001	Provision	Charge-offs	Recoveries	Balance September 30, 2002
Loans:					
Single family	$ 3,401	$ (2,575)	$ (948)	$ 279	$ 157
Multi-family	2,186	5,670	(233)	--	7,623
Commercial real estate and other	4,827	7,424	(2,552)	160	9,859
	$ 10,414	$ 10,519	$ (3,733)	$ 439	$ 17,639
Match funded loans:					
Single family	$ 170	$ (9)	$ --	$ 1	$ 162

Real Estate Owned, Net. Real estate owned consists almost entirely of properties acquired by foreclosure or deed-in-lieu thereof on loans in our discount loan portfolio. The carrying value of our real estate owned declined by $45,033 or 41% during the nine months ended September 30, 2002 as sales more than offset foreclosures. The absence of loan acquisitions since 2000 is the principal reason for the decline in foreclosures.

The following table sets forth the composition of our real estate owned at the dates indicated:

	September 30, 2002	December 31, 2001
Single family residential	$ 3,140	$ 16,424
Commercial real estate	62,292	94,041
Total	$ 65,432	$ 110,465

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

The following table sets forth certain geographical information by type of property at September 30, 2002 related to our real estate owned:

	Single Family Residential		Commercial Real Estate		Total	
	Amount	No. of Properties	Amount	No. of Properties	Amount	No. of Properties
Florida	$ --	--	$ 41,569	2	$ 41,569	2
Michigan	259	6	18,612	1	18,871	7
Washington	--	--	1,575	1	1,575	1
Pennsylvania	697	17	--	--	697	17
California	127	1	536	1	663	2
Other (1)	2,057	64	--	--	2,057	64
Total	$ 3,140	88	$ 62,292	5	$ 65,432	93

(1) Consists of properties located in 26 other states, none of which aggregated over $502 in any one state.

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

	Three Months		Nine Months	
For the periods ended September 30,	2002	2001	2002	2001
Amount:				
Balance at beginning of period	$ 84,101	$ 129,042	$ 110,465	$ 146,419
Properties acquired through foreclosure or deed-in-lieu thereof:				
Loans	2,864	18,543	16,079	84,095
Less discount transferred	(901)	(7,271)	(6,755)	(32,283)
Add advances transferred	43	982	254	6,390
	86,107	141,296	120,043	204,621
Capital improvements	493	4,244	2,085	11,490
Sales	(27,181)	(23,696)	(48,038)	(96,608)
Decrease (increase) in valuation allowance	6,013	21	(8,658)	2,362
Balance at end of period	$ 65,432	$ 121,865	$ 65,432	$ 121,865

	Three Months		Nine Months	
For the periods ended September 30,	2002	2001	2002	2001
Number of Properties:				
Balance at beginning of period	132	743	389	1,298
Properties acquired through foreclosure or deed-in-lieu thereof	3	127	22	690
Sales	(41)	(333)	(317)	(1,451)
Balance at end of period	94	537	94	537

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

	September 30, 2002	December 31, 2001
One to two months	$ --	$ 2,251
Three to four months	--	1,655
Five to seven months	--	2,244
Seven to 12 months	758	27,422
Over 12 months (1)	64,674	76,893
	$ 65,432	$ 110,465

(1) Real estate owned that we have held in excess of one year includes 5 commercial properties with a carrying value of $62,292 at September 30, 2002, including a large retail property with a carrying value of $41,003. These properties are being repositioned for sale.

We actively manage our real estate owned. Sales of real estate owned resulted in losses, net of the provision for loss in fair value, of $(511) during the three months ended September 30, 2002 as compared to net gains of $671 during the same period of the prior year. For the nine month periods, net losses from sales were $(17,024) for 2002 as compared to net gains of $491 for 2001. The average period during which we held our real estate owned, which was sold during the three months ended September 30, 2002 and 2001, was 17 and 16 months, respectively. For sales that occurred during the nine months ended September 30, 2002 and 2001, the average holding period was 12 and 8 months, respectively.

