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, 1999

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, 1999: 71,450,515.

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, 1999	December 31, 1998
Assets:		
Cash and amounts due from depository institutions	$ 94,517	$ 120,805
Interest earning deposits	161,991	49,374
Federal funds sold	--	275,000
Securities available for sale, at fair value	545,798	593,347
Loans available for sale, at lower of cost or market	66,829	177,847
Investment in capital stock of Federal Home Loan Bank, at cost	10,825	10,825
Loan portfolio, net	127,026	230,312
Discount loan portfolio, net	974,472	1,026,511
Investments in low-income housing tax credit interests	161,776	144,164
Investment in unconsolidated entities	76,407	86,893
Real estate owned, net	178,349	201,551
Investment in real estate	15,165	36,860
Premises and equipment, net	49,083	33,823
Income taxes receivable	14,213	34,333
Deferred tax asset	98,548	66,975
Excess of purchase price over net assets acquired, net	16,746	12,706
Principal, interest and dividends receivable	9,555	18,993
Escrow advances on loans and loans serviced for others	127,225	88,277
Other assets	72,916	99,483
	$ 2,801,441	$ 3,308,079
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits	$ 1,776,646	$ 2,175,016
Securities sold under agreements to repurchase	109,383	72,051
Obligations outstanding under lines of credit	49,849	179,285
Notes, debentures and other interest bearing obligations	221,956	225,000
Accrued interest payable	36,924	33,706
Accrued expenses, payables and other liabilities	44,203	61,053
Total liabilities	2,238,961	2,746,111
Company-obligated, mandatorily redeemable securities of subsidiary trust holding solely junior subordinated debentures of the Company	125,000	125,000
Minority interest	86	592
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock, $.01 par value; 20,000,000 shares authorized; 0 shares issued and outstanding	--	--
Common stock, $.01 par value; 200,000,000 shares authorized; 60,115,656 and 60,800,357 shares issued and outstanding at September 30, 1999 and December 31, 1998, respectively	608	608
Treasury Stock, 690,800 shares at September 30, 1999	(5,302)	--
Additional paid-in capital	166,276	166,234
Retained earnings	275,730	257,170
Accumulated other comprehensive income, net of taxes:		
Unrealized gain on securities available for sale	966	14,057
Net unrealized foreign currency translation loss	(884)	(1,693)
Total stockholders' equity	437,394	436,376
	$ 2,801,441	$ 3,308,079

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

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLARS IN THOUSANDS)

	Three Months		Nine Months	
	1999	1998	1999	1998
For the periods ended September 30,				
Interest income:				
Federal funds sold and repurchase agreements	$ 958	$ 2,508	$ 6,412	$ 4,944
Securities available for sale	15,350	8,982	48,199	25,654
Loans available for sale	6,233	11,391	25,376	46,185
Loans	3,941	13,771	18,985	31,688
Discount loans	29,035	50,274	84,591	129,352
Investment securities and other	502	1,616	1,537	3,634
	56,019	88,542	185,100	241,457
Interest expense:				
Deposits	24,779	31,146	75,166	87,668
Securities sold under agreements to repurchase	2,120	1,168	5,891	4,869
Obligations outstanding under lines of credit	3,164	8,777	12,219	28,496
Notes, debentures and other interest bearing obligations	6,724	6,767	20,147	20,258
	36,787	47,858	113,423	141,291
Net interest income before provision for loan losses	19,232	40,684	71,677	100,166
Provision for loan losses	826	1,806	5,188	13,734
Net interest income after provision for loan losses	18,406	38,878	66,489	86,432
Non-interest income (loss):				
Servicing fees and other charges	19,584	15,348	56,764	39,044
(Loss) gain on interest earning assets, net	(21,075)	24,170	(6,800)	909
(Loss) gain on real estate owned, net	(1,508)	1,216	1,798	12,763
Other income	65,105	14,209	80,731	29,857
	62,106	54,943	132,493	82,573
Non-interest expense:				
Compensation and employee benefits	29,451	32,474	80,991	83,721
Occupancy and equipment	8,447	9,464	27,816	24,388
Loan expenses	3,992	9,131	10,773	18,826
Net operating loss on investments in real estate and certain low-income housing tax credit interests	958	2,695	4,179	4,988
Amortization of excess of purchase price over net assets acquired	284	2,670	771	3,604
Other operating expenses	8,859	9,082	27,368	20,250
	51,991	65,516	151,898	155,777
Distributions on Company-obligated, mandatorily redeemable securities of subsidiary trust holding solely junior subordinated debentures	(3,400)	(3,400)	(10,196)	(10,196)
Equity in (losses) earnings of investment in unconsolidated entities.	(4,768)	2,915	(9,483)	3,459
Income before income taxes	20,353	27,820	27,405	6,491
Income tax (expense) benefit	(8,199)	(2,922)	(9,595)	2,888
Minority interest in net loss (income) of consolidated subsidiary	369	33	497	(2)
Income before extraordinary gain	12,523	24,931	18,307	9,377
Extraordinary gain on repurchase of subordinated debentures, net of tax	253	--	253	--
Net income	$ 12,776	$ 24,931	$ 18,560	$ 9,377
Income per share:				
Basic:				
Net income before extraordinary gain	$ 0.21	$ 0.41	$ 0.30	$ 0.15
Extraordinary gain	--	--	.01	--
Net income	$ 0.21	$ 0.41	$ 0.31	$ 0.15
Diluted:				
Net income before extraordinary gain	$ 0.21	$ 0.41	$ 0.30	$ 0.15
Extraordinary gain	--	--	0.01	--
Net income	$ 0.21	$ 0.41	$ 0.31	$ 0.15
Weighted average common shares outstanding:				
Basic	60,427,623	60,785,467	60,652,865	60,176,777
Diluted	60,460,314	61,074,499	60,691,416	61,249,163

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

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(DOLLARS IN THOUSANDS)

For the periods ended September 30,	Three Months 1999	Three Months 1998	Nine Months 1999	Nine Months 1998
Net income	$ 12,776	$ 24,931	$ 18,560	$ 9,377
Other comprehensive income, net of tax:				
Unrealized (loss) gain on securities available for sale	(7,308)	(7,368)	(8,805)	16,087
Less: Reclassification adjustment	(1,673)	--	(4,286)	--
Net change in unrealized gains on securities available for sale	(8,981)	(7,368)	(13,091)	16,087
Unrealized foreign currency translation adjustment arising during the period	(117)	(972)	(375)	(2,509)
Less: Reclassification adjustment for losses on foreign currency translation adjustments included in net income	1,184	--	1,184	--
Net change in unrealized foreign currency translation adjustment	1,067	(972)	809	(2,509)
Other comprehensive (loss) income	(7,914)	(8,340)	(12,282)	13,578
Comprehensive income	$ 4,862	$ 16,591	$ 6,278	$ 22,955
Disclosure of reclassification adjustment:				
Unrealized holding losses arising during the period on securities sold.	$ (32,871)		$ (32,621)	
Less: Adjustment for gains included in net income	31,198		28,335	
Net reclassification adjustment for gains recognized in other comprehensive income (loss) in prior years	$ (1,673)		$ (4,286)	

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

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999
(DOLLARS IN THOUSANDS)

	Common Stock		Additional			Accumulated other comprehensive	
	Shares	Amount	Paid-in Capital	Treasury Stock	Retained earnings	income, net of taxes	Total
Balances at December 31, 1998	60,800,357	$ 608	$ 166,234	$ --	$ 257,170	$ 12,364	436,376
Net income	--	--	--	--	18,560	--	18,560
Change in unearned directors' compensation	6,099	--	42	--	--	--	42
Purchase of treasury shares	(690,800)	--	--	(5,302)	--	--	(5,302)
Other comprehensive income, net of taxes:							
Change in unrealized gain on securities available for sale	--	--	--	--	--	(13,091)	(13,091)
Change in unrealized foreign currency translation loss	--	--	--	--	--	809	809
Balances at September 30, 1999	60,115,656	$ 608	$ 166,276	$ (5,302)	$ 275,730	$ 82	$ 437,394

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,	1999	1998
Cash flows from operating activities:		
Net income	$ 18,560	$ 9,377
Adjustments to reconcile net income to net cash provided by operating activities:		
Net cash provided by trading activities	39,264	88,164
Proceeds from sale of loans available for sale	557,865	1,198,872
Purchases of loans available for sale	(54,303)	(374,368)
Origination of loans available for sale	(715,962)	(661,664)
Principal payments received on loans available for sale	24,142	70,463
Premium amortization, net	18,462	70,011
Depreciation and amortization	6,264	13,513
Provision for loan losses	5,188	13,734
Provision for real estate owned	21,334	12,561
Gain on sale of Ocwen UK	(50,431)	--
Loss (gain) on sale of interest-earning assets, net	6,800	(909)
Gain on sale of real estate owned, net	(29,591)	(33,910)
Gain on sale of investment in real estate	(1,798)	--
Gain on sale of low-income housing tax credit interests	(5,542)	(6,867)
Equity in losses (earnings) of unconsolidated entities, net	9,483	(3,459)
Decrease (increase) in principal, interest and dividends receivable	5,389	(1,111)
Decrease (increase) in income taxes receivable	18,741	(37,833)
Increase in deferred tax asset	(24,708)	(4,102)
Increase in escrow advances	(38,948)	(5,392)
Decrease (increase) in other assets, net	(12,059)	(119,477)
(Decrease) increase in accrued expenses, interest payable and other liabilities	13,329	44,517
Net cash (used) provided by operating activities	(188,521)	272,120
Cash flows from investing activities:		
Proceeds from sale of securities available for sale	633	269,828
Purchase of securities available for sale	(549,175)	(864,280)
Maturities of and principal payments received on securities available for sale	413,568	231,554
Proceeds from the sale of Ocwen UK	122,101	--
Investment in low-income housing tax credit interests	(13,720)	(34,397)
Proceeds from sale of low income housing tax credit interests	--	33,828
Proceeds from sale of discount loans	259,371	497,650
Proceeds from sale of loans held for investment	27,306	--
Purchase and origination of loans held for investment, net of undisbursed loan funds	(19,653)	(160,046)
Purchase of discount loans	(437,106)	(730,163)
Increase in investment in unconsolidated entities	--	(74,406)
Decrease in real estate held for investment	21,306	48,701
Principal payments received on loans held for investment	94,577	202,648
Principal payments received on discount loans	130,401	399,065
Proceeds from sale of real estate owned	192,821	224,967
Purchase of real estate owned in connection with discount loan purchases	(37,848)	(14,850)
Acquisition of subsidiaries	(5,196)	(426,096)
Additions to premises and equipment	(20,561)	(27,635)
Net cash provided by (used) in investing activities	178,825	(423,632)

(Continued on next page)

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

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

For the nine months ended September 30,	1999	1998
Cash flows from financing activities:		
(Decrease) increase in deposits	$ (393,851)	$ 93,715
Increase (Decrease) in securities sold under agreements to repurchase	70,554	(47,452)
Repayment of short-term notes	--	(1,658)
Net (repayments) proceeds from issuance of obligations under lines of credit	152,668	215,499
Repayments and repurchase of notes debentures and other, net	(3,044)	--
Issuance of shares of common stock, net	--	7,828
Exercise of common stock options	--	3,305
Repurchase of common stock options	--	(6,334)
Repurchase of common stock (treasury stock)	(5,302)	--
Repurchase of common stock in connection with acquisition of subsidiary	--	(7,772)
Net cash (used) provided by financing activities	(178,975)	257,131
Net (decrease) increase in cash and cash equivalents	(188,671)	105,619
Cash and cash equivalents at beginning of period	445,179	152,244
Cash and cash equivalents at end of period	$ 256,508	$ 257,863
Reconciliation of cash and cash equivalents at end of period:		
Cash and amounts due from depository institutions	$ 94,517	$ 22,374
Interest earning deposits	161,991	22,489
Federal funds sold and repurchase agreements	--	213,000
	$ 256,508	$ 257,863
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 83,024	$ 129,642
Income taxes	$ 575	$ 34,363
Supplemental schedule of non-cash investing and financing activities:		
Real estate owned acquired through foreclosure	$ 120,591	$ 182,574
Exchange of discount loans and loans available for sale for securities	$ 758,032	$ 1,668,364
Acquisition of businesses:		
Fair value of assets acquired	$ 5,304	$ 449,420
Liabilities assumed	(101)	(15,069)
Less stock issued	--	(7,772)
Cash paid	5,203	426,579
Less cash acquired	(7)	(483)
Net cash paid for assets acquired	$ 5,196	$ 426,096
Sale of subsidiary:		
Fair value of assets sold	$ 413,060	
Liabilities sold	(345,327)	
Cash sold	3,936	
Gain on sale	50,431	
	$ 122,101	

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

NOTE 1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in conformity with the instructions to Form 10-Q and Article 10, Rule 10-01 of Regulation S-X for interim financial statements. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles ("GAAP") for complete financial statements. The consolidated financial statements include the accounts of Ocwen Financial Corporation ("OCN" or the "Company") 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"), and Ocwen Technology Xchange, Inc. ("OTX"). OCN also owns 98.7% of Ocwen Financial Services ("OFS"), with the remaining 1.3% owned by shareholders of Admiral Home Loan ("Admiral") and reported in the consolidated financial statements as a minority interest. On September 30, 1999, OCN sold all the shares of its wholly-owned subsidiary, Ocwen UK Limited, formerly known as Ocwen UK plc ("Ocwen UK"). See Note 3 below. 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").

In the opinion of management, the accompanying financial statements contain all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the Company's financial condition at September 30, 1999 and December 31, 1998, the results of its operations for the three and nine months ended September 30, 1999 and 1998, its comprehensive income for the three and nine months ended September 30, 1999 and 1998, its cash flows for the nine months ended September 30, 1999 and 1998, and its changes in stockholders' equity for the nine months ended September 30, 1999. The results of operations and other data for the nine month period ended September 30, 1999 are not necessarily indicative of the results that may be expected for any other interim periods or the entire year ending December 31, 1999. The unaudited consolidated financial statements presented herein should be read in conjunction with the audited consolidated financial statements and related notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1998. Certain reclassifications have been made to the prior period's consolidated financial statements to conform to the September 30, 1999 presentation.

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

NOTE 2. CURRENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative and hedging activities and supercedes and amends a number of existing standards. SFAS No. 133 is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. Initial application of SFAS No. 133 should be as of the beginning of an entity's fiscal quarter; on that date, hedging relationships must be designated anew and documented pursuant to the provisions of SFAS No. 133. Earlier application of SFAS No. 133 is encouraged but is permitted only as of the beginning of any fiscal quarter that begins after issuance of SFAS No. 133. The Company has not yet adopted SFAS No. 133 nor has it determined what the impact on the results of operations, financial position or cash flows would be as a result of implementing SFAS No. 133.

In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of SFAS No. 133 an amendment of SFAS No. 133." SFAS No. 137 defers the effective date of SFAS No. 133 to all fiscal quarters of all fiscal years beginning after June 15, 2000. SFAS No. 137 is effective upon issuance.

SFAS No. 133 requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial condition. The gain or loss recognition is determined on the intended use and resulting designation of the financial instruments as follows:

- Gains or losses on derivative instruments not designated as hedging instruments are recognized in the period of change in fair value.

- Gains or losses on derivative instruments designated as hedging the exposure to changes in the fair value of a recognized asset, liability or firm commitment are recognized in earnings in the period of the fair value change, together with the offsetting fair value loss or gain on the hedged item.

- Gains or losses on derivative instruments designated as hedging exposure to variable cash flows arising from a forecasted transaction are initially reported, to the extent the fair value change is offset by the change in the forecasted cash flows, as a component of other comprehensive income. The portion of the change in fair value in excess of the offsetting change in forecasted cash flows is reported in earnings in the period of the change.

- Gains or losses on derivative instruments designated as foreign currency hedges of net investments in foreign operations are reported in other comprehensive income as part of the foreign currency translation adjustment.

SFAS No. 133 precludes the use of nonderivative financial instruments as hedging instruments, except that nonderivative financial instruments denominated in a foreign currency may be designated as a hedge of the foreign currency exposure of an unrecognized firm commitment denominated in a foreign currency or a net investment in a foreign operation.

Under SFAS No. 133, an entity that elects to apply hedge accounting is required to establish at the inception of the hedge the method it will use for assessing the effectiveness of the hedging derivative and the measurement approach for determining the ineffective aspect of the hedge. Those methods must be consistent with the entity's approach to managing risk.

NOTE 3. ACQUISITIONS AND DISPOSITIONS

On June 2, 1999, OTX acquired substantially all of the assets of Synergy Software, LLC ("Synergy"), a developer of commercial and multi-family mortgage servicing systems, for $10,000 of which $5,000 has been paid and $5,000 is a holdback which will be released over time if certain performance objectives are attained. Synergy is in the final stages of developing its Synergy OPEN(TM) software, a 32-bit, Microsoft(R) Windows-based commercial and multi-family mortgage servicing system that employs multi-tier architecture to allow distributed computing. The acquisition was accounted for as a purchase. The excess of purchase price over net assets acquired related to this transaction amounted to $4,811 and is being amortized on a straight-line basis over a period of 15 years. Synergy is a wholly-owned subsidiary of OTX.

On September 30, 1999, the Company sold all the shares of its wholly-owned subsidiary, Ocwen UK Limited, formerly known as Ocwen UK, to Malvern House Acquisition Limited for the pound sterling equivalent of $122,100 in cash. Ocwen UK was originally formed to acquire substantially all of the assets, and certain of the liabilities, of the United Kingdom operations of Cityscape Financial Corp., and commenced operations on April 24, 1998. As a result of the transaction, the Company recorded a pretax gain on sale of $50,400. See Item 6(b) for information regarding a Form 8-K filed by the Company in connection with this transaction. See also Note 8 below.