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

	Three Months		Nine Months	
For the periods ended September 30,	2002	2001	2002	2001
Balance at beginning of period	$ 33,769	$ 15,801	$ 19,098	$ 18,142
Provisions for losses	782	2,438	19,858	12,141
Charge-offs and sales	(6,795)	(2,459)	(11,200)	(14,503)
Balance at end of period	$ 27,756	$ 15,780	$ 27,756	$ 15,780
Valuation allowance as a percentage of total gross real estate owned (1)	29.78%	11.46%		

(1) At December 31, 2001, the valuation allowance as a percentage of total gross real estate owned was 14.74%. This increase in the ratio reflects an increasing valuation allowance and a declining balance of gross real estate owned. The valuation allowance has not declined proportionately primarily because of the large commercial properties we are repositioning for sale, as discussed above.

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

	September 30, 2002	December 31, 2001
Loan portfolios:		
Taxes and insurance	$ 157	$ 2,214
Other	595	4,135
	752	6,349
Loans serviced for others:		
Principal and interest	79,405	107,319
Taxes and insurance	103,608	99,972
Other	90,002	69,543
	273,015	276,834
	$ 273,767	$ 283,183

Mortgage Servicing Rights. The unamortized balance of our mortgage servicing rights is predominantly residential and increased by $66,650 during the nine months ended September 30, 2002. The following table sets forth the activity in our mortgage servicing rights during the periods indicated:

	Three Months		Nine Months	
For the periods ended September 30,	2002	2001	2002	2001
Balance at beginning of period	$133,677	$ 82,928	$101,107	$ 51,426
Purchases (1)	49,363	15,469	106,360	58,732
Amortization	(15,283)	(8,029)	(39,476)	(19,790)
Other	--	--	(234)	--
Balance at end of period	$167,757	$ 90,368	$167,757	$ 90,368

(1) Purchases during 2002 were residential, and $45,709 were acquired under flow agreements with the third party lenders whereby we have committed to purchase newly originated mortgage servicing rights up to an agreed upon amount.

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

	September 30, 2002		December 31, 2001	
	Amount	% of Total Deposits	Amount	% of Total Deposits
Non-interest bearing checking accounts	$ 5,181	1.1%	$ 5,624	0.9%
NOW and money market checking accounts	16,295	3.6	15,479	2.4
Savings accounts	1,603	0.4	1,287	0.2
	23,079	5.1	22,390	3.5
Certificates of deposit	432,534		636,037	
Unamortized deferred fees	(801)		(1,549)	
Total certificates of deposit (1)	431,733	94.9	634,488	96.5
Total deposits	$ 454,812	100.0%	$ 656,878	100.0%

(1) Certificates of deposit included $248,052 and $484,698 at September 30, 2002 and December 31, 2001, respectively, of deposits originated through national, regional and local investment banking firms that solicit deposits from their customers, all of which are non-cancelable. Certificates of deposit with a face value of $18,194, which carry an interest rate of 6% and mature December 16, 2008, are callable on their semiannual interest payment dates with thirty days notice.

At September 30, 2002 and December 31, 2001, certificates of deposit with outstanding balances of $100 or more amounted to $111,687 and $82,771, respectively. Of the $111,687 of certificates of deposits with balances of $100 or more at September 30, 2002, $18,514 were from political subdivisions in New Jersey and secured or collateralized as required under state law. The remaining time until maturity of certificates of deposit with balances of $100 or more as of September 30, 2002 is as follows:

Matures within three months	$ 40,689
Matures after three through six months	18,692
Matures after six through twelve months	40,314
Matures after twelve months	11,992
	$ 111,687

Escrow Deposits on Loans and Loans Serviced for Others. Escrow deposits on our loans and loans we serviced for others amounted to $106,430 and $73,565 at September 30, 2002 and December 31, 2001, respectively. The balance consisted principally of custodial deposit balances representing collections we received from borrowers for the payment of taxes and insurance premiums on mortgage properties underlying loans we serviced for others. The balance increased during 2002 principally because of an increase in loans we serviced for others. See "Results of Operations - Non-Interest Income - Servicing and Other Fees."

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

Collateral (Interest Rate)	September 30, 2002	December 31, 2001
Single family loans (LIBOR plus 65 basis points) (1)	$ 18,200	$ 24,005
Single family loans (LIBOR plus 70 basis points (1)	16,599	22,140
Unrated residual securities (9.50%) (1)	11,802	18,997
Advances on loans serviced for others (LIBOR plus 160 basis points) (2)	95,419	91,766
	$ 142,020	$ 156,908

(1) The decline in the balance outstanding during the nine months ended September 30, 2002 was due to principal repayments, offset by amortization of discount.

(2) Under the terms of the agreement, we are eligible to sell certain additional advances on loans serviced for others up to a maximum balance of $200,000.

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

Collateral	Balance Outstanding	Amount of Facility	Committed Amount	Maturity Date	Interest Rate(1)
September 30, 2002:					
Advances on loans serviced for others	$ 92,567	$ 100,000	$ 100,000	April 2003	LIBOR + 200 basis points
December 31, 2001:					
Real estate investments and commercial loans	$ 32,463	$ 200,000	$ 115,580	September 2002	LIBOR + 240 basis points
Advances on loans serviced for others	51,841	100,000	51,841	October 2002	LIBOR + 200 basis points
	$ 84,304	$ 300,000	$ 167,421		

(1) 1-month LIBOR was 1.81% and 1.87% at September 30, 2002 and December 31, 2001, respectively.

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

	September 30, 2002	December 31, 2001
2003:		
11.875% Notes due October 1 (1)	$ 83,475	$ 87,025
Loan due September 30 (LIBOR plus 250 basis-points)	4,235	--
2004:		
Loan due May 24 (LIBOR plus 250 basis points)	--	6,235
2005:		
12% Subordinated Debentures due September 15 (2)	67,000	67,000
11.5% Redeemable Notes due July 1 (3)	45	45
	$ 154,755	$ 160,305

(1) On November 26, 2002 OCN will exercise its redemption option and call $40,000 of these notes at a price of 102.969%.

(2) On November 26, 2002 the Bank will exercise its redemption option and call $33,500 of these debentures at a price of 102.667%.

(3) On November 5, 2002 OAC exercised its redemption option and called the remaining balance of these notes at a price of 105.75%.

The $3,550 decline in the balance of the 11.875% Notes during the nine months ended September 30, 2002 is due to repurchases in the open market. See "Results of Operations - Gain (Loss) on Repurchases of Debt." In connection with the sale of three assisted living facilities during the three months ended September 30, 2002, we repaid the loan due May 24, 2004 and entered into a new loan due September 30, 2003. The new loan is secured by the loan for $9,153 that we made to facilitate the sale of the assisted living facilities. See "Changes in Financial Condition - Loans, Net" and "- Real Estate Held for Sale."

Company Obligated, Mandatorily Redeemable Securities of Subsidiary Trust Holding Solely Junior Subordinated Debentures of the Company. The outstanding balance of the 10.875% Capital Securities due August 1, 2027 of $56,249 at September 30, 2002, declined $4,910 from December 31, 2001. During the second quarter of 2002, we repurchased $4,910 of Capital Securities in the open market for a gain of $1,074. See Note 4 to the Interim Consolidated Financial Statements included in Item 1 hereof (which is incorporated herein by reference).

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Minority Interest in Subsidiary. Minority interest of $1,625 at September 30, 2002, represents the investment by others in GSS, which we formed during the third quarter of 2002 to establish, license and operate distressed asset management servicing companies in various countries around the world. The minority interest represents 37% of the investment in these companies as of September 30, 2002.

Stockholders' Equity. Stockholders' equity decreased $58,452 or 15% during the nine months ended September 30, 2002. The decrease was primarily due to the net loss of $(58,697) for the first nine months of 2002. See Consolidated Statements of Changes in Stockholders' Equity of the Interim Consolidated Financial Statements included in Item 1 herein (which is incorporated herein by reference).