On October 7, 1999, the Company acquired Ocwen Asset Investment Corp. (OAC), a publicly-traded real estate investment trust. The terms of the agreement call for OAC shareholders (except for OCN or its subsidiaries) to receive 0.71 shares of OCN stock for each outstanding share of OAC common stock. At September 30, 1999, the Company, through IMI, owned 1,540,000 or 8.12% of the outstanding common stock of OAC and 1,808,733 units or 8.71% of the outstanding partnership units of Ocwen Partnership L.P. ("OPLP"). OPLP is the operating partnership subsidiary of OAC.

NOTE 4. CAPITAL SECURITIES

In August 1997, Ocwen Capital Trust I ("OCT"), a wholly-owned subsidiary of OCN, issued $125,000 of 10 7/8% Capital Securities (the "Capital Securities"). Proceeds from issuance of the Capital Securities were invested in 10 7/8% Junior Subordinated Debentures issued by OCN. The Junior Subordinated Debentures, which represent the sole assets of OCT, will mature on August 1, 2027.

In October 1999, the Company repurchased $13,500 of its Capital Securities at prices below par, resulting in an extraordinary gain of $5,023 before taxes.

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

The Company has the right to defer payment of interest on the Junior Subordinated Debentures at any time or from time to time for a period not exceeding 10 consecutive semi-annual periods with respect to each deferral period, provided that no extension period may extend beyond the stated maturity of the Junior Subordinated Debentures. Upon the termination of any such extension period and the payment of all amounts then due on any interest payment date, the Company may elect to begin a new extension period. Accordingly, there could be multiple extension periods of varying lengths throughout the term of the Junior Subordinated Debentures. If interest payments on the Junior Subordinated Debentures are deferred, distributions on the Capital Securities will also be deferred and the Company may, and may not permit any subsidiary of the Company to, (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, the Company's capital stock or (ii) make any payment of principal, interest or premium, if any, on or repay, repurchase or redeem any debt securities that rank PARI PASSU with or junior to the Junior Subordinated Debentures. During an extension period, interest on the Junior Subordinated Debentures will continue to accrue at the rate of 10 7/8% per annum, compounded semi-annually.

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

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

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE 5. DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments for the purpose of reducing its exposure to adverse fluctuations in interest and foreign currency exchange rates. While these hedging instruments are subject to fluctuations in value, such fluctuations are generally offset by the change in value of the underlying exposures being hedged.

INTEREST RATE MANAGEMENT

In managing its interest rate risk, the Company on occasion enters into swaps. Under swaps, the Company agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional amount. The terms of the swaps provide for the Company to receive a floating rate of interest equal to the London Interbank Offered Rate ("LIBOR") and to pay fixed interest rates. The notional amount of the outstanding swap is amortized monthly based upon estimated prepayment rates. The Company had no interest rate swaps outstanding at September 30, 1999 and December 31, 1998.

The Company also enters into short sales of Eurodollar and U.S. Treasury interest rate futures contracts as part of its overall interest rate risk management activity. Interest rate futures contracts are commitments to either purchase or sell designated financial instruments at a future date for a specified price and may be settled in cash or through delivery. Eurodollar futures contracts have been sold by the Company to hedge the maturity risk of certain short-duration mortgage-related securities. U.S. Treasury futures have been sold by the Company to hedge the risk of a reduction in the market value of fixed-rate mortgage loans and certain fixed-rate mortgage-backed and related securities available for sale in a rising interest rate environment. The Company had no interest rate futures contracts outstanding at September 30, 1999 and December 31, 1998.

The Company also manages its interest rate risk by purchasing European swaptions and put options. A European swaption is an option to enter into an interest rate swap at a future date at a specific rate. A European put option allows the Company to sell a specified quantity of an asset, at a specified price at a specified date. The following table sets for the terms and values of these financial instruments at September 30, 1999. The Company held no such financial instruments at December 31, 1998.

	Notional Amount	Maturity	Strike Rate/Price	Fair Value
European 10-year treasury swaptions	$ 7,500	3/00	6.78%	$ 206
	5,800	5/00	6.72%	196
European 10-year treasury put options, 4.75% due 11/05/08	5,700	11/99	$ 92.91	113
	2,500	11/99	$ 91.25	32
	$ 21,500			$ 547

FOREIGN CURRENCY MANAGEMENT

The Company enters into foreign currency derivatives to hedge its equity investment in Kensington. It is the Company's policy to periodically adjust the amount of foreign currency derivative contracts it has entered into in response to changes in its recorded equity investment in this foreign entity.

The Company has determined that the local currency of its previously owned foreign subsidiary, Ocwen UK, which was sold on September 30, 1999, and its equity investment in Kensington, is the functional currency. In accordance with SFAS No. 52, "Foreign Currency Translation", assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the current rate of exchange existing at the statement of financial condition date and revenues and expenses are translated at average monthly rates.

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

Prior to the sale of Ocwen UK, the Company sold short foreign currency futures contracts ("currency futures") to hedge its foreign currency exposure related to its equity investment in Ocwen UK. Periodically, the Company adjusted the amount of currency futures contracts it had entered into in response to changes in its equity investment in Ocwen U.K. In connection with the sale of Ocwen UK, these currency futures were closed in October.

In addition, during 1998 the Company sold short foreign currency futures contracts to further hedge its foreign currency exposure related to its equity investment in Kensington. Under the terms of the currency futures, the Company had the right to receive $1,547 and pay (pound)938. These currency futures were closed during January 1999. The fair value of the currency futures is based on quoted market prices.

The Company entered into a foreign currency swap agreement ("currency swap") with a AAA-rated counterparty to hedge its equity investment in Kensington. Under the terms of the currency swap, the Company will swap (pound)27,500 for $43,546 in five years based on the exchange rate on the date the contract became effective. The discount on the currency swap, representing the difference between the contracted forward rate and the spot rate at the date of inception, is amortized over the life of the currency swap on a straight-line basis. The value of the currency swap is calculated as the notional amount of the currency swap multiplied by the difference between the spot rate at the date of inception and the spot rate at the financial statement date.

The resulting translation adjustments, the unamortized discount on the currency swap and the values of the hedging financial instruments are reported as translation adjustments and included as a component of accumulated other comprehensive income in stockholders' equity.

The following table sets forth the terms and values of these financial instruments at September 30, 1999, and December 31, 1998.

		Notional Amount				
	Maturity	Pay	Receive	Contract Rate	Unamortized Discount	Fair Value
SEPTEMBER 30, 1999:						
Currency swap......................	2003	(pound) 27,500	$ 43,546	1.5835	$ 1,208	$ (1,730)
British Pound currency futures....	1999	(pound) 69,313	$ 111,642	1.611	n/a	$ 2,454
	1999	(pound) 2,875	4,662	1.6216	n/a	76
		72,188	$ 116,304			$ 2,530
DECEMBER 31, 1998:						
Currency swap......................	2003	(pound) 27,500	$ 43,546	1.5835	$ 1,562	$ 2,096
British Pound currency futures.....	1999	(pound) 938	$ 1,547	1.6500	n/a	$ (6)
	1999	26,563	43,828	1.6500	n/a	(181)
		(pound) 27,501	$ 45,375			$ (187)

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

On January 1, 1999, eleven of the fifteen member countries of the European Union converted to a common currency (the "Euro"). Since such time transactions have been conducted using either the Euro or the countries' existing currencies. Although the United Kingdom is a member of the European Union, it is not one of the participating countries in the Euro conversion, and the Company currently does not have transactions or operations in any of the participating countries. As a result, the Euro conversion had no effect on the Company's financial condition or results of operations.

NOTE 6. REGULATORY REQUIREMENTS

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") and the regulations promulgated thereunder established certain minimum levels of regulatory capital for savings institutions subject to Office of Thrift Supervision ("OTS") supervision. The Bank must follow specific capital guidelines stipulated by the OTS which involve quantitative measures of the Bank's assets, liabilities and certain off-balance sheet items. An institution that fails to comply with its regulatory capital requirements must obtain OTS approval of a capital plan and can be subject to a capital directive and certain restrictions on its operations. At September 30, 1999, the minimum regulatory capital requirements were:

- Tangible and core capital of 1.50 percent and 3.00 percent of total adjusted assets, respectively, consisting principally of stockholders' equity, but excluding most intangible assets, such as goodwill and any net unrealized holding gains or losses on debt securities available for sale.

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

At September 30, 1999, the Bank was "well-capitalized" under the prompt corrective action ("PCA") regulations adopted by the OTS pursuant to the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"). To be categorized as "well-capitalized," the Bank must maintain minimum core capital, Tier 1 risk-based capital and total risk-based capital ratios as set forth in the following table. The Bank's capital amounts and classification are subject to review by federal regulators about components, risk-weightings and other factors.

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

The following table summarizes the Bank's actual and required regulatory capital at September 30, 1999:

	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..	10.58%	$ 244,029					
Net unrealized gain on certain available for sale securities...............................		351					
Non includible subsidiary........................		(4,957)					
Excess mortgage servicing rights.................		(902)					
Acquired real estate.............................		(9,534)					
Tangible capital, and ratio to adjusted total assets...	10.00%	$ 228,987	1.50%	$ 34,361			
Tier 1 (core) capital, and ratio to adjusted total assets..................................	10.00%	$ 228,987	3.00%	$ 68,722	5.00%	$ 114,536	9.00%
Tier 1 capital, and ratio to risk-weighted assets..	12.27%	$ 228,987			6.00%	$ 112,017	
Allowance for loan and lease losses............		23,337					
Subordinated debentures.........................		90,560					
Tier 2 capital..................................		113,897					
Total risk-based capital, and ratio to risk-weighted assets	18.37%	$ 342,884	8.00%	$ 149,356	10.00%	$ 186,695	13.00%
Total regulatory assets.........................		$2,305,764					
Adjusted total assets...........................		$2,290,722					
Risk-weighted assets............................		$1,866,953					

The OTS has promulgated a regulation governing capital distributions. The Bank is considered to be a Tier 1 association under this regulation because it met or exceeded its fully phased-in capital requirements at December 31, 1996. A Tier 1 association that before and after a proposed capital distribution meets or exceeds its fully phased-in capital requirements may make capital distributions during any calendar year equal to the greater of (i) 100% of net income for the calendar year to date plus 50% of its "surplus capital ratio" at the beginning of the year or (ii) 75% of its net income over the most recent four-quarter period. In order to make these capital distributions, the Bank must submit written notice to the OTS 30 days in advance of making the distribution.

The OTS published amendments to its capital distribution regulation effective April 1, 1999. Under the revised regulation, the Bank is required to file either an application or a notice with the OTS at least 30 days prior to making a capital distribution. The OTS may deny the Bank's application or disapprove its notice if the OTS determines that (a) the Bank will be "undercapitalized", "significantly undercapitalized" or "critically under capitalized", as defined in the OTS capital regulations, following the capital distribution, (b) the proposed capital distribution raises safety and soundness concerns or (c) the proposed capital distribution violates a prohibition contained in any statute, regulation, agreement between the Bank and the OTS or a condition imposed on the Bank in an application or notice approved by the OTS.

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

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 as well as the regulatory capital requirements of general applicability (as indicated above). 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 to be maintained by it pursuant to such commitment.

NOTE 7. COMMITMENTS AND CONTINGENCIES

At September 30, 1999, the Company had commitments to fund $4,919 of loans secured by multi-family residential buildings. In addition, the Company through the Bank had commitments under outstanding letters of credit in the amount of $28,205 at September 30, 1999. The Company, through its investment in subordinate securities and subprime residuals, which had a fair value of $109,463 (amortized cost of $107,436) at September 30, 1999, supports senior classes of securities.

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 OCN and OAC. On April 23, 1999, a complaint was filed on behalf of putative classes 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 the acquisition of OAC by the Company. The cases were consolidated, and on September 13, 1999, a consolidated amended complaint was filed. The injunction was denied and on October 14, 1999, the Company was dismissed as a party. Plaintiffs' remaining claims are for damages for alleged breaches of common law fiduciary duties.

NOTE 8. EXTRAORDINARY GAIN

On September 29, 1999, the Company repurchased $7,440 of its 12% Debentures at prices below par, resulting in an extraordinary gain of $389 ($253 net of taxes).

NOTE 9. BUSINESS SEGMENT REPORTING

Operating segments are defined as components of an enterprise that (a) engage 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. An operating segment may engage in business activities for which it has yet to earn revenues. The Company conducts a variety of business activities within the following segments:

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

At or for the three months ended ended September 30, 1999	Net Interest Income	Non-Interest Income	Non-Interest Expense	Net (Loss) Income	Total Assets
Discount loans:					
Single family residential loans	$ 6,664	$ (5,061)	$ 3,749	$ (3,555)	$ 498,972
Commercial real estate loans	7,017	2,663	5,404	(371)	725,415
	13,681	(2,398)	9,153	(3,926)	1,224,387
Domestic mortgage loan servicing	1,219	14,586	11,887	2,124	103,443
Investment in low-income housing tax credits.	(2,600)	5,125	2,337	4,550	221,014
Commercial real estate lending	1,446	(3,005)	72	(1,115)	32,451
UK operations:					
Ocwen UK	6,396	60,532	13,200	35,763	--
Kensington	22	--	(53)	(4,564)	42,024
	6,418	60,532	13,147	31,199	42,024
OTX	2	990	5,159	(4,167)	28,859
Domestic subprime single family residential lending........................	3,264	(15,187)	1,550	(8,453)	148,022
Investment securities	507	(260)	1,352	(1,831)	448,643
Equity investment in OAC	--	--	--	(120)	35,848
Other	(4,705)	1,723	7,334	(5,485)	516,750
	$ 19,232	$ 62,106	$ 51,991	$ 12,776	$ 2,801,441

At or for the nine months ended ended September 30, 1999	Net Interest Income	Non-Interest Income	Non-Interest Expense	Net (Loss) Income	Total Assets
Discount loans:					
Single family residential loans	$ 18,916	$ (9,193)	$ 11,684	$ (7,904)	$ 498,972
Commercial real estate loans	18,805	16,178	16,468	6,417	725,415
	37,721	6,985	28,152	(1,487)	1,224,387
Domestic mortgage loan servicing	3,755	42,066	30,960	8,854	103,443
Investment in low-income housing tax credits.	(8,033)	7,493	8,609	7,570	221,014
Commercial real estate lending	8,642	(1,903)	492	4,734	32,451
UK operations:					
Ocwen UK	21,827	85,157	36,114	46,905	--
Kensington	115	--	405	(6,360)	42,024
	21,942	85,157	36,519	40,545	42,024
OTX	14	1,696	13,136	(11,428)	28,861
Domestic subprime single family residential lending........................	10,545	(16,998)	11,689	(11,430)	148,022
Investment securities	2,958	(1,874)	4,553	(3,676)	448,643
Equity investment in OAC	--	--	--	(3,605)	(35,848)
Other	(5,867)	9,871	17,788	(11,517)	588,444
	$ 71,677	$ 132,493	$ 151,898	$ 18,560	$ 2,801,441

At or for the three months ended ended September 30, 1998	Net Interest Income	Non-Interest Income	Non-Interest Expense	Net (Loss) Income	Total Assets
Discount loans:					
Single family residential loans	$ 3,945	$ 17,631	$ 4,549	$ 7,629	$ 607,562
Commercial real estate loans	23,281	9,878	6,076	14,544	868,102
	27,226	27,509	10,625	22,173	1,475,664
Domestic mortgage loan servicing	2,292	12,003	11,354	1,769	21,273
Investment in low-income housing tax credits.	(2,528)	2,685	4,138	2,135	189,372
Commercial real estate lending	7,465	5,062	525	7,767	79,345
UK operations:					
Ocwen UK	1,632	5,719	15,446	(5,262)	264,174
Kensington	(4)	--	166	2,595	51,262
	1,628	5,719	15,612	(2,667)	315,436
OTX	4	1,093	2,922	(1,826)	19,390
Domestic subprime single family residential lending........................	2,967	6,496	12,253	(2,826)	260,996
Investment securities	(43)	(1,103)	1,848	(2,992)	513,903
Other	1,673	(4,521)	6,239	1,398	515,349
	$ 40,684	$ 54,943	$ 65,516	$ 24,931	$ 3,390,728

At or for the nine months ended ended September 30, 1998	Net Interest Income	Non-Interest Income	Non-Interest Expense	Net (Loss) Income	Total Assets
Discount loans:					
Single family residential loans	$ 16,934	$ 49,275	$ 13,416	$ 26,326	$ 607,562
Commercial real estate loans	49,730	30,494	17,252	31,601	868,102
	66,664	79,769	30,668	57,927	1,475,664
Domestic mortgage loan servicing	4,936	14,486	29,632	4,129	21,273
Investment in low-income housing tax credits.	(6,998)	7,371	8,120	8,529	189,372
Commercial real estate lending	14,706	7,976	2,249	12,836	79,345
UK operations:					
Ocwen UK	6,542	22,944	26,706	1,807	264,174
Kensington	(4)	--	330	2,975	51,262
	6,538	22,944	27,036	4,782	315,436
OTX	4	1,604	7,682	(6,074)	19,390
Domestic subprime single family residential lending........................	10,090	31,484	32,216	(6,378)	260,996
Investment securities	(1,842)	(80,908)	5,451	(57,003)	513,903
Other	6,068	(2,153)	12,723	(9,371)	515,349
	$ 100,166	$ 82,573	$ 155,777	$ 9,377	$ 3,390,728

Other consists primarily of consolidated tax effects not allocated to individual business units, individually insignificant business activities, including the Company's historical loan portfolio of conventional single family residential loans, small commercial loan originations, unsecured collections, and the operations of OCC.

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

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GENERAL

The Company's primary business activities currently consist of its single family residential, multi-family residential and commercial discount loan acquisition and resolution activities, subprime single family residential lending, mortgage loans serviced for others, the development of loan servicing technology and software for the mortgage and real estate industries, and investments in low-income housing tax credit interests.

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

The consistency of the operating results of the Company can be significantly affected by inter-period variations in: (i) the amount of assets acquired, particularly discount loans; (ii) the amount of resolutions of discount loans, particularly large multi-family residential and commercial real estate loans; (iii) the amount of multi-family residential and commercial real estate loans which mature or are prepaid, particularly loans with terms pursuant to which the Company participates in the profits of the underlying real estate; (iv) sales by the Company of loans and securities; and (v) the volume and frequency of the Company's securitization of loans. Additionally, the results for the first quarter of 1998 do not include the operations of Ocwen UK, which was acquired in April 1998 and sold on September 30, 1999.

The Company continuously evaluates opportunities with respect to its business in order to enhance shareholder value. To that end, the Company has, like many other companies in the financial services industry, from time to time considered and explored a variety of potential material transactions and participated in discussions regarding such transactions with third parties, and the Company will likely continue to do so in the future. The Company cannot predict whether or when any such transaction may be consummated or the form that such a transaction may take.

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

RECENT DEVELOPMENTS

During October 1999, the Company repurchased $13.5 million of its 10 7/8% Capital Securities at prices below par value, resulting in an extraordinary gain of $5.0 million before taxes. Also during October 1999, the Company repurchased an additional $3.4 million of its 12% Debentures at prices below par, resulting in an extraordinary gain of $0.2 million before taxes.

On October 7, 1999 Ocwen Acquisition Company ("Acquisition Sub"), a Virginia corporation and an indirect wholly-owned subsidiary of the Company merged with and into OAC, in accordance with the Agreement of Merger (the "Merger Agreement") dated as of July 25, 1999 among OAC, the Company and Acquisition Sub. Under the terms of the Merger Agreement, each outstanding share (other than those held by the Company and its wholly-owned subsidiaries) of common stock, par value $0.01 per share, of OAC was converted into .71 shares of the Company common stock.

During the period from October 12, 1999 to November 9, 1999, the Company repurchased an additional 943,300 shares of its common stock for a total of $6.5 million. As of November 9, 1999, a total of 1.6 million shares have been repurchased on the open market at an average price of $7.20 per share, representing 27% of the 6.0 million shares authorized for repurchase by the Board of Directors.

On October 20, 1999, OAC merged into Small Commercial Properties Corporation I ("SCP"), a Florida corporation and an indirect wholly-owned subsidiary of the Company. Immediately thereafter, SCP changed its name to Ocwen Asset Investment Corp.

On October 22, 1999, the Company announced the opening of its national servicing center in Orlando, Florida. The 125,000 square foot facility will house approximately 900 employees, most of whom will handle the incoming and outgoing customer contact related to mortgage loan servicing.

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

SELECTED CONSOLIDATED FINANCIAL INFORMATION

	September 30, 1999	December 31, 1998	Increase (Decrease)
BALANCE SHEET DATA	(Dollars in thousands)		
Total assets	$ 2,801,441	$ 3,308,079	(15)%
Securities available for sale, at fair value	545,798	593,347	(8)
Loans available for sale, at lower of cost or market	66,829	177,847	(62)
Loan portfolio, net	127,026	230,312	(45)
Discount loan portfolio, net	974,472	1,026,511	(5)
Investment in low-income housing tax credit interests	161,776	144,164	12
Investment in unconsolidated entities	76,407	86,893	(12)
Real estate owned, net	178,349	201,551	(12)
Total liabilities	2,238,961	2,746,111	(18)
Deposits	1,776,646	2,175,016	(18)
Obligations outstanding under lines of credit	49,849	179,285	(72)
Notes, debentures and other interest bearing obligations	221,956	225,000	(1)
Capital Securities	125,000	125,000	--
Stockholders' equity	437,394	436,376	--

	At or For the Three Months Ended September 30, 1999	1998	Increase (Decrease)
OPERATIONS DATA	(Dollars in thousands)		
Net interest income	$ 19,232	$ 40,684	(53)%
Provision for loan losses	(826)	(1,806)	(54)
Non-interest income (loss)	62,106	54,943	13
Non-interest expense	(51,991)	(65,516)	(21)
Equity in (losses) earnings of investment in unconsolidated entities	(4,768)	2,915	(264)
Income tax expense	(8,199)	(2,922)	181
Net income	12,776	24,931	(49)
PER COMMON SHARE			
Net income:			
Basic	$ 0.21	$ 0.41	(49)%
Diluted	0.21	0.41	(49)
Stock price:			
High	$ 8.25	$ 27.50	(70)
Low	6.00	8.75	(31)
Close	6.19	8.75	(29)
Repurchase of common stock (treasury stock) (1)	7.68	--	--
KEY RATIOS			
Annualized return on average assets	1.66%	2.74%	(39)%
Annualized return on average equity	11.93	23.58	(49)
Efficiency ratio (2)	67.90	66.49	2
Core (leverage) capital ratio	10.00	10.11	(1)
Risk-based capital ratio	18.37	18.00	2

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

	At or For the Nine Months Ended September 30,		
	1999	1998	Increase (Decrease)
OPERATIONS DATA	(Dollars in thousands)		
Net interest income	$ 71,677	$ 100,166	(28)%
Provision for loan losses	(5,188)	(13,734)	(62)
Non-interest income	132,493	82,573	60
Non-interest expense	(151,898)	(155,777)	(2)
Equity in (losses) earnings of investment in unconsolidated entities	(9,483)	3,459	(374)
Income tax (expense) benefit	(9,595)	2,888	(432)
Net income	18,560	9,377	98
PER COMMON SHARE			
Net income:			
Basic	$ 0.31	$ 0.15	107%
Diluted	0.31	0.15	107
Stock price:			
High	$ 12.31	$ 30.38	(59)
Low	6.00	8.75	(31)
Close	6.19	8.75	(29)
Repurchase of common stock (treasury stock) (1)	7.68	--	--
KEY RATIOS			
Annualized return on average assets	0.78%	0.34%	129%
Annualized return on average equity	5.71	2.92	96
Efficiency ratio (2)	78.02	83.66	(7)
Core (leverage) capital ratio	10.00	10.11	(1)
Risk-based capital ratio	18.37	18.00	2

(1) The Company repurchased 205,300 and 485,500 shares of its common stock during the second and third quarters of 1999, respectively.

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

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

RESULTS OF OPERATIONS: THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1999 VERSUS THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1998

SEGMENT PROFITABILITY. The following table presents the contribution by business segment to the Company's net income for the periods indicated.

For the periods ended September 30,	Three Months Ended September 30, 1999	1998	Increase (Decrease)	Nine Months Ended September 30, 1999	1998	Increase (Decrease)
			(Dollars in thousands)			
Discount loans:						
Single family residential loans.	$ (3,555)	$ 7,629	$(11,184)	$ (7,904)	$ 26,326	$(34,230)
Commercial real estate loans ...	(371)	14,544	(14,915)	6,417	31,601	(25,184)
	(3,926)	22,173	(26,099)	(1,487)	57,927	(59,414)
Domestic mortgage loan servicing ..	2,124	1,769	355	8,854	4,129	4,725
Low-income housing tax credits	4,550	2,135	2,415	7,570	8,529	(959)
Commercial real estate lending	(1,115)	7,767	(8,882)	4,734	12,836	(8,102)
UK operations:						
Ocwen UK	35,763	(5,262)	41,025	46,905	1,807	45,098
Kensington	(4,564)	2,595	(7,159)	(6,360)	2,975	(9,335)
	31,199	(2,667)	33,866	40,545	4,782	35,763
OTX	(4,167)	(1,826)	(2,341)	(11,428)	(6,074)	(5,354)
Domestic subprime single family residential lending	(8,453)	(2,826)	(5,627)	(11,430)	(6,378)	(5,052)
Investment securities	(1,831)	(2,992)	1,161	(3,676)	(57,003)	53,327
Equity investment in OAC	(120)	--	(120)	(3,605)	--	(3,605)
Other	(5,485)	1,398	(6,883)	(11,517)	(9,371)	(2,146)
Net income	$ 12,776	$ 24,931	$(12,155)	$ 18,560	$ 9,377	$ 9,183

- SINGLE FAMILY RESIDENTIAL DISCOUNT LOANS. Net losses in 1999 included $4.1 million and $27.0 million of pretax impairment charges on residential subordinate securities recorded during the three and nine months ended September 30, 1999, respectively. For the three and nine months ended September 30, 1998, the Company recorded $2.0 million of pretax impairment charges, all of which occurred during the second quarter. There were no securitizations of loans executed by the Company during the third quarter ended September 30, 1999. Securitization gains totaled $19.2 million for the third quarter of 1998. For the nine months ended September 30, 1999 and 1998, securitization gains totaled $22.8 million and $48.1 million, respectively. See "Non-Interest Income."

- COMMERCIAL REAL ESTATE DISCOUNT LOANS. Net income for the three and nine months ended September 30, 1999 included $0.1 million and $4.2 million, respectively, of pretax gains on real estate owned, net, as compared to $5.5 million and $20.3 million for the three and nine months ended September 30, 1998, respectively. Net income for 1999 included $4.2 million of pretax gains on sales of commercial discount loans ($1.6 million during the third quarter) and a $3.8 million gain on the sale of commercial subordinate securities (first quarter) as compared to $8.4 million of pretax gains on the sales of commercial discount loans ($3.6 million during the third quarter).

- DOMESTIC MORTGAGE LOAN SERVICING. The increase in net income from mortgage loan servicing during 1999 reflects an increase in servicing fees as compared to 1998, and was primarily due to an increase in the average unpaid principal balance of loans serviced for others. The unpaid principal balance of loans serviced for others averaged $11.38 billion and $10.63 billion during the three and nine months ended September 30, 1999, respectively, as compared to $9.13 billion and $7.47 billion during the three and nine months ended September 30, 1998, respectively.

- **LOW-INCOME HOUSING TAX CREDITS.** Net income for the nine months ended September 30, 1999 included a $5.5 million gain on the sale of investments in tax credit interests during the third quarter. This compares to gains of $2.3 million and $6.9 million for the three and nine months ended September 30, 1998, respectively.

- **COMMERCIAL REAL ESTATE LENDING.** Net (loss) income for the three and nine months ended September 30, 1999, includes $0.5 million and $6.1 million, respectively, of additional interest received in connection with the repayment of multifamily and nonresidential loans. Such additional interest amounted to $7.1 million and $11.8 million during the three and nine months ended September 30, 1998, respectively.

- **UK OPERATIONS.** Net income for 1999 includes a $50.4 million pretax gain on the sale of Ocwen UK which occurred on September 30, for $122.1 million in cash. See Note 3 to the Interim Consolidated Financial Statements included in Item 1 hereof. Net income for 1999 also included a $10.2 million gain recorded in connection with one securitization of subprime single family loans with an aggregate unpaid principal balance of $295.2 million during the second quarter. For 1998, net income included a $9.1 million gain recorded in connection with one securitization of subprime single family loans with an unpaid principal balance of $363.8 million during the second quarter. There were no securitizations of loans by the Company during the third quarter of 1999 or 1998. See "Non-Interest Income."

- **OTX.** Recently, OTX introduced its RealTrans(SM) software, an update to its e-commerce solution for ordering mortgage and real estate products and services via the Internet. Real Trans(SM) links banks, brokers, appraisers, agents, title insurers, attorneys and other ancillary service providers to facilitate the closing of mortgage and real estate transactions. The losses recorded by OTX reflect the continued investment in the development of this business. Additionally, on June 2, 1999, OTX acquired substantially all of the assets of Synergy Software, LLC ("Synergy"), a developer of commercial and multi-family mortgage servicing systems. Synergy is in the final stages of developing its SynergyOPEN(TM) software, a 32-bit, Microsoft(R) Windows-based commercial and multi-family mortgage servicing system that employs multi-tier architecture to allow distributed computing. See Note 4 to the Interim Consolidated Financial Statements included in Item 1 hereof.

- **DOMESTIC SUBPRIME SINGLE-FAMILY RESIDENTIAL LENDING.** Net losses included pretax impairment on subprime residual securities of $15.1 million and $6.5 million during the third quarter of 1999 and 1998, respectively, and $19.2 million and $10.6 million for the nine months ended September 30, 1999 and 1998, respectively. In the fourth quarter of 1998, the Company closed its domestic retail branch network, wrote down the related assets and goodwill, and centralized its remaining operations in West Palm Beach. In 1999, the Company closed its domestic wholesale branch network, resulting in a 1999 first quarter pre-tax charge of $1.6 million. The Company shutdown the remainder of its subprime single family residential loan origination operations in the third quarter of 1999. There were no securitizations of loans executed by the Company in the third quarter of 1999. In the third quarter of 1998, the Company securitized loans with an aggregate unpaid principal balance of $261.6 million for a gain of $13.3 million. See "Non-Interest Income."

- **INVESTMENT SECURITIES.** The net losses on investment securities during 1998 were primarily due to $86.1 million of pretax impairment losses ($8.5 million during the first quarter; $77.6 million during the second quarter) on the Company's portfolio of AAA-rated agency interest-only securities ("IOs") The Company discontinued this investment activity and sold the IOs during the third quarter of 1998.

NET INTEREST INCOME. The operations of the Company are substantially dependent on its net interest income, which is the difference between the interest income received from its interest-earning assets and the interest expense paid on its interest-bearing liabilities. Net interest income is determined by an institution's net interest spread (i.e., the difference between the yield earned on its interest-earning assets and the rates paid on its interest-bearing liabilities), the relative amount of interest-earning assets and interest-bearing liabilities and the degree of mismatch in the maturity and repricing characteristics of its interest-earning assets and interest-bearing liabilities.

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

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	Three months ended September 30,					
	1999			1998		
	Average Balance	Interest	Annualized Yield/Rate	Average Balance	Interest	Annualized Yield/Rate
	(Dollars in thousands)					
AVERAGE ASSETS:						
Federal funds sold and repurchase agreements...	$ 74,761	$ 958	5.13%	$ 185,765	$ 2,508	5.40%
Securities available for sale (1)..............	652,600	15,350	9.41	597,261	8,982	6.02
Loans available for sale (2)...................	231,216	6,233	10.78	467,449	11,391	9.75
Loan portfolio (2).............................	141,759	3,941	11.12	255,113	13,771	21.59
Discount loan portfolio (2)....................	989,919	29,035	11.73	1,357,124	50,274	14.82
Investment securities and other................	29,309	502	6.85	103,379	1,616	6.25
Total interest-earning assets..................	2,119,564	56,019	10.57	2,966,091	88,542	11.94
Non-interest earning cash......................	159,646			53,347		
Allowance for loan losses......................	(26,466)			(26,844)		
Investments in low-income housing tax credit interests........................	184,989			138,716		
Investment in unconsolidated entities..........	78,280			1,132		
Real estate owned, net.........................	179,585			153,474		
Investment in real estate......................	17,715			22,615		
Other assets...................................	356,728			335,604		
Total assets...............................	$ 3,070,041			$ 3,644,135		
AVERAGE LIABILITIES AND STOCKHOLDERS' EQUITY:						
Interest-bearing demand deposits...............	$ 25,474	286	4.49%	$ 50,912	552	4.34%
Savings deposits...............................	1,593	10	2.51	1,606	9	2.24
Certificates of deposit........................	1,610,378	24,483	6.08	1,887,969	30,585	6.48
Total interest-bearing deposits............	1,637,445	24,779	6.05	1,940,487	31,146	6.42
Securities sold under agreements to repurchase.	139,039	2,120	6.10	74,495	1,168	6.27
Obligations outstanding under lines of credit..	205,136	3,164	6.17	461,735	8,777	7.60
Notes, debentures and other....................	230,590	6,724	11.66	225,397	6,767	12.01
Total interest-bearing liabilities.........	2,212,210	36,787	6.65	2,702,114	47,858	7.08
Non-interest bearing deposits..................	40,693			951		
Escrow deposits................................	205,175			201,221		
Other liabilities..............................	58,553			191,951		
Total liabilities..........................	2,516,631			3,096,237		
Capital securities.............................	125,000			125,000		
Stockholders' equity...........................	428,410			422,898		
Total liabilities and stockholders' equity..	$ 3,070,041			$ 3,644,135		
Net interest income before provision for loan losses................................		$ 19,232			$ 40,684	
Net interest rate spread.......................			3.92%			4.86%
Net interest margin............................			3.63%			5.49%
Ratio of interest-earning assets to interest-bearing liabilities...............	96%			110%		

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	Nine months ended September 30,					
	1999			1998		
	Average Balance	Interest	Annualized Yield/Rate	Average Balance	Interest	Annualized Yield/Rate
	(Dollars in thousands)					
AVERAGE ASSETS:						
Federal funds sold and repurchase agreements...	$ 177,971	$ 6,412	4.80%	$ 130,421	$ 4,944	5.05%
Securities available for sale (1).............	584,458	48,199	11.00	571,862	25,654	5.98
Loans available for sale (2)..................	291,956	25,376	11.59	601,708	46,185	10.23
Loan portfolio (2)............................	174,953	18,985	14.47	273,979	31,688	15.42
Discount loan portfolio (2)...................	972,976	84,591	11.59	1,347,753	129,352	12.80
Investment securities and other...............	35,192	1,537	5.82	82,370	3,634	5.88
Total interest-earning assets.................	2,237,506	185,100	11.03	3,008,093	241,457	10.70
Non-interest earning cash.....................	108,561			31,826		
Allowance for loan losses.....................	(26,589)			(25,632)		
Investments in low-income housing tax credit interests.......................	167,649			128,089		
Investment in unconsolidated entities.........	82,819			1,081		
Real estate owned, net........................	196,840			167,346		
Investment in real estate.....................	33,313			46,521		
Other assets..................................	353,460			271,620		
Total assets..............................	$ 3,153,559			$ 3,628,944		
AVERAGE LIABILITIES AND STOCKHOLDERS' EQUITY:						
Interest-bearing demand deposits..............	$ 44,872	1,178	3.50%	$ 36,901	1,166	4.21%
Savings deposits..............................	1,565	28	2.39	1,695	29	2.28
Certificates of deposit.......................	1,626,920	73,960	6.06	1,840,767	86,473	6.26
Total interest-bearing deposits............	1,673,357	75,166	5.99	1,879,363	87,668	6.22
Securities sold under agreements to repurchase.	120,721	5,891	6.51	116,556	4,869	5.57
Obligations outstanding under lines of credit..	264,607	12,219	6.16	559,214	28,510	6.80
Notes, debentures and other...................	226,679	20,147	11.85	225,790	20,244	11.95
Total interest-bearing liabilities.........	2,285,364	113,423	6.62	2,780,923	141,291	6.77
Non-interest bearing deposits.................	39,550			14,546		
Escrow deposits...............................	198,847			151,749		
Other liabilities.............................	71,235			128,916		
Total liabilities..........................	2,594,996			3,076,134		
Capital securities............................	125,000			125,000		
Stockholders' equity..........................	433,563			427,810		
Total liabilities and stockholders' equity..	$ 3,153,559			$ 3,628,944		
Net interest income before provision for loan losses................................		$ 71,677			$ 100,166	
Net interest rate spread......................			4.41%			3.93%
Net interest margin...........................			4.27%			4.44%
Ratio of interest-earning assets to Interest-bearing liabilities...............	98%			108%		