Liquidity, Commitments and Off-Balance Sheet Risks

Our primary sources of funds for liquidity are:

- Deposits
- FHLB advances
- Securities sold under agreements to repurchase
- Lines of credit
- Match funded debt
- Maturities and payments received on loans, securities and advances
- Proceeds from sales of assets
- Servicing fees

At September 30, 2002, we were eligible to borrow up to an aggregate of $43,775 from the FHLB of New York (based on the availability of acceptable collateral) but had no such borrowings as of September 30, 2002. At September 30, 2002, we also had contractual relationships with eleven brokerage firms and the FHLB of New York pursuant to which we could obtain funds from securities sales under agreements to repurchase. In addition, under a match funding agreement that we entered into on December 20, 2001, we were eligible to sell advances on loans serviced for others up to a maximum debt balance of $200,000 at any one time. At September 30, 2002, we had $95,419 of bonds-match funded agreements outstanding under this facility, which is expected to mature in December 2003. The sales of advances did not qualify as sales for accounting purposes; therefore, we report them as secured borrowings with pledges of collateral. We will account for additional sales under this facility in the same manner. At September 30, 2002, we also had $257,257 of unrestricted cash and cash equivalents and $27,745 of short duration CMOs that we could use to secure additional borrowings. We had no outstanding FHLB advances or securities sold under agreements to repurchase from the FHLB at September 30, 2002.

We continuously monitor our liquidity position and ongoing funding requirements. Among the risks and challenges associated with our funding activities are the following:

- At this time we do not intend to utilize brokered certificates of deposit, a significant portion of which mature during 2002 and 2003, as a source of funding in the foreseeable future.
- Scheduled maturities of all certificates of deposit for the 12 months ending September 30, 2003, the 12 months ended September 30, 2004 and thereafter amount to $268,359, $94,304 and $69,070, respectively.
- Expiration of existing collateralized line of credit in April 2003.
- Expected maturity of match funded facility in December 2003, as discussed above.
- Maturity of notes and loans in September and October 2003 totaling $47,710.
- Potential extension of resolution and sale timelines for non-core assets in the current weak economic environment.
- Ongoing cash requirements to fund operations of our holding company and OTX.
- Cash requirements to fund our acquisition of additional servicing rights and related advances, as well as the need to fund the unfinanced portion of our existing servicing advances.

We believe that our existing sources of liquidity, including internally generated funds, will be adequate to fund our planned activities for the foreseeable future, although there can be no assurances in this regard. We continue to evaluate other sources of liquidity, such as lines of credit from unaffiliated parties, match funded debt and other secured borrowings. We may also seek to extend the maturity dates on existing obligations, although there can be no assurances in this regard.

Our operating activities provided $220,568 and $96,800 of cash flows during the nine months ended September 30, 2002 and 2001, respectively. Cash flows were provided primarily by proceeds from the sale of trading securities and maturities and principal repayments received thereon. The increase in net cash flows provided by operating activities during the nine months ended September 30, 2002 as compared to the same period of the prior year, was due primarily to the decrease in cash used to fund advances and match funded advances on loans serviced by others offset by the decrease in cash provided by

trading securities.

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Our investing activities provided cash flows totaling $58,535 and $345,479 during the nine months ended September 30, 2002 and 2001, respectively. During these periods, cash flows from investing activities were used primarily to purchase mortgage servicing rights, fund commitments for loans, make capital improvements to real estate and purchase equipment. Cash flows from investing activities were provided primarily by proceeds from sales of and principal payments received on loans and proceeds from sales of real estate. The decrease in net cash provided by investing activities during the nine months ended September 30, 2002 as compared to the same period of the prior year was due primarily to declines in proceeds from the sales of loans and real estate and principal payments on loans.

Our financing activities used cash flows of $(264,076) and $(267,279) during the nine months ended September 30, 2002 and 2001, respectively. Cash flows from financing activities were primarily utilized to repay maturing deposits. The decline in the amount of maturing deposits during 2002 was offset by repayments of securities sold under agreements to repurchase and a decline in proceeds from lines of credit.

The Bank was previously required under applicable federal regulations to maintain specified levels of "liquid" investments in qualifying types of U.S. government, federal agency and other investments having maturities of five years or less (not less than 4% of its average daily balance of net withdrawable deposit accounts and borrowings payable in one year or less). Effective July 18, 2001 the OTS issued a final rule eliminating the 4% liquidity requirement. However, the rule continues to require that savings associations maintain sufficient liquidity to ensure their safe and sound operation.

At September 30, 2002, we had commitments of $906 related to the funding of construction loans. Our management believes that we have adequate resources to fund all such unfunded commitments to the extent required and that substantially all of such unfunded commitments will be funded during 2002. See Note 9 to the Interim Consolidated Financial Statements included in Item 1 herein (which is incorporated herein by reference).

In addition to commitments to extend credit, we are party to various off-balance sheet financial instruments in the normal course of our business in order to manage our interest rate risk and foreign currency exchange rate risk. See Note 5 to the Interim Consolidated Financial Statements included in Item 1 herein (which is incorporated herein by reference) and "Asset and Liability Management" included in Item 3 herein.

Regulatory Capital and Other Requirements

See Note 6 to the Interim Consolidated Financial Statements included in Item 1 herein (which is incorporated by reference).

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

Asset and Liability Management

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

The Committee's methods for evaluating interest rate risk include an analysis of our 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 our interest-earning assets and interest-bearing liabilities at September 30, 2002. 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:

- Adjustable-rate loans, performing discount loans and securities are included in the period in which they are first scheduled to adjust and not in the period in which they mature,

- Fixed-rate mortgage-related securities reflect estimated prepayments, which were estimated based on analyses of broker estimates, the results of a prepayment model that we use and empirical data,

- Non-performing discount loans reflect the estimated timing of resolutions that result in repayment to us,

- NOW and money market checking deposits and savings deposits, which do not have contractual maturities, reflect estimated levels of attrition, which are based on our detailed studies of each such category of deposit and

- Escrow deposits and other non-interest bearing checking accounts, which amounted to $111,611 at September 30, 2002, are excluded.

Our management believes that these assumptions approximate actual experience and considers them reasonable; however, the interest rate sensitivity of our 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, 2002				
	Within Three Months	Four to Twelve Months	More Than One Year to Three Years	Three Years and Over	Total
Rate-Sensitive Assets:					
Interest-earning deposits	$ 43,883	$ --	$ --	$ --	$ 43,883
Federal funds sold and repurchase agreements	220,000	--	--	--	220,000
Trading securities	29,978	25,441	10,869	20,753	87,041
Loans, net (1)	48,963	16,440	37,344	86	102,833
Investment securities, net	4,260	--	--	--	4,260
Match funded loans and securities (1)	5,512	21,328	10,251	15,723	52,814
Total rate-sensitive assets	352,596	63,209	58,464	36,562	510,831
Rate-Sensitive Liabilities:					
NOW and money market checking deposits	14,700	183	392	1,020	16,295
Savings deposits	113	230	454	806	1,603
Certificates of deposit	96,510	171,848	134,175	29,200	431,733
Total interest-bearing deposits	111,323	172,261	135,021	31,026	449,631
Bond-match funded loan agreements	133,327	4,910	3,783	--	142,020
Obligations outstanding under lines of credit	92,567	--	--	--	92,567
Notes, debentures and other	4,235	--	150,520	--	154,755
Total rate-sensitive liabilities	341,452	177,171	289,324	31,026	838,973
Interest rate sensitivity gap excluding financial instruments	11,144	(113,962)	(230,860)	5,536	(328,142)
Financial Instruments:					
Interest rate caps	--	--	1	--	1
Interest rate floors	--	--	722	--	722
Total rate-sensitive financial instruments	--	--	723	--	723
Interest rate sensitivity gap including financial instruments	$ 11,144	$ (113,962)	$ (230,137)	$ 5,536	$ (327,419)
Cumulative interest rate sensitivity gap	$ 11,144	$ (102,818)	$ (332,955)	$ (327,419)	
Cumulative interest rate sensitivity gap as a percentage of total rate-sensitive assets	2.18%	(20.13)%	(65.18)%	(64.10)%	