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

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

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

	Three Months			Nine Months		
	1999 vs. 1998			1999 vs. 1998		
	Increase (decrease) due to			Increase (decrease) due to		
For the periods ended September 30,	Rate	Volume	Total	Rate	Volume	Total
	(Dollars in thousands)					
Interest-earning assets:						
Federal funds sold and repurchase agreements	$ (122)	$ (1,428)	$ (1,550)	$ (112)	$ 1,580	$ 1,468
Securities available for sale	5,470	898	6,368	21,968	577	22,545
Loans available for sale	1,104	(6,262)	(5,158)	2,228	(23,037)	(20,809)
Loan portfolio	(5,130)	(4,700)	(9,830)	(1,854)	(10,849)	(12,703)
Discount loan portfolio	(9,237)	(12,002)	(21,239)	(11,321)	(33,440)	(44,761)
Investment securities and other	142	(1,256)	(1,114)	(36)	(2,061)	(2,097)
Total interest-earning assets	(7,773)	(24,750)	(32,523)	10,873	(67,230)	(56,357)
Interest-bearing liabilities:						
Interest-bearing demand deposits	19	(285)	(266)	(141)	154	13
Savings deposits	1	--	1	1	(2)	(1)
Certificate of deposit	(1,800)	(4,302)	(6,102)	(2,722)	(9,792)	(12,514)
Total interest-bearing deposits	(1,780)	(4,587)	(6,367)	(2,862)	(9,640)	(12,502)
Securities sold under agreements to repurchase	(33)	985	952	843	179	1,022
Obligations outstanding under lines of credit	(1,420)	(4,193)	(5,613)	(2,472)	(13,819)	(16,291)
Notes, debentures and other obligations	(197)	154	(43)	(140)	43	(97)
Total interest-bearing liabilities	(3,430)	(7,641)	(11,071)	(4,631)	(23,237)	(27,868)
((Decrease) increase in net interest income	$ (4,343)	$(17,109)	$(21,452)	$ 15,504	$(43,993)	$(28,489)

The Company's net interest income before provision for loan losses of $19.2 million decreased $21.5 million or 53% during the three months ended September 30, 1999 as compared to the same period in the prior year. The decrease in net interest income reflects a $32.5 million decrease in interest income, offset by an $11.1 million decrease in interest expense, and occurred primarily as a result of decreases in the average balance of interest-earning assets and interest-bearing liabilities. The net interest spread decreased 94 basis points during the three months ended September 30, 1999 as a result of a 137 basis point decrease in the weighted average yield on interest-earning assets offset by a 43 basis point decrease in the weighted average rate on interest-bearing liabilities. The impact of these rate changes resulted in a $4.3 million decrease in net interest income. Average interest-earning assets decreased by $846.5 million or 29% during the three months ended September 30, 1999 and reduced interest income by $24.8 million, while average interest-bearing liabilities decreased $489.9 million or 18% and reduced interest expense by $7.6 million. The net impact of these volume changes resulted in a decrease of $17.1 million to net interest income.

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For the three months ended September 30,	Average Balance 1999	Average Balance 1998	Increase (Decrease) $	Average Yield 1999	Average Yield 1998	Increase (Decrease) Basis Points
			(Dollars in thousands)			
Federal funds sold and repurchase agreements	$ 74,761	$ 185,765	$ (111,004)	5.13%	5.40%	(27)
Securities available for sale	652,600	597,261	55,339	9.41	6.02	339
Loans available for sale(1).........	231,216	467,449	(236,233)	10.78	9.75	103
Loan portfolio	141,759	255,113	(113,354)	11.12	21.59	(1,047)
Discount loan portfolio	989,919	1,357,124	(367,205)	11.73	14.82	(309)
Investment securities and other.....	29,309	103,379	(74,070)	6.85	6.25	60
	$ 2,119,564	$ 2,966,091	$ (846,527)	10.57%	11.94%	(137)

For the nine months ended September 30,	Average Balance 1999	Average Balance 1998	Increase (Decrease) $	Average Yield 1999	Average Yield 1998	Increase (Decrease) Basis Points
			(Dollars in thousands)			
Federal funds sold and repurchase agreements............	$ 177,971	$ 130,421	$ 47,550	4.80%	5.05%	(25)
Securities available for sale.......	584,458	571,862	12,596	11.00	5.98	502
Loans available for sale(2).........	291,956	601,708	(309,752)	11.59	10.23	136
Loan portfolio......................	174,953	273,979	(99,026)	14.47	15.42	(95)
Discount loan portfolio.............	972,976	1,347,753	(374,777)	11.59	12.80	(121)
Investment securities and other.....	35,192	82,370	(47,178)	5.82	5.88	(6)
	$ 2,237,506	$ 3,008,093	$ (770,587)	11.03%	10.70%	33

(1) Includes an average balance of $168.1 million and $129.6 million with an average yield earned of 11.15% and 6.90% for the three months ended September 30, 1999 and 1998, respectively, related to Ocwen UK.

(2) Includes an average balance of $176.6 million and $188.6 million with an average yield earned of 12.28% and 9.50% for the nine months ended September 30, 1999 and 1998, respectively, related to Ocwen UK.

Interest income on securities available for sale increased by $6.4 million or 71% during the third quarter of 1999 as compared to the same period in 1998 primarily as a result of a 339 basis point increase in the weighted average yield earned. For the nine months ended September 30, 1999, interest income on securities available for sale increased $22.5 million or 88%, as compared to the same period 1998, primarily due to a 502 basis point increase in the average yield. As indicated in the table below, the higher yields earned during 1999 reflect a change in the composition of the securities available for sale portfolio.

For the three months ended September 30,	Average Balance 1999	Average Balance 1998	Annualized Yield 1999	Annualized Yield 1998
CMOs (AAA-rated)......................	$ 429,247	$ 330,689	5.73%	4.79%
Subordinates and residuals(1).........	223,331	187,787	16.04	8.34
IOs (AAA-rated agency)................	--	52,184	--	1.17
Other.................................	22	26,601	--	14.40
	$ 652,600	$ 597,261	9.41%	6.02%

	Average Balance		Annualized Yield	
For the nine months ended September 30,	1999	1998	1999	1998
CMOs (AAA-rated)..................	$ 361,089	$ 251,058	5.63%	5.30%
Subordinates and residuals(2)......	223,305	135,836	19.22	13.85
IOs (AAA-rated agency)............	--	151,129	--	(0.87)
Other..............................	64	33,839	--	10.03
	$ 584,458	$ 571,862	11.00%	5.98%

(1) Includes an average balance of $95.1 million and $35.3 million with an average yield earned of 11.15% and 6.90% for the three months ended September 30, 1999 and 1998, respectively, related to Ocwen UK.

(2) Includes an average balance of $81.2 million and $13.7 million with an average yield earned of 12.28% and 9.50% for the nine months ended September 30, 1999 and 1998, respectively, related to Ocwen UK.

Interest income on loans available for sale decreased by $5.2 million or 45% during the third quarter of 1999 as compared to the same period in 1998 as a result of a $236.2 million or 51% decrease in the average balance, offset in part by a 103 basis point increase in the weighted average yield earned. For the nine months ended September 30, 1999, interest income on loans available for sale decreased $20.8 million or 45% due to a $309.8 million or 51% decline in the average balance, offset in part by a 136 basis point increase in the average yield earned. The decline in the average balance reflects securitizations of foreign and domestic subprime loans and a decline in originations due to the closure of the domestic subprime business.

Interest income on the loan portfolio decreased by $9.8 million or 71% for the three months ended September 30, 1999, as a result of a $113.4 million or 44% decrease in the average balance, and a 1,047 basis point decline in the weighted average yield earned. For the nine months ended September 30, 1999, interest income on the loan portfolio decreased $12.7 million or 40% as a result of a $99.0 million or 36% decline in the average balance, and a 95 basis point decline in the average yield earned. The declining yields in 1999 are primarily the result of a decline in additional interest received in connection with the repayment of multifamily and nonresidential loans. Such additional interest amounted to $0.5 million and $7.1 million during the third quarter of 1999 and 1998, respectively, and $6.1 million and $11.8 million during the nine months ended September 30, 1999 and 1998, respectively. The declining average balances on the loan portfolio reflect the continuing repayment of multifamily and nonresidential loans.

Interest income on discount loans decreased by $21.2 million or 42% for the three months ended September 30, 1999, as a result of a $367.2 million or 27% decrease in the average balance and a 309 basis point decrease in the weighted average yield earned. For the nine months ended September 30, 1999, interest income on discount loans decreased $44.8 million or 35% primarily as a result of a $374.8 million or 28% decrease in the average balance and a 121 basis point decline in the average yield. Securitizations, through June 30, 1999, as well as a decline in acquisition volume, have contributed significantly to the decline in the average balance. The yield on the discount loan portfolio is likely to fluctuate from period to period as a result of the timing of resolutions, particularly the resolution of large multi-family residential and commercial real estate loans, and the mix of the overall portfolio between performing and nonperforming loans.

The 1998 average yields on the IOs and residuals were adversely affected by declining interest rates and the resulting increase in prepayment speeds. During the second quarter of 1998, OCN discontinued its IO investment activity and sold its entire portfolio of IOs in July 1998.

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For the three months ended September 30,	Average Balance 1999	Average Balance 1998	Increase (Decrease) $	Average Yield 1999	Average Yield 1998	Increase (Decrease) Basis Points
	(Dollars in thousands)					
Deposits	$ 1,637,445	$ 1,940,487	$ (303,042)	6.05%	6.42%	(37)
Securities sold under agreements to repurchase	139,039	74,495	64,544	6.10	6.27	(17)
Obligations outstanding under lines of credit (1).............	205,136	461,735	(256,599)	6.17	7.60	(143)
Notes, debentures and other	230,590	225,397	5,193	11.66	12.01	(35)
	$ 2,212,210	$ 2,702,114	$ (489,904)	6.65	7.08	(43)

For the nine months ended September 30,	Average Balance 1999	Average Balance 1998	Increase (Decrease) $	Average Yield 1999	Average Yield 1998	Increase (Decrease) Basis Points
	(Dollars in thousands)					
Deposits	$ 1,673,357	$ 1,879,363	$ (206,006)	5.99%	6.22%	(23)
Securities sold under agreements to repurchase	120,721	116,556	4,165	6.51	5.57	94
Obligations outstanding under lines of credit (2)........	264,607	559,214	(294,607)	6.16	6.80	(64)
Notes, debentures and other	226,679	225,790	889	11.85	11.95	(10)
	$ 2,285,364	$ 2,780,923	$ (495,559)	6.62	6.77	(15)

(1) Includes an average balance of $166.8 million and $116.1 million with an average yield earned of 5.83% and 10.30% for the three months ended September 30, 1999 and 1998, respectively, related to Ocwen UK.

(2) Includes an average balance of $174.4 million and $168.5 million with an average yield earned of 6.16% and 7.40% for the nine months ended September 30, 1999 and 1998, respectively, related to Ocwen UK.

Interest expense on deposits decreased $6.4 million or 20% during the three months ended September 30, 1999 primarily due to a $277.6 million or 15% decrease in the average balance of certificates of deposit. For the nine months ended September 30, 1999, interest expense on deposits decreased $12.5 million or 14%, also primarily due to a decline in the average balance of certificates of deposit.

Interest expense on obligations outstanding under lines of credit decreased $5.6 million or 64% during the third quarter of 1999 due to a $256.6 million or 56% decline in the average balance and a 143 basis point decline in the average rate. For the nine months ended September 30, 1999, interest expense on obligations outstanding under lines of credit decreased $16.3 million or 57% due to a $294.6 million or 53% decline in the average balance and a 64 basis point decline in the average rate. Lines of credit have been used primarily to fund the acquisition and origination of subprime single family loans at OFS and Ocwen UK. The decline in the average balance of lines of credit during 1999 is consistent with the decline in the average balance of loans available for sale during the same period. The declines in the average rates are primarily due to declines in the UK LIBOR. For additional information regarding lines of credit, see "Changes in Financial Condition - Obligations Outstanding Under Lines of Credit" and "Liquidity, Commitments and Off-Balance Sheet Risks."

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

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

For the periods ended September 30,	Three Months 1999	Three Months 1998	Nine Months 1999	Nine Months 1998
	(Dollars in thousands)			
Discount loans.................	$ 1,209	$ 2,119	$ 4,618	$ 13,603
Loan portfolio.................	(383)	(313)	570	131
Total........................	$ 826	$ 1,806	$ 5,188	$ 13,734

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The decline in provisions for discount loan losses during 1999 as compared to 1998, is primarily due to a decline in the discount loan balance. Despite a decline in the loan portfolio balance, the provision for loan portfolio losses increased during 1999 primarily as a result of an increase in nonperforming loans. The following table sets forth the allowance for loan losses as a percentage of the respective gross loan balances at the dates indicated.

	September 30, 1999			September 30, 1998		
	Allowance	Loan Balance	Allowance as a %	Allowance	Loan Balance	Allowance as a %
Discount loans..........	$ 20,322	$ 994,794	2.0%	$ 21,095	$1,115,685	1.9%
Loan portfolio..........	5,491	132,517	4.1	4,143	228,883	1.8
	$ 25,813	$ 1,127,311	2.3%	$ 25,238	$1,344,568	1.9%

For information relating to the Company's valuation allowance on real estate owned, see "Changes in Financial Condition - Real Estate Owned."

Although management utilizes its best judgment in providing for possible loan losses, there can be no assurance that the Company will not change its provisions for possible loan losses in subsequent periods to a higher level from that recorded to date in 1999. Changing economic and business conditions, fluctuations in local markets for real estate, future changes in non-performing asset trends, large upward movements in market interest rates or other reasons could affect the Company's future provisions for loan losses. For further discussion and analysis regarding the provisions for loan losses, see "Changes in Financial Condition - Allowances for Losses."

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

	Three Months		Nine Months	
For the periods ended September 30,	1999	1998	1999	1998
	(Dollars in thousands)			
Servicing fees and other charges...........	$ 19,584	$ 15,348	$ 56,764	$ 39,044
(Loss) gain on interest-earning assets, net.	(21,075)	24,170	(6,800)	909
(Loss) gain on real estate owned, net.......	(1,508)	1,216	1,798	12,763
Other income...............................	65,105	14,209	80,731	29,857
Total................................	$ 62,106	$ 54,943	$ 132,493	$ 82,573

The increases in servicing fees and other charges reflects an increase in loan servicing and related fees as a result of an increase in the average balance of loans serviced for others. The unpaid principal balance of loans serviced for others averaged $11.38 billion and $10.63 billion during the three and nine months ended September 30, 1999, respectively, as compared to $9.13 billion and $7.47 billion during the three and nine months ended September 30, 1998. The increase in the average balance of loans serviced for others was primarily related to servicing retained in connection with subprime securitizations in prior quarters and acquisitions of servicing (primarily during the third quarter of 1999), net of repayments. Acquisitions of servicing during the third quarter of 1999 includes a contract with Southern Pacific Funding Corporation entered into in August to service 17,660 subprime residential mortgage loans with an unpaid principal balance of $1.3 billion.

The following table sets forth the Company's loans serviced for others at September 30, 1999.

	Discount Loans		Subprime Loans		Other Loans		Total	
	Amount	No. of Loans	Amount	No. of Loans	Amount	No. of Loans	Amount	No. of Loans
Loans securitized	$ 1,100,704	17,722	$ 1,226,478	11,917	$ --	--	$ 2,327,182	29,639
Loans serviced for third parties	1,339,517	18,095	6,450,738	82,028	995,285	710	8,785,540	100,833
	$ 2,440,221	35,817	$ 7,677,216	93,945	$ 995,285	710	$11,112,722	130,472

Loss on interest-earning assets for the third quarter of 1999 of $21.1 million was primarily comprised of $19.2 million of impairment charges on securities available for sale. Gain on interest-earning assets, net, for the third quarter of 1998 of $24.2 million was primarily comprised of $32.5 million of securitization gains, as presented in the table below, and $3.6 million of gains on sales of large and small commercial discount loans, offset by $10.9 million of impairment losses on securities available for sale. See "Changes in Financial Condition- Securities Available for Sale."

For the nine months ended September 30, 1999, losses on interest - earning assets of $(6.8) million was primarily comprised of impairment losses on securities available for sale of $48.1 million, offset by $36.8 million of securitization gains, as presented in the table below, and $4.2 million of gains on sales of commercial discount loans. For the nine months ended September 30, 1998, gains on interest - earnings assets of $0.9 million was primarily comprised of $100.2 million of gains on sales of loans, including $88.2 million of securitization gains, as presented in the table below, and $8.4 million of gains on sales of commercial discount loans, and $3.6 million of gains on sales of securities, offset by $101.2 million of impairment charges on securities available for sale.

Gains on interest-earning assets (as well as other assets, such as real estate owned, as discussed below) generally are dependent on various factors which are not necessarily within the control of the Company, including market and economic conditions. As a result, there can be no assurance that the gains on sale of interest-earning assets (and other assets) reported by the Company in prior periods will be reported in future periods or that there will not be substantial inter-period variations in the results from such activities.

The following table sets forth the Company's net gains recognized in connection with the securitization of loans during the periods indicated.