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

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

The OTS has established specific minimum guidelines for thrift institutions to observe in the area of interest rate risk as described in Thrift Bulletin No. 13a, "Management of Interest Rate Risk, Investment Securities, and Derivative Activities" ("TB 13a"). Under TB 13a, institutions are required to establish and demonstrate quarterly compliance with board-approved limits on interest rate risk that are defined in terms of net portfolio value ("NPV"), which is defined as the net present value of an institution's existing assets, liabilities and off-balance sheet instruments. These limits specify the minimum net portfolio value ratio ("NPV Ratio") allowable under current interest rates and hypothetical interest rate scenarios. An institution's NPV Ratio for a given interest rate scenario is calculated by dividing the NPV that would result in that scenario by the present value of the institution's assets in that same scenario. The hypothetical scenarios are represented by immediate, permanent, parallel movements (shocks) in the term structure of interest rates of plus and minus 100, 200 and 300 basis points from the actual term structure observed at quarter end. The current NPV Ratio for each of the seven rate scenarios and the corresponding limits approved by OCN's Board of Directors, and as applied to OCN, are as follows at September 30, 2002:

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

Rate Shock in basis points	Board Limits (minimum NPV Ratios)	Current NPV Ratios
+300	5.00%	27.13%
+200	6.00%	26.98%
+100	7.00%	26.81%
0	8.00%	26.71%
-100	7.00%	26.70%
-200	6.00%	26.72%
-300	5.00%	26.87%

The Committee also regularly reviews interest rate risk by forecasting the impact of alternative interest rate environments on net interest income and NPV and evaluating such impacts against the maximum potential changes in net interest income and NPV that is authorized by OCN's Board of Directors, and as applied to OCN. The following table quantifies the potential changes in net interest income and net portfolio value should interest rates go up or down (shocked) 300 basis points, assuming the yield curves of the rate shocks will be parallel to each other. The cash flows associated with loans and securities are calculated based on prepayment and default rates that vary by asset. Projected losses, as well as prepayments, are generated based upon the actual experience with the subject pool, as well as similar, more seasoned pools. To the extent available, loan characteristics such as loan-to-value ratio, interest rate, credit history, prepayment penalty terms and product types are used to produce the projected loss and prepayment assumptions that are included in the cash flow projections of the assets. When interest rates are shocked, these projected loss and prepayment assumptions are further adjusted. The base interest rate scenario assumes interest rates at September 30, 2002. Actual results could differ significantly from the OCN results estimated in the following table:

	Estimated Changes in	
Rate Shock in basis points	Net Interest	NPV
+300	4.38%	0.07%
+200	2.92%	(0.01)%
+100	1.46%	(0.13)%
0	--%	--%
-100	(1.46)%	0.53%
-200	(2.92)%	1.12%
-300	(4.38)%	2.13%

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

Interest Rate Risk Management. We have purchased amortizing caps and floors to hedge our interest rate exposure relating to match funded loans and securities. Those caps and floors had an aggregate notional amount of $115,190 and $31,518, respectively, at September 30, 2002, as compared with an aggregate notional amount of $125,933 and $34,100, respectively, at December 31, 2001.

See the "Interest Rate Management" section of Note 5 to the Interim Consolidated Financial Statements included in Item 1 herein (which is incorporated herein by reference) for additional disclosures regarding our interest rate derivative financial instruments.

Foreign Currency Exchange Rate Risk Management. We have entered into foreign currency futures to hedge our investments in foreign subsidiaries that own the shopping center located in Halifax, Nova Scotia and residual interests backed by residential loans originated in the UK.

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

Our hedges, the related investments in foreign subsidiaries, and the net exposures as of September 30, 2002 and December 31, 2001 were as follows:

	Investment	Hedge	Net Exposure
September 30, 2002:			
UK residuals	$ 27,653	$ 26,253	$ 1,400
Nova Scotia Shopping Center	$ 12,398	$ 7,182	$ 5,216
December 31, 2001:			
UK residuals	$ 25,535	$ 24,754	$ 781
Nova Scotia Shopping Center	$ 21,648	$ 21,691	$ (43)

The net exposures are subject to gain or loss if foreign currency exchange rates fluctuate. See the "Foreign Currency Management" section of Note 5 to the Interim Consolidated Financial Statements included in Item 1 herein (which is incorporated herein by reference) for additional disclosures regarding our foreign currency derivative financial instruments.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that material information required to be disclosed in our reports under the Securities Exchange Act of 1934 ("Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to the management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Within 90 days prior to the date of filing of this Quarterly Report on Form 10-Q and pursuant to Exchange Act Rule 13a - 15, we conducted an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Exchange Act Rule 13a-14(c). Based upon the evaluation, the Chief Executive Officer along with the Chief Financial Officer concluded that our disclosure controls and procedures are effective, in all material respects, in timely alerting them to material information required to be included in our Exchange Act reports. Additionally, there have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the date we conducted the evaluation.

Forward-Looking Statements

Certain statements contained herein are not, and certain statements contained in our future filings with the Securities and Exchange Commission (the "Commission"), in our press releases or in the our other public or shareholder communications may not be, based on historical facts and are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements, which are based on various assumptions (some of which are beyond our control), may be identified by reference to a future period(s) or by the use of forward-looking terminology such as "anticipate," "believe," "commitment," "consider," "continue," "could," "estimate," "expect," "foresee," "intend," "in the event of," "may," "plan," "propose," "prospect," "whether," "will," "would," future or conditional verb tenses, similar terms, variations on such terms or negatives of such terms. Although we believe the anticipated results or other expectations reflected in such forward-looking statements are based on reasonable assumptions, it can give no assurance that those results or expectations will be attained. Actual results could differ materially from those indicated in such statements due to risks, uncertainties and changes with respect to a variety of factors, including, but not limited to, international, national, regional or local economic environments (particularly in the market areas where we operate), government fiscal and monetary policies (particularly in the market areas where we operate), prevailing interest or currency exchange rates, effectiveness of interest rate, currency and other hedging strategies, laws and regulations affecting financial institutions, investment companies and real estate (including regulatory fees, capital requirements, access for disabled persons and environmental compliance), uncertainty of foreign laws and potential political issues related to operations outside of the USA, competitive products, pricing and conditions (including from competitors that have significantly greater resources than our Company), credit, prepayment, basis, default, subordination and asset/liability risks, loan servicing effectiveness, ability to identify acquisitions and investment opportunities meeting our investment strategy, the course of negotiations and the ability to reach agreement with respect to the material terms of any particular transaction, satisfactory due diligence results, satisfaction or fulfillment of agreed upon terms and conditions of closing or performance, the timing of transaction closings, software integration, development and licensing, damage to our computer equipment and the information stored our data centers, availability of and costs associated with obtaining adequate and timely sources of liquidity, ability to repay or refinance indebtedness (at maturity or upon acceleration), to meet collateral calls by lenders (upon re-valuation of the underlying assets or otherwise), to generate revenues sufficient to meet debt service payments and other operating expenses, availability of discount loans and servicing rights for purchase, size of, nature of and yields available with respect to the secondary market for mortgage loans, financial, securities and securitization markets in general, adequacy of allowances for loan losses, changes in real estate conditions (including liquidity, valuation, revenues, rental rates, occupancy levels and competing properties), adequacy of insurance coverage in the event of a loss, other factors generally understood to affect the real estate acquisition, mortgage, servicing and leasing markets, securities investments and the software and technology industry, and other risks detailed from time to time in our reports and filings with the Commission, including our periodic reports on Forms 10-Q, 8-K and 10-K and Exhibit 99.1, titled Risk Factors, to our Form 10-K for the year ended December 31, 2001, which filings are available from the SEC. Given these uncertainties, readers are cautioned not to place undue reliance on such statements. We do not undertake, and specifically disclaim any obligation, to release publicly the results of any revisions that may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

Part II - Other Information

Item 1. Legal Proceedings.

See "Note 9: Commitments and Contingencies" of Ocwen Financial Corporation's Interim Consolidated Financial Statements.

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

(a)3 Exhibits.