Loans Securitized					
Type of Loans	Principal	No. of Loans	Net Gain	Book Value of Securities Retained (Non-cash Gain)	Cash Gain
			(Dollars in thousands)		
For the three months ended September 30,1999 (1):	$ --	--	$ --	$ --	$ --
Single family discount	$ 172,904	2,706	$ 19,168	$ 12,056	$ 7,112
Single family subprime:					
Domestic	261,649	2,205	13,339	18,266	--
Foreign (Ocwen UK)	--	--	--	--	--
	261,649	2,205	13,339	18,266	--
	$ 434,553	$ 4,911	$ 32,507	$ 30,322	$ 7,112
For the nine months ended September 30,1999:					
Single family discount (2)	227,303	$ 3,137	22,763	$ 4,040	$ 18,723
Single family subprime:					
Domestic	235,572	2,192	3,834	12,091	--
Foreign (Ocwen UK)	295,157	8,983	10,207	34,452	--
	530,729	11,175	14,041	46,543	--
	$ 758,032	$ 14,312	36,804	$ 50,583	$ 18,723
For the nine months ended September 30,1998:					
Single family discount	$ 498,798	$ 7,638	$ 48,085	$ 32,261	$ 15,824
Single family subprime					
Domestic	805,765	8,166	30,946	55,390	--
Foreign (Ocwen UK)	363,801	14,179	9,133	33,988	--
	1,169,566	22,345	40,079	89,378	--
	$1,668,364	$ 29,983	$ 88,164	$ 121,639	$ 15,824

(1) There were no securitizations of loans executed by the Company during the third quarter ended September 30, 1999. The Company has made a strategic decision to structure future securitizations as financing transactions which will preclude the use of gain on sale accounting.

(2) Includes 392 loans with an unpaid principal balance of $25.2 million securitized from the loan portfolio.

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The following table sets forth the results of the Company's investment in real estate owned (which does not include investments in real estate), which were primarily related to the discount loan portfolio, during the periods indicated:

For the periods ended September 30,	Three Months 1999	Three Months 1998	Nine Months 1999	Nine Months 1998
	(Dollars in thousands)			
Gains on sales	$ 8,184	$ 10,551	$ 29,591	$ 33,910
Provision for loss in fair value	(6,494)	(6,682)	(21,334)	(12,561)
Rental income (carrying costs), net	(3,198)	(2,653)	(6,459)	(8,586)
(Loss) gain on real estate owned, net	$ (1,508)	$ 1,216	$ 1,798	$ 12,763

At September 30, 1999 the Company had established valuation allowances on real estate owned of $18.4 million, or 9.3% of the balance, as compared to $14.3 million or 7.8% of real estate owned at September 30, 1998. For additional information relating to the Company's real estate owned, see "Changes in Financial Condition-Real Estate Owned."

Other income for the three months ended September 30, 1999 of $65.1 was primarily comprised of a $50.4 million of gain on the sale of Ocwen UK, $5.0 of brokerage commissions earned in connection with Ocwen UK loan originations, a $5.5 million gain on the sale of low income housing tax credit interests and $1.4 million of management fees earned from OAC. For the three months ended September 30, 1998, other income of $14.2 was primarily comprised of $5.0 million of gains on sales of investments in real estate, $2.9 million of brokerage commissions earned in connection with Ocwen UK loan originations, a $2.3 million gain on the sale of low income housing tax credit interests and $1.8 million of management fees earned from OAC.

Other income for the nine months ended September 30, 1999 of $80.7 million was primarily comprised of a $50.4 million gain on the sale of Ocwen UK, $12.9 million of brokerage commissions earned in connection with Ocwen UK loan originations, a $5.0 million gains on sale of low-income housing tax credit interests, $4.5 million of management fees earned from OAC and $1.8 million of gains on sales of investments in real estate. For the nine months ended September 30, 1998, other income of $29.9 million was primarily comprised of $8.0 million of gains on sales of investments in real estate, $6.9 million of gains on the sales of low-income housing tax credit interests, $5.7 million of brokerage commissions earned in connection with Ocwen UK loan originations and $4.1 million of management fees earned from OAC.

NON-INTEREST EXPENSE. Non-interest expense decreased $13.5 million or 21% in the third quarter of 1999 as compared to the third quarter of 1998, and decreased $3.9 million or 3% in the nine months ended September 30, 1999, as compared to the same period in 1998. The following table sets forth the principal components of the Company's non-interest expense during the periods indicated.

For the periods ended September 30,	Three Months 1999	Three Months 1998	Nine Months 1999	Nine Months 1998
	(Dollars in thousands)			
Compensation and employee benefits	$ 29,451	$ 32,474	$ 80,991	$ 83,721
Occupancy and equipment	8,447	9,464	27,816	24,388
Loan expenses	3,992	9,131	10,773	18,826
Net operating loss on investments in real estate and certain low-income housing tax credit interests	958	2,695	4,179	4,988
Amortization of goodwill	284	2,670	771	3,604
Other operating expenses	8,859	9,082	27,368	20,250
Total	$ 51,991	$ 65,516	$ 151,898	$ 155,777

The decrease in compensation and employee benefits during 1999 reflects a reduction in profit sharing expense in connection with the Company's decision to grant options under its annual incentive plan at an exercise price equal to fair market value. Previously, options were granted at exercise prices below fair market value, resulting in the recognition of compensation expense. Also contributing to the decline in compensation and employee benefits was a decrease in commissions incurred by OFS as a result of the shutdown of the domestic subprime business, and a decrease in recruiting related expenses as a result of a Company wide increase in direct hiring. These declines were partially offset by an increase in profit sharing expense in connection with the Company's implementation of a long-term incentive plan in the fourth quarter of 1998.

The decrease in loan expenses during 1999 reflects significant declines in the average balance of loans. The average balance of loans (loans available for sale, loan portfolio and discount loans) declined 34% and 35% during the three and nine months ended September 30, 1999, respectively, as compared to the same periods in 1998.

The decline in goodwill amortization in 1999 is primarily the result of the write-off of goodwill in 1998 in connection with the closing of retail and wholesale branch networks at OFS.

Other operating expenses are primarily comprised of professional fees, marketing, travel related costs, and regulatory and insurance. The increase in other operating expenses during the nine months ended September 30, 1999 was due primarily to a $1.7 million increase in advertising and a $1.2 million increase in professional fees.

EQUITY IN LOSSES OF INVESTMENTS IN UNCONSOLIDATED ENTITIES. The following table summarizes the company's equity in losses of investments in unconsolidated entities for the periods indicated.

	Ownership		Equity in (Losses) Earnings			
			Three months Ended September 30,		Nine Months Ended September September 30,	
Entity	Shares/Units	%	1999	1998	1999	1998
			(Dollars in thousands)			
OAC................	1,540,000	8.12%	$ (270)	$ --	$ (1,809)	$ --
OPLP...............	1,808,733	8.71%	150	--	(1,797)	--
Kensington (1).....	549,993	35.93%	(4,639)	2,765	(6,070)	3,309
Other..............	various	various	(9)	150	193	150
			$ (4,768)	$ 2,915	$ (9,483)	$ 3,459

(1) Equity in earnings of investment in Kensington includes goodwill amortization of $0.6 million and $1.8 million for the three and nine months ended September 30, 1999, as compared to $0.6 million and $1.5 million for the three and nine months ended September 30, 1998, respectively.

See "Changes in Financial Condition - Investment in Unconsolidated Entities".

INCOME TAXES. Income tax expense (benefit) amounted to $8.2 million and $2.9 million during the third quarter of 1999 and 1998, respectively, and $9.6 million and $(2.9) million for the nine months ended September 30, 1999, and 1998, respectively. OCN's income tax provision for 1999 reflects an expected tax rate of 35.01%. The increase in the expected income tax rate for 1999 primarily reflects the loss of foreign income tax credits as a result of the sale of Ocwen UK on September 30, 1999. Income taxes include tax credits resulting from the Company's investment in certain low-income housing tax credit interests. Tax credits amounted to $4.7 million and $4.6 million for the third quarter of 1999 and 1998, respectively, and $13.7 million and $13.6 million for the nine months ended September 30, 1999 and 1998, respectively. Additionally, 1998 income tax expense was reduced as a result of the utilization of $8.6 million of net operating tax loss carryforwards. See "Changes in Financial Condition-Investments in Low Income Housing Tax Credit Interests".

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CHANGES IN FINANCIAL CONDITION

SECURITIES AVAILABLE FOR SALE. At September 30, 1999, securities available for sale amounted to $545.8 million or 19% of the Company's total assets as compared to $593.3 million or 18% of total assets at December 31, 1998. Securities available for sale are carried at fair value with unrealized gains or losses reported as a separate component of stockholders' equity net of deferred taxes. Unrealized losses on securities that reflect a decline in value which is other than temporary are charged to earnings. Securities available for sale at September 30, 1999 included an aggregate of $1.6 million of unrealized gains as compared to $21.7 million of net unrealized gains ($22.0 million of gross gains and $0.3 million of gross losses) at December 31, 1998.

The following table sets forth the fair value of the Company's securities available for sale at the dates indicated.

	September 30, 1999	December 31, 1998	Increase (Decrease) Dollars	Increase (Decrease) Percent
	(Dollars in thousands)			
Mortgage-related securities:				
Single-family residential:				
CMOs (AAA-rated)	$ 436,335	$ 344,199	$ 92,136	27%
Subordinates:				
B-rated	3,241	4,940	(1,699)	(34)
BB-rated	5,659	9,921	(4,262)	(43)
BBB-rated	--	17,593	(17,593)	(100)
Unrated	14,654	58,359	(43,705)	(75)
Subprime residuals:				
Unrated	81,719	135,187	(53,468)	(40)
AAA-rated non agency interest only	--	6,981	(6,981)	(100)
	541,608	577,180	(35,572)	(6)
Multi-family residential and commercial:				
Unrated interest only	47	106	(59)	(56)
AAA-rated interest only	18	--	18	100
BB rated interest only	2	--	2	100
Subordinates:				
B-rated	1,166	1,230	(64)	(5)
Unrated	2,957	14,831	(11,874)	(80)
	4,190	16,167	(11,977)	(74)
Total	$ 545,798	$ 593,347	$ (47,549)	(8)

The Company's securities available for sale decreased by $47.5 million or 8% during the nine months ended September 30, 1999, due primarily to $413.6 million of maturities and principal repayments, $110.7 million of subprime residuals sold in connection with the sale of Ocwen UK on September 30, 1999, $48.1 million of impairment and $9.2 million of net premium amortization, offset by $431.0 million of purchases and the acquisition of $50.6 million of subordinate and residual securities in connection with the Company's securitization of loans.

At September 30, 1999, the fair value of the Company's investment in subordinate and residual interests amounted to $109.4 million ($107.4 million of amortized cost) or 20% of total securities available for sale and supported senior classes of securities having an outstanding principal balance of $3.3 billion. Because of their subordinate position, subordinated and residual classes of mortgage-related securities provide protection to and involve more risk than the senior classes. Specifically, when cash flow is impaired, debt service goes first to the holders of senior classes. In addition, incoming cash flows may be held in a reserve fund to meet any future repayments until the holders of senior classes have been paid and, when appropriate, until a specified level of funds has been contributed to the reserve fund. Further, residual interests exhibit considerably more price volatility than mortgages or ordinary mortgage pass-through securities, due in part to the uncertain cash flows that result from changes in the prepayment rates of the underlying mortgages. Lastly, subordinate and residual interests involve substantially more credit risk than the senior classes of the mortgage-related securities to which such interests relate and generally are not as liquid as the senior classes.

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The Company generally retains subordinate and residual securities, which are certificated, related to its securitization of loans. Subordinate and residual interests in mortgage-related securities provide credit support to the more senior classes of the mortgage-related securities. Principal from the underlying mortgage loans generally is allocated first to the senior classes, with the most senior class having a priority right to the cash flow from the mortgage loans until its payment requirements are satisfied. To the extent that there are defaults and unrecoverable losses on the underlying mortgage loans, resulting in reduced cash flows, the most subordinate security will be the first to bear this loss. Because subordinate and residual interests generally have no credit support, to the extent there are realized losses on the mortgage loans comprising the mortgage collateral for such securities, the Company may not recover the full amount or, indeed, any of its initial investment in such subordinate and residual interests. The Company generally retains the most subordinate classes of the securities from the securitization and therefore will be the first to bear any credit losses.

The Company determines the present value of anticipated cash flows at the time each securitization transaction closes, utilizing valuation assumptions appropriate for each particular transaction. The significant valuation assumptions include the anticipated prepayment speeds and the anticipated credit losses related to the underlying mortgages. In order to determine the present value of this estimated excess cash flow, the Company currently applies a discount rate of 18% to the projected cash flows on the unrated classes of securities. The annual prepayment rate of the securitized loans is a function of full and partial prepayments and defaults. The Company makes assumptions as to the prepayment rates of the underlying loans, which the Company believes are reasonable, in estimating fair values of the subordinate securities and residual securities retained. During 1999, the Company utilized proprietary prepayment curves generated by the Company (reaching an approximate range of annualized rates of 15.0%-35.0%). In its estimates of annual loss rates, the Company utilizes assumptions that it believes are reasonable. The Company currently estimates annual losses of between 1.0% and 6.5% of the underlying loans.

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 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 credit risk of mortgage related securities is affected by the nature of the underlying mortgage loans. In this regard, the risk of loss on securities backed by commercial and multi-family loans and single-family residential loans made to borrowers who, because of prior credit problems, the absence of a credit history or other factors, are unable or unwilling to qualify as borrowers under guidelines established by the Federal Home Loan Mortgage Corporation ("FHLMC") and the Federal National Mortgage Association ("FNMA") for purchases of loans by such agencies, generally involve more risk than securities backed by single-family residential loans which conform to the requirements established by FHLMC and FNMA for their purchase by such agencies.

The Company adjusts its securities portfolio to market value at the end of each month based upon the lower of dealer quotations or internal values, subject to an internal review process. For those securities which do not have an available market quotation, the Company will request market values and underlying assumptions from the various securities dealers that underwrote, are currently financing the securities, or have had prior experience with the type of security to be valued. When quotations are obtained from two or more dealers, the average dealer quote will be utilized.

The Company periodically assesses the carrying value of its subordinate securities and residual securities retained as well as the servicing assets for impairment. There can be no assurance that the Company's estimates used to determine the gain on securitized loan sales, subordinate securities and residual securities retained and servicing asset valuations will remain appropriate for the life of each securitization. If actual loan prepayments or defaults exceed the Company's estimates, the carrying value of the Company's subordinate securities and residual securities retained and/or servicing assets may be decreased or the Company may increase its allowance for possible credit losses on loans sold through a charge against earnings during the period management recognized the disparity. Other factors may also result in a write down of the Company's subordinate securities and residual securities retained in subsequent periods.

It is intended that any securities retained by the Bank resulting from the securitization of assets held by it directly will be distributed to the Company as a dividend, subject to the Bank's ability to declare such dividends under applicable limitations. During the nine months ended September 30, 1999, subordinate securities with a fair value of $27.7 million were distributed by the Bank to the Company in the form of a dividend. At September 30, 1999, the Bank held no subordinate securities.

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The following tables detail the Company's securities available for sale portfolio at September 30, 1999, and its estimates of expected yields on such securities, taking into consideration expected prepayment and loss rates together with other factors.

SECURITIZATION (ISSUER)	SECURITY	ISSUE DATE	RATING	RATING AGENCIES	CLASS SIZE ISSUANCE	CLASS SIZE 9/30/99	INTEREST PERCENTAGE	SUBORDINATION/OC LEVEL AT: 9/30/99	ANTICIPATED YIELD TO MATURITY AT: PURCHASE	ANTICIPATED YIELD TO MATURITY AT: 9/30/99
					(Dollars in thousands)					
SINGLE-FAMILY RESIDENTIAL										
Subordinates:										
BCF 1996 R1(5)..........	B3	Oct-96	UR	(a),(b)	$70,773	$45,130	50.00%	None	15.70%	10.96%
BCF 1997 R1(5)..........	B4	Mar-97	UR	(b),(c)	21,784	9,241	49.71	None	13.46	(38.07)
BCF 1997 R2 (5).........	B4	Jun-97	Ba2, BB	(b),(c)	6,358	5,816	73.54	7.62%	9.58	1.00
	B5		B2,B		6,264	5,730	73.54	4.06	10.74	(1.19)
	B6		UR		13,883	6,545	73.54	None	15.98	(5.02)
BCF 1997 R3 (5).........	B4	Dec-97	UR	(b),(d)	69,582	43,332	50.24	None	15.84	(37.66)
ORMBS 1998 R1 (6).......	B4	Mar-98	UR	(b),(d)	101,774	81,720	50.34	None	20.50	(30.46)
ORMBS 1998 R2 (6).......	B4A	Jun-98	Ba2	(b)	1,056	984	100.00	6.87	13.22	(30.26)
	B4F		Ba2		937	895	100.00	8.75	19.23	(22.46)
	B5A		B2		880	851	100.00	5.13	23.78	(28.02)
	B5F		B2		937	895	100.00	6.43	11.78	(23.38)
	B6A		UR		3,696	2,520	100.00	None	16.72	(5.24)
	B6F		UR		3,345	2,479	100.00	None	19.50	(14.43)
ORMBS 1998 R3 (6).......	B4	Sep-98	Ba2, BB	(b),(d)	11,765	11,527	85.87	12.01	11.71	(27.65)
	B5		B2, B		9,151	8,965	85.87	8.31	16.54	(23.24)
	B6		UR		26,145	20,148	85.87	None	18.00	(15.31)
ORMBS 1999 RI (6)......	B5A	Mar-99	B2, B	(b),(d)	1,630	1,573	100.00	6.21	17.73	25.65
	B5F		B2, B		1,843	1,762	100.00	5.93	17.74	23.94
	B6A		UR		3,586	3,392	100.00	None	18.00	43.21
	B6F		UR		4,299	4,030	100.00	None	18.00	39.70
ORMBS 1999 R2 (6)	B4	Jun-99	BB	(a),(c),(d)	10,530	10,421	100.00	4.09	13.45	18.54
	B5		B		4,680	4,632	100.00	6.06	18.45	36.61
	B6		UR		7,020	6,862	100.00	None	18.00	73.52
CSFB 1996-1R (ITT 94-P1) (7).......	4B2	Oct-96	UR	(b),(c)	1,046	174	100.00	None	N/A	N/A
Subprime residuals:										
SBMS 1996 3 (1).........	R	Jun-96	UR	(a),(b)	130,062	35,406	100.00	14.35 OC	15.52	2.79
MLM1 1996 1 (2).........	R	Sep-96	UR	(a),(b)	81,142	21,968	100.00	21.11 OC	15.16	4.38
MS 1997 1 (3)...........	X1	Jun-97	UR	(a),(b)	17,727	11,519	100.00	4.21 OC	21.47	15.23
	X2				87,118	28,210	100.00	11.20 OC	20.38	5.68
1997 OFS 2 (4)..........	X	Sep-97	UR	(a),(b)	102,201	48,550	100.00	7.38 OC	19.65	7.28
1997 OFS 3 (4)..........	X	Dec-97	UR	(a),(b)	208,784	120,712	100.00	6.99 OC	19.59	14.54
1998 OFS 1 (4)..........	X	Mar-98	UR	(b),(d)	161,400	103,524	100.00	2.96 OC	18.00	13.79
1998 OFS 2 (4)..........	X	Jun-98	UR	(a),(b)	382,715	217,981	100.00	5.93 OC	19.46	6.29
1998 OFS 3 (4)..........	X	Sep-98	UR	(a),(d)	261,649	209,004	100.00	3.88 OC	18.00	17.33
1998 OFS 4 (4)..........	X	Dec-98	UR	(a),(b),(c)	349,000	321,414	100.00	3.06 OC	18.00	20.33
1999 OFS 1 (4)	X	Jun-99	UR	(a),(b)	148,628	145,120	100.00	3.21 OC	18.00	17.88
MULTI-FAMILY AND COMMERCIAL										
Subordinates:										
BCF 1997 C1 (2).........	F	Dec-97	B	(c)	3,210	3,210	100.00	16.40	10.35	11.47
	G		UR		12,197	12,207	100.00	None	15.00	21.35
Interest-only:										
BCF 1997 C1 (2).........	X1	Dec-97	UR	(c)	67,350	28,245	100.00	N/A	6.93	51.44
	X2		UR		35,359	20,114	100.00	N/A	8.53	37.89
	E		UR		10,271	10,271	100.00	N/A	7.00	30.72
FNMA 1995 M2 (3)	M	Jun-95	UR	(c)	100,875	10,854	100.00	N/A	0.00	(17.79)
BFBT Arm Strip..........	IO	Jun-94	UR	N/A	157,182	8,727	100.00	N/A	0.00	(25.81)

ISSUERS: (FN160253)

(1) Salomon Brothers Mortgage Securities VII
(2) Merrill Lynch Mortgage Investors, Inc.
(3) Morgan Stanley ABS Capital I, Inc.
(4) Ocwen Mortgage Loan Asset Backed Certificates
(5) BlackRock Capital Finance L.P.
(6) Ocwen Residential MBS Corporation
(7) Ocwen Mortgage Loans
(8) Credit Suisse First Boston (ITT Federal Bank, FSB)
(9) Federal National Mortgage Association
(10) Berkley Federal Bank & Trust

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

N/A - Not Available

RF - Reserve funds are actual cash reserves

SECURITIZATION (ISSUER)	WEIGHTED AVERAGE COUPON AT 9/30/99	WEIGHTED AVERAGE LTV/DSCR AT 9/30/99	TOTAL DELINQUENCY AT 9/30/99	ACTUAL LIFE TO DATE CPR AT 9/30/99	ACTUAL LIFE TO DATE LOSSES AT 9/30/99	PRODUCT TYPE AT 9/30/99	COLLATERAL ISSUANCE	BALANCE 9/30/99
				(Dollars in thousands)				
Single-Family Residential								
Subordinates:								
BCF 1996 R1 (5).........	10.03%	97.33%	12.60%	13.81%	$ 22,479	98% Fixed, 2% ARM	505,513	301,834
BCF 1997 R1 (5).........	10.06	111.14	21.08	13.56	11,881	98% Fixed, 3% ARM	177,823	117,931
BCF 1997 R2 (5).........	8.01	87.06	29.97	13.67	6,463	25% Fixed, 75%ARM	251,790	161,094
BCF 1997 R3 (5).........	9.62	111.06	21.23	11.39	24,132	98% Fixed, 2% ARM	579,851	446,895
ORMBS 1998 R1 (6).......	8.93	120.57	23.44	8.48	17,721	98% Fixed, 2% ARM	565,411	493,665
ORMBS 1998 R2 (6).......	8.96	88.68	29.38	13.73	1,792	45% Fixed, 55%ARM	123,917	97,551
ORMBS 1998 R3 (6).......	8.95	126.64	34.92	7.41	5,484	98% Fixed, 2% ARM	261,452	242,420
ORMBS 1999 R1 (6).......	9.01	86.32	21.66	13.34	105	56% Fixed, 44%ARM	147,101	132,580
ORMBS 1999 R2 (6)......	9.38	116.47	9.72	8.55	101	100%Fixed	117,004	113,315
CSFB 1996 1R (ITT 94-P1) (7)	7.19	N/A	1.64	N/A	156	100% 1-Year CMT	32,487	5,657
Subprime residuals:								
SBMS 1996 3 (1).........	10.97	69.35	20.98	32.59	2,917	52% Fixed, 43%ARM	130,062	35,406
MLM1 1996 1 (2).........	11.23	75.22	17.41	34.92	1,775	34% Fixed, 66%ARM	81,142	21,968
MS 1997 1 (3)...........	10.54	74.99	18.14	34.64	1,251	29% Fixed, 71%ARM	17,727	11,519
	11.15	74.59	18.14	34.64	1,251	29% Fixed, 71%ARM	87,118	28,210
1997 OFS 2 (4)..........	10.75	79.24	20.09	30.65	1,053	19% Fixed, 81%ARM	102,201	48,550
1997 OFS 3 (4)..........	10.10	79.12	16.99	26.43	2,036	17% Fixed, 83%ARM	208,784	120,712
1998 OFS 1 (4)..........	10.32	79.59	19.36	25.24	1,794	14% Fixed, 86%ARM	161,400	103,524
1998 OFS 2 (4)..........	10.84	75.57	14.93	35.77	2,367	39% Fixed, 61%ARM	382,715	217,981
1998 OFS 3 (4)..........	10.35	79.09	18.91	19.65	943	29% Fixed, 71%ARM	261,649	209,004
1998 OFS 4 (4)..........	10.49	76.70	21.60	8.95	52	41% Fixed, 59%ARM	349,000	321,414
1999 OFS 1 (4)..........	9.89	75.54	9.09	8.51	0	64% Fixed, 36%ARM	146,628	145,120
MULTI-FAMILY AND COMMERCIAL								
Subordinates:								
BCF 1997 C1 (2).........	10.22	1.28	15.10	N/A	142	20% Multi-family, 19% Hotel, 16% Industrial	128,387	74,411
Interest-only:								
BCF 1997 C1 (2).........	10.22	1.28	15.10	N/A	142	20% Multi-family, 19% Hotel, 16% Industrial	128,387	74,411
FNMA 1995 M2 (3)........	9.50	1.35	--	9.55	--	100% Multi-family	216,797	138,251
BFBT Arm Strip..........	8.35	N/A	N/A	N/A	N/A	100% Conventional ARMS	157,182	8,727

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The following table sets forth the principal amount of mortgage loans by the geographic location of the property securing the mortgages that underlie the Company's securities available for sale portfolio at September 30, 1999.

DESCRIPTION	CALIFORNIA	FLORIDA	TEXAS	NEW YORK	MARYLAND	OTHER (1)	TOTAL
Single family residential	$ 669,741	$ 257,923	$ 248,955	$ 196,590	$ 157,851	$1,653,726	$3,184,786
Multi-family and commercial..	42,869	16,699	1,872	27,160	8,947	85,976	183,523
Other	748	13	--	116	59	1,448	2,384
Total	$ 713,358	$ 274,635	$ 250,827	$ 223,866	$ 166,857	$1,741,150	$3,370,693
Percentage (2)	21%	8%	7%	7%	5%	52%	100%

(1) No other individual state makes up more than 9.0% of the total of other.

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

The following table summarizes information relating to the Company's mortgage-related securities available for sale at September 30, 1999.

RATING/DESCRIPTION	AMORTIZED COST	FAIR VALUE	PERCENT OWNED	ORIGINAL ANTICIPATED YIELD TO MATURITY	ANTICIPATED REMAINING YIELD TO MATURITY AT 9/30/99(1)	COUPON	ANTICIPATED WEIGHTED AVERAGE REMAINING LIFE (2)
			(Dollars in thousands)				
SINGLE-FAMILY RESIDENTIAL:							
B-rated subordinates........	$ 2,935	$ 3,241	91.18%	16.84	4.59%	7.20%	2.56
BB-rated subordinates.......	5,185	5,659	87.85	13.07%	(6.05)	6.90	2.71
Unrated subordinates........	14,200	14,654	56.41	14.58	(7.75)	8.26	2.91
Unrated subprime residuals..	81,224	81,719	100.00	18.47	13.22	N/A	7.01
MULTI-FAMILY AND COMMERCIAL:							
Unrated interest-only.......	--	47	N/A	N/A	N/A	N/A	N/A
AAA-rated interest-only.....	--	18	N/A	N/A	N/A	N/A	N/A
BB-rated interest-only......	--	2	N/A	N/A	N/A	N/A	N/A
B-rated subordinates........	1,162	1,166	51.20	10.90	11.47	10.00	6.49
Unrated subordinates........	2,729	2,957	51.20	26.40	21.35	10.00	7.32

(1) Changes in the September 30, 1999 anticipated yield to maturity from that originally anticipated are primarily the result of changes in prepayment assumptions, loss assumptions and charges taken to reduce the value of the securities.

(2) Equals the weighted average life based on September 30, 1999 book value.

The following table sets forth the property types of the Company's commercial mortgage-backed securities at September, 1999, based upon the principal amount.

PROPERTY TYPE	PERCENTAGE INVESTED
Multi-family.....................	74.23%
Lodging..........................	6.03
Warehouse........................	5.84
Office...........................	2.37
Mixed Use........................	4.53
Other............................	7.00
Total............................	100.00%

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

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

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

ACTUAL LIFE-TO-DATE LOSSES - Represents cumulative losses of the original collateral at the indicated date.

ANTICIPATED YIELD TO MATURITY AT SEPTEMBER 30, 1999 - Effective yield from inception to maturity based on the purchase price, actual cash flows received from inception until the respective date, and the then current estimate of future cash flows under the assumptions at the respective date.

ANTICIPATED YIELD TO REMAINING MATURITY AT SEPTEMBER 30, 1999 - Effective yield based on the current carrying value and the then current estimate of future cash flows under the assumptions at the respective date.

ANTICIPATED YIELD TO MATURITY AT PURCHASE - Effective yield from inception to maturity based on the purchase price and anticipated future cash flows under pricing assumptions.

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

COLLATERAL BALANCE - Represents, the unpaid principal balance including arrearage of the underlying collateral of the entire securities at the indicated date.

INTEREST ONLY - Interest Only ("IO") securities receive the excess interest remaining after the interest payments have been made on all senior classes of bonds based on their respective principal balances. There is no principal associated with IO securities and they are considered liquidated when the particular class they are contractually tied to is paid down to zero.

INTEREST PERCENTAGE - Represents the percentage of the particular class of security owned by the Company.

ISSUE DATE - Represents the date on which the indicated securities were issued.

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

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

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SECURITIZATION - Series description.

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

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

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

WEIGHTED AVERAGE COUPON - Represents the interest rate of the underlying mortgage loans weighted by the unpaid principal balance of the underlying mortgage loans at the respective date.

WEIGHTED AVERAGE DSCR - Represents debt service coverage ratio, which is calculated by dividing cash flow available for debt service by debt service and applies to the multi-family and commercial securities.

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

LOANS AVAILABLE FOR SALE. The Company's loans available for sale at September 30, 1999, which are carried at the lower of cost or fair value, decreased by $111.0 million or 62% from December 31, 1998, and consist primarily of single family residential loans to subprime borrowers. The decline in loans available for sale is primarily attributable to the Company's sale of Ocwen UK on September 30, 1999 and its shutdown of operations at OFS. The Company generally intends to sell or securitize its single family residential loans to subprime borrowers and, as a result, all of such loans were classified as available for sale at September 30, 1999 and December 31, 1998.

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

	September 30, 1999	December 31,1998
	(Dollars in thousands)	
Single family residential loans.........	$ 66,680	$ 177,578
Consumer loans..........................	149	269
	$ 66,829	$ 177,847

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

For the periods ended September 30,	Three Months 1999	Three Months 1998	Nine Months 1999	Nine Months 1998
	(Dollars in thousands)			
Balance at beginning of period	$ 132,425	$ 338,359	$ 177,847	$ 177,041
Purchases:				
Single family residential (1) (2)	7,200	15,974	54,303	778,987
Originations:				
Single family residential: (1)				
Domestic	17,458	174,404	206,171	527,519
Foreign (Ocwen UK)	216,784	88,039	509,791	134,145
	234,242	262,443	715,962	661,664
Sales (3)	(299,843)	(258,195)	(858,360)	(1,201,471)
Decrease (increase) in lower of cost or market reserve	1,215	(835)	3,179	(3,266)
Principal repayments, net of capitalized interest	(5,310)	(17,997)	(15,901)	(70,463)
Transfer to real estate owned	(3,100)	(2,413)	(10,201)	(5,156)
Net increase (decrease) in loans	(65,596)	(1,023)	(111,018)	160,295
Balance at end of period	$ 66,829	$ 337,336	$ 66,829	$ 337,336

(1) During the nine months ended September 30, 1999 and 1998, the Company purchased and originated single family residential loans to subprime borrowers.

(2) Purchases of single family residential loans during the nine months ended September 30, 1998 include $421.3 million purchased from the U.S. operations of Cityscape Financial Corp.

(3) Sales for the three and nine months ended September 30,1999, includes $297.5 million of subprime single family residential loans sold in connection with the sale of Ocwen UK on September 30, 1999. Also included in sales for the nine months ended September 30, 1999 is the securitization of 1,381 domestic subprime single family loans with an aggregate unpaid principal balance of $148.6 million and 8,983 foreign subprime single family loans with an unpaid balance of $295.2 million. No loans were securitized during the third quarter of 1999. Included in sales for the nine months ended September 30, 1998 is the securitization of 8,166 domestic subprime single family loans with an aggregate unpaid principal balance of $805.8 million and 14,179 foreign subprime single family loans with an aggregate unpaid principal balance of $363.8 million.

The loans available for sale portfolio is secured by mortgages on properties geographically located throughout the United States. The following table sets forth the five states or countries in which the largest amount of properties securing the Company's loans available for sale were located at September 30, 1999:

	Single-family Residential	Consumer	Total
	(Dollars in thousands)		
Florida	$ 9,549	$ 67	$ 9,616
New Jersey	9,103	--	9,103
Illinois	5,653	--	5,653
Michigan	5,488	--	5,488
New York	5,275	--	5,275
Other(1)	31,612	82	31,694
Total	$ 66,680	$ 149	$ 66,829

(1) Consists of properties located in 42 other states, none of which aggregated over $4.5 million in any one state.

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

	September 30, 1999	December 31, 1998
	(Dollars in thousands)	
Non-performing loans:		
Single family (1)	$ 20,030	$ 39,415
Consumer	1	9
	$ 20,031	$ 39,424
Non-performing loans as a percentage of:		
Total net loans available for sale	29.97%	22.17%
Total assets	0.72%	1.19%

(1) Includes $7.2 million ((pound)5.4 million) of non-performing loans related to Ocwen UK at December 31, 1998.

Non-performing loans consist primarily of subprime single-family residential loans, reflecting the higher risks of default associated with such loans. Although subprime loans generally have higher levels of default than prime loans, the Company believes that the borrower's equity in the security property and the Company's expertise in the area of resolution mitigates the higher default risk.

DISCOUNT LOAN PORTFOLIO. At September 30, 1999, the Company's net discount loan portfolio amounted to $974.5 million or 35% of the Company's total assets as compared to $1.03 billion or 31% of total assets at December 31, 1998. The following table sets forth the composition of the Company's discount loan portfolio by type of loan at the dates indicated.

	September 30, 1999	December 31, 1998
	(Dollars in thousands)	
Single family residential loans	$ 495,382	$ 597,100
Multi-family residential loans	250,821	244,172
Commercial real estate loans (1)	465,931	449,010
Other loans (2)	19,869	10,144
Total discount loans	1,232,003	1,300,426
Unaccreted discount (3)	(237,209)	(252,513)
	994,794	1,047,913
Allowance for loan losses	(20,322)	(21,402)
Discount loans, net	$ 974,472	$ 1,026,511

(1) The balance at September 30, 1999 consisted of $141.0 million of loans secured by office buildings, $99.9 million of loans secured by hotels, $56.3 million of loans secured by retail properties or shopping centers and $168.7 million of loans secured by other properties. The balance at December 31, 1998, consisted of $154.1 million of loans secured by office buildings, $100.4 million of loans secured by hotels, $21.2 million of loans secured by retail properties or shopping centers and $173.3 million of loans secured by other properties.

(2) Other loans includes $15.6 million and $8.2 million at September 30, 1999 and December 31, 1998, respectively, of charged-off unsecured credit card receivables which were acquired at a discount. Collections of unsecured credit card receivables are accounted for under the cost recovery method.

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(3) The balance at September 30, 1999 consisted of $126.7 million on single family residential loans, $39.7 million on multi-family residential loans, $69.6 million on commercial real estate loans and $1.2 million on other loans. The balance at December 31, 1998 consisted of $161.6 million on single family residential loans, $20.8 million on multi-family residential loans, $69.8 million on commercial real estate loans and $0.3 million on other loans.