2.1	Agreement of Merger dated as of July 25, 1999 among Ocwen Financial Corporation, Ocwen Asset Investment Corp. and Ocwen Acquisition Company (1)
3.1	Amended and Restated Articles of Incorporation (2)
3.2	Amended and Restated Bylaws (3)
4.0	Form of Certificate of Common Stock (2)
4.1	Form of Indenture between OCN and Bank One, Columbus, NA as Trustee (2)
4.2	Form of Note due 2003 (Included in Exhibit 4.1) (2)
4.3	Certificate of Trust of Ocwen Capital Trust I (4)
4.4	Amended and Restated Declaration of Trust of Ocwen Capital Trust I (4)
4.5	Form of Capital Security of Ocwen Capital Trust I (Included in Exhibit 4.4) (4)
4.6	Form of Indenture relating to 10.875% Junior Subordinated Debentures due 2027 of OCN (4)
4.7	Form of 10.875% Junior Subordinated Debentures due 2027 of OCN (Included in Exhibit 4.6) (4)
4.8	Form of Guarantee of the OCN relating to the Capital Securities of Ocwen Capital Trust I (4)
4.9	Form of Indenture between Ocwen Federal Bank FSB and The Bank of New York as Trustee (5)
4.10	Form of Subordinated Debentures due 2005 (5)
4.11	Form of Indenture between OAC and Norwest Bank Minnesota, National Association, as Trustee thereunder for the 11.5% Redeemable Notes due 2005 (6)
4.12	Form of 11.5% Redeemable Notes due 2005 (7)
4.13	Form of Third Supplemental Indenture between OAC and Wells Fargo Bank Minnesota, National Association, as successor to Norwest Bank Minnesota, National Association, as trustee thereunder for the 11.5% Redeemable Notes due 2005 (8)
10.1	Ocwen Financial Corporation 1996 Stock Plan for Directors, as amended (9)
10.2	Ocwen Financial Corporation 1998 Annual Incentive Plan (10)
10.3	Amended and Restated Loan Agreement, dated as of September 10, 1998, among, inter alia, OAIC California Partnership, L.P., OAIC California Partnership II, L.P., Salomon Brothers Realty Corp. and LaSalle National Bank (11)
10.4	Compensation and Indemnification Agreement, dated as of May 6, 1999, between OAC and the independent committee of the Board of Directors (12)
10.5	Third Amendment to Guarantee of Payment, dated as of July 9, 1999, between Salomon Brothers Realty Corp. and Ocwen Partnership, L.P. (12)
10.6	Indemnity agreement, dated August 24, 1999, among OCN and OAC's Board of Directors (13)
10.7	Amended Ocwen Financial Corporation 1991 Non-Qualified Stock Option Plan, dated October 26, 1999 (13)
10.8	First Amendment to Agreement, dated March 31, 2000, between HCT Investments, Inc. and OAIC Partnership I, L. P. (13)
10.9	Form of Separation Agreement and Full Release, dated as of February 28, 2001, by and among Christine A. Reich, Ocwen Federal Bank FSB and Ocwen Financial Corporation (14)
10.10	Form of Employment Agreement dated as of April 1, 2001, by and between Ocwen Financial Corporation and Arthur D. Ringwald (15)
10.11	Form of Employment Agreement dated as of August 1, 2001 by and between Ocwen Technology Exchange and Jack Timpe (15)
99.1	Risk factors (15)

99.2 Certifications pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)

(1) Incorporated by reference from the similarly described exhibit included with the Registrant's Current Report on Form 8-K filed with the Commission on July 26, 1999.

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

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

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

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

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

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

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

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

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

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

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

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

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

(15) Incorporated by reference from the similarly described exhibit included with the Registrant's Annual Report on Form 10-K for the year ended December 31, 2001.

(b) Reports on Form 8-K Filed during the Quarter Ended September 30, 2002.

(1) A Form 8-K was filed by OCN on August 13, 2002 that contained a news release announcing Ocwen Financial Corporation's financial results for the quarter ended June 30, 2002.

SIGNATURES

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

OCWEN FINANCIAL CORPORATION

By: /s/ Mark S. Zeidman

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

Date: November 14, 2002

CERTIFICATIONS

I, William C. Erbey, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ocwen Financial Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

/s/ William C Erbey

William C. Erbey
Chief Executive Officer

I, Mark S. Zeidman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ocwen Financial Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date:

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

/s/ Mark S. Zeidman

Mark S. Zeidman
Chief Financial Officer