The discount loan portfolio is secured by mortgages on properties geographically located throughout the United States. The following table sets forth the five states in which the largest amount of properties securing the Company's discount loans were located at September 30, 1999.

	Single-family Residential	Multi-family Residential	Commercial Real Estate and Other	Total
	(Dollars in thousands)			
California	$ 40,409	$ 17,548	$ 121,483	$ 179,440
New York	51,095	4,970	81,574	137,639
Michigan	8,291	64,724	23,308	96,323
Illinois	17,769	72,366	1,304	91,439
New Jersey	46,008	1,403	9,639	57,050
Other (1)	205,097	50,142	177,664	432,903
Total	$ 368,669	$ 211,153	$ 414,972	$ 994,794

(1) Consists of properties located in 44 other states, none of which aggregated over $53.7 million in any one state.

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

	Three months ended September 30,			
	1999		1998	
	Balance	No. of Loans	Balance	No. of Loans
	(Dollars in thousands)			
Balance at beginning of period, net	$ 1,008,764	6,737	$ 1,421,506	10,315
Acquisitions(1)	84,866	758	173,473	1,033
Resolutions and repayments (2)	(52,182)	(471)	(255,905)	(571)
Loans transferred to real estate owned	(50,987)	(617)	(104,088)	(1,012)
Sales(3)	(25,069)	(45)	(202,758)	(2,725)
Decrease in discount	8,997	--	60,606	--
Decrease in allowance	83	--	1,757	--
Balance at end of period, net	$ 974,472	6,362	$ 1,094,591	7,040

(1) During the three months ended September 30, 1999, acquisitions consisted primarily of $61.7 million of single family residential loans, $3.4 million of multi-family residential loans, $15.5 million of commercial real estate loans and $4.2 million of other loans. For the three months ended September 30, 1998, acquisitions consisted primarily of $87.2 million of single family residential loans, $20.6 million of multi-family residential loans, and $60.8 million of commercial real estate loans and $4.9 million of other loans.

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

(3) There were no securitizations of loans executed by the Company during the third quarter ended September 30, 1999. Included in sales for the three months ended September 30, 1998 is the securitization of 2,706 discount single family residential mortgage loans with an aggregate unpaid principal balance of $172.9 million.

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	Nine months ended September 30, 1999		1998	
	Balance	No. of Loans	Balance	No. of Loans
	(Dollars in thousands)			
Balance at beginning of period, net	$ 1,026,511	8,100	$ 1,434,176	12,980
Acquisitions(1)	571,324	4,121	849,779	5,743
Resolutions and repayments (2)	(176,497)	(856)	(461,697)	(1,658)
Loans transferred to real estate owned	(159,149)	(1,787)	(253,295)	(2,335)
Sales(3)	(304,101)	(3,216)	(558,317)	(7,690)
Decrease in discount	15,304	--	81,547	--
Decrease in allowance	1,080	--	2,398	--
Balance at end of period, net	$ 974,472	6,362	$ 1,094,591	7,040

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(1) During the nine months ended September 30, 1999, acquisitions consisted primarily of $335.8 million of single family residential loans, $75.3 million of multi-family residential loans, $147.3 million of commercial real estate loans and $12.9 million of other loans. For the nine months ended September 30, 1998, acquisitions consisted primarily of $422.4 million of single family residential loans, $169.1 million of multi-family residential loans and $258.2 million of commercial real estate loans.

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

(3) Included in sales for the nine months ended September 30, 1999 is the securitization of 3,137 discount single family residential mortgage loans with an aggregate unpaid principal balance of $227.3 million. Included in sales for the nine months ended September 30, 1998 is the securitization of 7,638 discount single family residential mortgage loans with an aggregate unpaid principal balance of $498.8 million.

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

	September 30, 1999		December 31, 1998	
	Principal Amount	% of Loans	Principal Amount	% of Loans
	(Dollars in thousands)			
Loans without Forbearance Agreements:				
Current	$ 642,615	52.16%	$ 578,269	44.47%
Past due 31 to 89 days	16,787	1.36	35,555	2.73
Past due 90 days or more	442,623	35.93	509,838	39.21
Acquired and servicing not yet transferred	32,448	2.63	57,048	4.39
Subtotal	1,134,473	92.08	1,180,710	90.80
Loans with Forbearance Agreements:				
Current	4,415	0.36	1,180	0.09
Past due 31 to 89 days	2,420	0.20	4,046	0.31
Past due 90 days or more (1)	90,695	7.36	114,490	8.80
Subtotal	97,530	7.92	119,716	9.20
Total	$ 1,232,003	100.00%	$1,300,426	100.00%

(1) Includes $90.1 million of loans which were less than 90 days past due under the terms of the forbearance agreements at September 30, 1999, of which $83.3 million were current and $6.8 million were past due 31 to 89 days. Includes $110.1 million of loans which were less than 90 days past due under the terms of the forbearance agreements at December 31, 1998, of which $77.9 million were current and $32.2 million were past due 31 to 89 days.

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

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

	September 30, 1999	December 31, 1998
	(Dollars in thousands)	
Single family residential loans	$ 1,863	$ 30,361
Multi-family residential loans:		
Permanent	28,121	53,311
Construction	12,716	22,288
	40,837	75,599
Commercial real estate and land loans:		
Hotel:		
Permanent	20,524	29,735
Construction	--	6,896
Office buildings	70,661	93,068
Land	1,788	2,266
Other	--	6,762
Total	92,973	138,727
Consumer	85	132
Total loans	135,758	244,819
Undisbursed loan funds	(2,140)	(7,100)
Unaccreted discount	(1,101)	(2,480)
Allowance for loan losses	(5,491)	(4,927)
Loans, net	$ 127,026	$ 230,312

The loan portfolio is secured by mortgages on properties geographically located throughout the United States. The following table sets forth the five states in which the largest amount of properties securing the Company's loan portfolio were located at September 30, 1999.

	Single-family Residential	Multi-family Residential	Commercial Real Estate	Consumer	Total
	(Dollars in thousands)				
New York	$ 158	$ 4,237	$ 22,368	$ 33	$ 26,796
Florida	--	--	14,206	--	14,206
California	21	9,030	5,090	--	14,141
Massachusetts	66	--	12,865	--	12,931
Virginia	--	--	9,718	--	9,718
Other (1)	1,618	27,570	28,726	52	57,966
Total	$ 1,863	$ 40,837	$ 92,973	$ 85	$ 135,758

(1) Consists of properties located in 19 other states, none of which aggregated over $7.9 million in any one state.

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

For the periods ended September 30,	Three Months 1999	Three Months 1998	Nine Months 1999	Nine Months 1998
	(Dollars in thousands)			
Balance at beginning of period	$ 146,255	$ 296,361	$ 244,819	$ 294,925
Originations:				
Multi-family residential loans	--	7,950	4,225	30,221
Commercial real estate loans	--	43,336	11,500	103,266
Total loans originated	--	51,286	15,725	133,487
Sales (1)	(1,063)	--	(26,549)	--
Principal repayments, net of capitalized interest	(9,434)	(107,993)	(95,665)	(188,758)
Loans and transfer to real estate owned	--	--	(2,572)	--
Net increase (decrease) in loans	(10,497)	(56,707)	(109,061)	(55,271)
Balance at end of period (2)	$ 135,758	$ 239,654	$ 135,758	$ 239,654

(1) Included in sales for the nine months ended September 30, 1999 is the securitization of 392 single family residential mortgage loans with an aggregate unpaid principal balance of $25.2 million.

(2) The decline in the balance of the gross loan portfolio at September 30, 1999, as compared to September 30, 1998, is primarily due to repayments of commercial real estate loans (hotels and office buildings) and multifamily residential loans, as well as the sale of single family residential loans (see Note (1) above). As of June 30, 1999, the Company ceased origination of multi-family and commercial real estate loans.

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

	September 30, 1999	December 31, 1998
	(Dollars in thousands)	
Nonperforming loans (1):		
Single family residential loans	$ 288	$ 1,169
Multi-family residential loans	9,488	7,392
Commercial real estate and other	22,597	488
	$ 32,373	$ 9,049
Nonperforming loans as a percentage of:		
Total loans (2)	24.43%	3.85%
Total assets	1.16%	0.27%
Allowance for loan losses as a percentage of:		
Total loans (2)	4.14%	2.09%
Nonperforming loans	16.96%	54.46%

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

(2) Total loans are net of undisbursed loan proceeds and unaccreted discount.

ALLOWANCES FOR LOSSES. The Company uses an internal asset review system to identify problem assets. The Company's determination of the level and the allocation of the allowance for loan losses and, correspondingly, the provisions for such losses, is based on various judgments, assumptions and projections regarding a number of factors, including, but not limited to, asset risk classifications, current and forecasted economic and market conditions, loan portfolio composition, historical loan loss experience and industry experience. The allowance for loan losses is adjusted monthly to reflect management's current assessment of the effect of these factors on estimated inherent loan losses. While management uses all information available to it to estimate losses on loans, future changes to the allowance may become necessary based on changes in economic and market conditions. The OTS, as part of its examination process, periodically reviews the adequacy of the Company's allowance for loan losses. Such agency may require the company to recognize changes to the allowance based on its judgment about information available to it at the time of examination.

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

	September 30, 1999				December 31, 1998			
	Allowance	Percent	Gross Loan Balance	Percent	Allowance	Percent	Gross Loan Balance	Percent
	(Dollars in thousands)							
Loan portfolio:								
Single family................	$ 25	0.4%	$ 1,863	1.3%	$ 215	4.3%	$ 30,361	12.4%
Multi-family.................	2,023	36.9	40,837	30.1	2,714	55.1	75,599	30.9
Commercial real estate.......	3,443	62.7	92,973	68.5	1,999	40.6	138,727	56.7
Consumer.....................	--	--	85	0.1	--	--	132	--
	$ 5,491	100.0%	$ 135,758	100.0%	$ 4,928	100.0%	$ 244,819	100.0%
Discount loan portfolio:								
Single family................	$ 10,794	53.1%	$ 495,382	40.2%	$ 10,307	48.2%	$ 597,100	45.9%
Multi-family.................	2,747	13.5	250,821	20.4	2,457	11.5	244,172	18.8
Commercial real estate.......	5,957	29.3	465,931	37.8	8,607	40.2	449,010	34.5
Other........................	824	4.1	19,869	1.6	31	0.1	10,144	0.8
	$ 20,322	100.0%	$1,232,003	100.0%	$ 21,402	100.0%	$ 1,300,426	100.0%

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

The following table summarizes activity in the allowance for loan losses related to the Company's loan portfolio and discount loan portfolio during the nine months ended September 30, 1999.

	Balance December 31, 1998	Provision	Charge-offs	Recoveries	Balance September 30, 1999
Loan portfolio:					
Single family...................	$ 215	$ (183)	$ (7)	$ --	$ 25
Multi-family....................	2,714	(691)	--	--	2,023
Commercial real estate..........	1,999	1,444	--	--	3,443
Consumer........................	--	--	--	--	0
	$ 4,928	$ 570	$ (7)	$ --	$ 5,491
Discount loans:					
Single family...................	$ 10,307	$ 3,264	$ (3,103)	$ 326	$ 10,794
Multi-family....................	2,457	791	(501)	--	2,747
Commercial......................	8,607	(262)	(2,388)	--	5,957
Other...........................	31	825	(32)	--	824
	$ 21,402	$ 4,618	$ (6,024)	$ 326	$ 20,322

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INVESTMENTS IN LOW-INCOME HOUSING TAX CREDIT INTERESTS. In 1993, the Company commenced a program to invest in multi-family residential projects which have been allocated low income housing tax credits under Section 42 of the Internal Revenue Code by a state tax credit allocating agency.

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

	September 30, 1999	December 31, 1998
	(Dollars in thousands)	
Investments solely as a limited partner made prior to May 18, 1995.............	$ 17,929	$ 19,607
Investments solely as a limited partner made on or after May 18, 1995...........	72,642	56,299
Investments both as a limited and, through subsidiaries, as a general partner...	71,205	68,258
	$ 161,776	$ 144,164

Investments by the Company in low-income housing tax credit interests made on or after May 18, 1995, in which the Company invests solely as a limited partner, are accounted for using the equity method in accordance with the consensus of the Emerging Issues Task Force as recorded in Issue Number 94-1. Limited partnership investments made prior to May 18, 1995, are accounted for under the effective yield method as a reduction of income tax expense. Low-income housing tax credit partnerships in which the Company invests both as a limited and, through a subsidiary, as general partner are presented on a consolidated basis. During the third quarter of 1999, the Company completed the sale of its investment in eight low-income housing tax credit projects which had a carrying value of $25.7 million for a gain of $5.5 million.

INVESTMENT IN UNCONSOLIDATED ENTITIES. The Company's investments in unconsolidated entities was comprised of the following at the dates indicated.

	Ownership		Carrying Value	
Entity	Shares/Units	%	September 30, 1999	December 31, 1998
		(Dollars in thousands)		
OAC...............	1,540,000	8.12%	$ 14,459	$ 16,268
OPLP..............	1,808,733	8.71%	21,389	22,820
Kensington........	549,993	35.93%	39,923	46,586
Other.............	various	various	636	1,219
			$ 76,407	$ 86,893

Other consists primarily of the Company's joint venture investment, which represents a 10% interest in BCFL, a limited liability company formed by the Bank and BlackRock in January 1997 to acquire discount multi-family residential loans from HUD.

For the nine months ended September 30, 1999, the Company recorded equity in the losses of its investments in OAC and OPLP of $1.8 million and $1.8 million, respectively. At September 30, 1999 and December 31, 1998, the Company's investment in OAC stock was pledged as collateral on obligations outstanding under a line of credit.

The Company's investment in Kensington includes the excess of the purchase price over the net investment in the amount of $32.7 million ((pound)19.8 million) at September 30, 1999, as compared to $34.5 million ((pound)20.9 million) at December 31, 1998. For the nine months ended September 30, 1999, the Company recorded equity in the losses of its investment in Kensington of $6.1 million.
See Note 3 to the Interim Consolidated Financial Statements included in Item 1 hereof.

See "Results of Operations-Equity in Losses of Investment in Unconsolidated Entities."

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

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

	September 30, 1999	December 31, 1998
	(Dollars in thousands)	
Discount loan portfolio:		
Single family residential...........	$ 75,037	$ 94,641
Multi-family residential............	2,463	20,130
Commercial real estate.............	93,876	82,591
Total.............................	171,376	197,362
Loan portfolio.........................	2,666	227
Loans available for sale portfolio.....	4,307	3,962
	$ 178,349	$ 201,551

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

	Three Months		Nine Months	
For the periods ended September 30,	1999	1998	1999	1998
	(Dollars in thousands)			
Balance at beginning of period (1)..........	$ 17,260	$ 11,204	$ 15,325	$ 12,346
Provision for loss in fair value...........	6,494	6,682	21,334	12,561
Charge-offs and sales.......................	(5,374)	(3,620)	(18,279)	(10,641)
Balance at end of period (1)...............	$ 18,380	$ 14,266	$ 18,380	$ 14,266

(1) The valuation allowance as a percentage of total real estate owned was 9.34% at September 30, 1999 as compared to 7.07% at December 31, 1998, and 7.75% at September 30, 1998.

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

	Three months ended September 30,			
	1999		1998	
	Amount	No. of Properties	Amount	No. of Properties
	(Dollars in thousands)			
Balance at beginning of period	$ 183,162	1,866	$ 151,607	1,647
Properties acquired through foreclosure or deed-in-lieu thereof:				
Discount loans	50,987	617	104,088	1,012
Loans available for sale	3,100	38	2,413	30
Less discount transferred	(17,027)	--	(29,955)	--
	37,060	655	76,546	1,042
Acquired in connection with acquisitions of discount loans	6,358	93	3,798	52
Sales	(47,111)	(920)	(59,169)	(729)
Increase in allowance	(1,120)	--	(3,062)	--
Balance at end of period	$ 178,349	1,694	$ 169,720	2,012

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	Nine months ended September 30,			
	1999		1998	
	Amount	No. of Properties	Amount	No. of Properties
	(Dollars in thousands)			
Balance at beginning of period	$ 201,551	1,999	$ 167,265	1,505
Properties acquired through foreclosure or deed-in-lieu thereof:				
Discount loans	159,149	1,787	253,295	2,335
Loans available for sale	10,201	129	5,156	50
Loan portfolio	2,572	4		--
Less discount transferred	(51,330)	--	(75,877)	
	120,592	1,920	182,574	2,385
Acquired in connection with acquisitions of discount loans	37,848	668	14,850	240
Sales	(178,587)	(2,893)	(193,049)	(2,118)
Increase in allowance	(3,055)	--	(1,920)	--
Balance at end of period	$ 178,349	1,694	$ 169,720	2,012

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

	September 30, 1999		December 31, 1998	
	Amount	%	Amount	%
	(Dollars in thousands)			
One to two months.................	$ 30,306	17.0%	$ 38,444	19.1%
Three to four months..............	16,887	9.4	79,264	39.3
Five to six months................	10,086	5.7	27,115	13.4
Seven to twelve months............	82,419	46.2	26,122	13.0
Over twelve months................	38,651	21.7	30,606	15.2
	$ 178,349	100.0%	$ 201,551	100.0%

The following table sets forth certain geographical information by type of property at September 30, 1999 related to the Company's real estate owned.

	Single family Residential		Multi-family Residential and Commercial		Total	
	Amount	No. of Properties	Amount	No. of Properties	Amount	No. of Properties
	(Dollars in thousands)					
Florida..................	$ 4,987	94	$ 49,836	11	$ 54,823	105
California...............	14,811	263	6,728	6	21,539	269
Connecticut..............	4,785	82	12,908	2	17,693	84
Georgia..................	2,263	30	14,571	2	16,834	32
Pennsylvania.............	4,760	141	3,366	5	8,126	146
Other (1)................	48,536	1,032	10,798	26	59,334	1,058
Total.................	$ 80,142	1,642	$ 98,207	52	$ 178,349	1,694

(1) Consists of properties located in 45 other states, none of which aggregated over $6.6 million in any one state.

DEPOSITS. Deposits decreased $398.4 million or 18% from December 31, 1998. The decrease in deposits during the nine months ended September 30, 1999 was primarily the result of a $252.6 million decrease in brokered deposits obtained through national investment banking firms which solicit deposits from their customers, a $103.4 million decrease in deposits obtained through direct solicitation and marketing efforts to regional and local investment banking firms, institutional investors and high net worth individuals and a $40.7 million decrease in escrow deposits. Brokered deposits obtained through national investment banking firms amounted to $1.23 billion at September 30, 1999, as compared to $1.48 billion at December 31,1998. Deposits obtained through direct solicitation and marketing amounted to $274.0 million at September 30, 1999, as compared to $377.4 million at December 31, 1998. At September 30, 1999, the Company had $156.9 million of certificates of deposit in amounts of $100,000 or more, including $77.5 million of deposits of states and political subdivisions in the U.S. which are secured or collateralized as required under state law. See "- Liquidity, Commitments and Off-Balance Sheet Risks" below.

NOTES, DEBENTURES AND OTHER INTEREST-BEARING OBLIGATIONS. Notes and debentures outstanding at the dates indicated, mature as follows.

	September 30, 1999	December 31, 1998
2003:		
11.875% Notes due October 1...........................	$ 125,000	$ 125,000
2004:		
Loan payable due May 24 (LIBOR plus 150 basis points).	6,396	--
2005:		
12% Subordinated Debentures due June 15..............	90,560	100,000
	$ 221,956	$ 225,000

(1) On February 9, 1999, the Company repurchased $2.0 million of its 12% Subordinated Debentures at par. On September 29, 1999, the Company repurchased $7.4 million of its 12% Subordinated Debentures at below par, resulting in an extraordinary gain of $0.4 million ($0.3 million net of taxes).

OBLIGATIONS OUTSTANDING UNDER LINES OF CREDIT. Obligations outstanding under lines of credit amounted to $49.8 million at September 30, 1999, a decrease of $129.4 million from December 31, 1998. The decrease is primarily the result of the sale of Ocwen UK and shutdown of operations at OFS. Lines of credit have been utilized primarily to finance subprime lending.

The Company's lines of credit obtained through its subsidiaries are summarized as follows:

Entity	Balance Outstanding at 9/30/99	Amount of Facility	Committed Amount	Maturity Date	Interest Rate
	(Dollars in thousands)				
OFS (1)........	$ 5,470	$ 200,000	$ 100,000	July 2001	LIBOR + 75 basis points
	11,303	115,000	100,000	May 2000	LIBOR + 95 - 150 basis points
	21,287	50,000	50,000	May 2000	LIBOR + 137.5 basis points
	9,186	25,000	--	May 2000	LIBOR + 175 basis points
IMI (2)	2,603	Lesser of $15,000 or 60% of market value of collateral	N/A	N/A	LIBOR + 150 basis points
Total	$ 49,849				

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Entity	Balance Outstanding at 12/31/98	Amount of Facility	Committed Amount	Maturity Date	Interest Rate
	(Dollars in thousands)				
OFS (1)........	$ 8,321	$ 200,000	$ 100,000	July 2001	LIBOR + 75 basis points
	--	100,000	--	March 1999	LIBOR + 75 basis points
	9,757	185,000	100,000	April 1999	LIBOR + 60 basis points
	30,666	50,000	50,000	May 1999	LIBOR + 112 basis points
	2,276	20,000	--	month to month	LIBOR + 250 basis points
	8,472	15,000	--	April 1999	LIBOR + 150 basis points
IMI (2)	2,477	Lesser of $15,000 or 60% of market value of collateral	N/A	N/A	LIBOR + 150 basis points
Ocwen UK (1)...	92,753	160,818	68,065	April 1999	LIBOR + 87.5 basis points
	24,563	124,478	99,914	November 1999	LIBOR + 80 basis points
Total	$ 179,285				

(1) These lines are used to fund subprime mortgage loan originations and are generally advanced at a rate of 80% to 90% of the principal balance of the mortgage loan and are secured by such mortgage loans.

(2) Line is collateralized by the shares held by the Company in OAC.

For additional information regarding lines of credit, see "Liquidity, Commitments and Off-Balance Sheet Risks."

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

For the three and nine months ended September 30, 1998 and 1999, the Company recorded $3.4 million and $10.2 million, respectively, of distributions to holders of the Capital Securities. See Note 4 to the Interim Consolidated Financial Statements included in Item 1 hereof.

STOCKHOLDERS' EQUITY. Stockholders' equity increased $1.0 million during the nine months ended September 30, 1999. The increase in stockholders' equity during this period was primarily attributable to $18.6 million of net income and a $0.8 million decline in unrealized foreign currency translation loss, offset by a $13.1 million decrease in unrealized gains on securities available for sale and $5.3 million of repurchases of common stock. Through September 30, 1999, the Company had repurchased 690,800 shares of its common stock. See the Consolidated Statements of Changes in Stockholders' Equity in the Interim Consolidated Financial Statements included in Item 1 hereof.

LIQUIDITY, COMMITMENTS AND OFF-BALANCE SHEET RISKS

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

Sources of liquidity include certificates of deposit obtained primarily from wholesale sources. At September 30, 1999, the Company had $1.57 billion of certificates of deposit, including $1.23 billion of brokered certificates deposit obtained through national investment banking firms, all of which are non-cancelable. At the same date scheduled maturities of certificates of deposit during the 12 months ending September 30, 2000 and 2001 and thereafter, amounted to $737.3 million, $377.0 million and $457.2 million, respectively. Brokered and other wholesale deposits generally are more responsive to changes in interest rates than core deposits and, thus, are more likely to be withdrawn from the Company upon maturity as changes in interest rates and other factors are perceived by investors to make other investments more attractive. Management of the Company believes that it can adjust the rates paid on certificates of deposit to retain deposits in changing interest rate environments, and that brokered and other wholesale deposits can be both a relatively cost-effective and stable source of funds. There can be no assurance that this will continue to be the case in the future, however.

Sources of borrowings include FHLB advances, which are required to be secured by single family and/or multi-family residential loans or other acceptable collateral, and reverse repurchase agreements. At September 30, 1999, the Company was eligible to borrow up to an aggregate of $565.4 million from the FHLB of New York (subject to the availability of acceptable collateral) and had $10.7 million of residential loans and $54.5 million of short duration CMO's (all of which were held by the Bank) pledged as security for any such advances. At September 30, 1999 the Company had contractual relationships with 12 brokerage firms and the FHLB of New York pursuant to which it could obtain funds from reverse repurchase agreements. At September 30, 1999, the Company had unrestricted cash and equivalents of $218.8 million (including $72.8 million held at the Bank), $381.8 million of short duration CMOs (all of which were held by the Bank), and $55.9 million of subordinate and residual mortgage- backed securities that could be used to secure additional borrowings.

The Company believes that its existing sources of liquidity, including internally generated funds, will be adequate to fund planned activities for the foreseeable future, although there can be no assurances in this regard. Moreover, the Company continues to evaluate other sources of liquidity, such as lines of credit from unaffiliated parties, which will enhance the management of its liquidity and the costs thereof.

The Company's operating activities used cash flows of $188.5 million and provided cash flows of $272.1 million during the nine months ended September 30, 1999 and 1998, respectively. During the foregoing periods, cash flows from operating activities were provided primarily by proceeds from sales of loans available for sale, and cash resources were used primarily to purchase and originate loans available for sale.

The Company's investing activities provided cash flows totaling $178.8 million and used cash flows totaling $423.6 million during the nine months ended September 30, 1999 and 1998, respectively. During the foregoing periods, cash flows from investing activities were provided primarily from the sale of Ocwen UK (for $122.1 million cash) on September 30, 1999, principal payments on and sales of discount loans and loans held for investment, maturities and principal payments on securities available for sale and proceeds from sales of real estate owned. Cash flows from investing activities were primarily utilized to acquire subsidiaries, to purchase and originate discount loans and loans held for investment and purchase securities available for sale.

The Company's financing activities used cash flows of $179.0 million and provided cash flows totaling $257.1 million during the nine months ended September 30, 1999 and 1998, respectively. During the foregoing periods cash flows attributed to financing activities related primarily to the issuance of obligations under lines of credit, as well as changes in deposits and securities sold under agreements to repurchase.

The Bank is required under applicable federal regulations to maintain specified levels of "liquid" investments in qualifying types of U.S. Government, federal agency and other investments having maturities of five years or less. Current OTS regulations require that a savings association maintain liquid assets of not less than 4% of its average daily balance of net withdrawable deposit accounts and borrowings payable in one year or less. Monetary penalties may be imposed for failure to meet applicable liquidity requirements. The Bank's liquidity, as measured for regulatory purposes, amounted to 9.86% at September 30, 1999.

The Bank's ability to make capital distributions pursuant to the OTS capital distribution regulations is limited by the regulatory capital levels which it has committed to the OTS it would maintain, commencing on June 30, 1997. As a result of an agreement between the Company and the OTS to dividend subordinate and residual mortgage-related securities resulting from securitization activities conducted by the Bank, the Bank may be limited in its ability to pay cash dividends to the Company. The Bank held no subordinate or residual mortgage-related securities at September 30, 1999. See "Regulatory Capital Requirements". In addition to the foregoing OTS limitations, there are certain contractual restrictions on the Bank's ability to pay dividends as set forth in the indenture governing the Bank's 12% Debentures. See Note 6 to the Interim Consolidated Financial Statements included in Item 1 hereof. Future cash dividends also depend on future operating results of the Bank.

At September 30, 1999, the Company had $4.9 million of commitments to fund loans secured by multi-family residential buildings. Management of the Company believes that the Company has adequate resources to fund all of its commitments to the extent required and that substantially all of such commitments will be funded during 1999. See Note 7 to the Interim Consolidated Financial Statements included in Item 1 hereof.

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

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

REGULATORY CAPITAL REQUIREMENTS

Federally-insured institutions such as the Bank are required to maintain minimum levels of regulatory capital. These standards generally must be as stringent as the comparable capital requirements imposed on national banks. In addition to regulatory capital requirements of general applicability, a federally-chartered savings association such as the Bank may be required to meet individual minimum capital requirements established by the OTS on a case-by-case basis upon a determination that a savings association's capital is or may become inadequate in view of its circumstances.

Following an examination 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 as well as the regulatory capital requirements of general applicability, as indicated in Note 6 to the Interim Consolidated Financial Statements included in Item 1. 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.

Although the above individual regulatory capital requirements have been agreed to by the OTS, there can be no assurance that in the future the OTS will agree to a decrease in such requirements or will not seek to increase such requirements or will not impose these or other individual regulatory capital requirements in a manner which affects the Bank's status as a "well-capitalized" institution under applicable laws and regulations.

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RECENT ACCOUNTING DEVELOPMENTS

For information relating to the effects on the Company of the adoption of recent accounting standards see Note 2 to the Interim Consolidated Financial Statements in Item 1 hereof.

YEAR 2000 DATE CONVERSION

The Company is in the process of establishing the readiness of its computer systems and applications for the year 2000 with the objective of having no effect on customers or disruption to business operations. The Company has established a project plan to achieve year 2000 readiness of its mission critical and non-mission critical systems, including hardware infrastructure and software applications. The project plan has a budget of approximately $2.0 million and is divided into six phases: identification, evaluation, remediation, validation, risk assessment and contingency planning. During 1998, the Company substantially completed the systems identification and evaluation phases of the project as well as remediation and validation of its mission critical systems.

As of September 30, 1999, the Company had expended approximately 113% of budgeted man-hours and incurred costs of approximately $2.1 million, which included approximately $309,000 for Year 2000 testing tools, additional hardware, and outside consulting assistance, while the remainder consisted of labor and overhead expense from within the Company.

In its systems evaluation and validation efforts, the Company has employed automated testing tools that are designed to assist the Company in testing its software for compliance with guidelines established by the Federal Financial Institution Examination Council ("FFIEC") as required by the OTS. All new application development will include year 2000 readiness validation prior to implementation, followed by such end-to-end testing as may be necessary. During 1999 the Company is focusing on any remaining validation tasks, including remediation and validation of its non-mission critical systems and end-to-end testing with third parties.

As part of the identification and evaluation phases of the project, the Company documented critical operating functions within each business unit, as well as strategic third-party and vendor relationships. These efforts also serve as the basis of the Company's year 2000 risk assessment and contingency planning efforts. The Company brought in a business continuity expert to prepare contingency plans and assist with the testing and validation of these plans. The business continuity expert reviewed the Company's year 2000 customer disclosure, mission critical systems testing results, critical vendor listings, software and hardware inventories, and disaster recovery plans for critical business units. On the basis of this review, the business continuity expert built a Company intranet business continuity template and database, established roles and responsibilities for key personnel in the business continuity plan, and informed the Company that its year 2000 posture was sound and conformed to FFIEC requirements. The Company plans to conduct simulations of its business continuity plan in November 1999. However, because it is not possible to foresee all of the problems that may arise as a result of year 2000 issues, the Company believes that there can be no assurance that all contingencies have been adequately addressed by the business continuity plan.

Because the Company has validated the year 2000 readiness of its mission critical systems and has developed business continuity plans to accommodate unforeseen disruptions, the Company believes that its most reasonably likely worst case year 2000 scenarios are characterized by potential failures of non-critical vendor or customer computer systems or end-to-end disruptions involving as yet unidentified, and hence untested, third-party systems and records stored on those systems. The Company could experience disruptions across all business segments as a result of year 2000 systems failures at government agencies, utilities, telecommunications providers, couriers and financial services vendors, among others. Concerning specific Company business functions, data acquired from third parties might contain year 2000 incompatible components, which could impact the timeliness of third-party loan servicing functions such as payment processing or loan resolution. In addition, loans acquired by the Company could experience increased borrower or tenant defaults stemming from year 2000 related business shortfalls, dislocations or delays. Such risks could also impact the value of the Company's portfolio of mortgage-backed securities, as these are dependent upon the underlying pool of mortgage loans. There can be no assurance that such risks, if realized individually or collectively, would not have a material adverse effect on the Company's business, results of operations or financial condition.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

ASSET AND LIABILITY MANAGEMENT

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

The Asset/Liability Committee is authorized to utilize a wide variety of off-balance sheet financial techniques to assist it in the management of interest rate risk. These techniques include interest rate exchange or swap agreements, Eurodollar and U.S. Treasury interest rate futures contracts and foreign currency swap agreements.

INTEREST RATE RISK MANAGEMENT. Under interest rate swap agreements, the parties exchange the difference between fixed-rate and floating-rate interest payments on a specified principal amount (referred to as the "notional amount") for a specified period without the exchange of the underlying principal amount. Interest rate exchange agreements are utilized by the Company to protect against the decrease in value of a fixed-rate asset or the increase in borrowing cost from a short-term, fixed-rate liability, such as reverse repurchase agreements, in an increasing interest-rate environment. At and for the nine months ended September 30, 1999, the Company had no outstanding interest rate exchange agreements. Interest rate exchange agreements had the effect of decreasing the Company's net interest income by $31,000 and $100,000 during the three and nine months ended September 30, 1998, respectively.

The Company also enters into interest rate futures contracts, which are commitments to either purchase or sell designated financial instruments at a future date for a specified price and may be settled in cash or through delivery. Eurodollar futures contracts have been sold by the Company to hedge the repricing or maturity risk of certain short duration mortgage-related securities, and U.S. Treasury futures contracts have been sold by the Company to offset declines in the market value of its fixed-rate loans and certain fixed-rate mortgage-backed and related securities available for sale in the event of an increasing interest rate environment. The Company had no outstanding interest rate futures and Eurodollar futures contracts outstanding at and for the nine months ended September 30, 1999. Futures contracts had the effect of decreasing the Company's net interest income by $49,000 during the nine months ended September 30, 1998. See Note 5 to the Interim Consolidated Financial Statements included in Item 1 hereof.

During the nine months ended September 30, 1999, the Company entered into swaption and put option contracts to hedge its interest rate exposure on certain of its investments in low-income housing tax credit interests. Swaption contracts are options to enter into an interest rate swap agreement at a future date at a specific interest rate. A European put option allows the Company to sell a specified quantity of an asset at a specified price at a specific date. See Note 5 to the Interim Consolidated Financial Statement included in Item 1 hereof.

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

The following table sets forth the estimated maturity or repricing of the Company's interest-earning assets and interest-bearing liabilities at September 30, 1999. The amounts of assets and liabilities shown within a particular period were determined in accordance with the contractual terms of the assets and liabilities, except (i) adjustable-rate loans, performing discount loans, securities and FHLB advances are included in the period in which they are first scheduled to adjust and not in the period in which they mature, (ii) fixed-rate mortgage-related securities reflect estimated prepayments, which were estimated based on analyses of broker estimates, the results of a prepayment model utilized by the Company and empirical data, (iii) non-performing discount loans reflect the estimated timing of resolutions which result in repayment to the Company, (iv) fixed-rate loans reflect scheduled contractual amortization, with no estimated prepayments, (v) NOW and money market checking deposits and savings deposits, which do not have contractual maturities, reflect estimated levels of attrition, which are based on detailed studies of each such category of deposit by the Company, and (vi) escrow deposits and other non-interest bearing checking accounts, which amounted to $181.6 million at September 30, 1999, are excluded. Management believes that these assumptions approximate actual experience and considers them reasonable; however, the interest rate sensitivity of the Company's assets and liabilities in the table could vary substantially if different assumptions were used or actual experience differs from the historical experience on which the assumptions are based.

	September 30, 1999				
	Within Three Months	Four to Twelve Months	More than One Year to Three Years	Three Years and Over	Total
	(Dollars in thousands)				
Rate-Sensitive Assets:					
Interest-earning deposits	$ 161,991	$ --	$ --	$ --	$ 161,991
Securities available for sale	230,836	186,415	73,213	55,334	545,798
Loans available for sale (1)	15,247	23,193	11,278	17,111	66,829
Investment securities, net	--	--	--	10,825	10,825
Loan portfolio, net (1)	31,071	47,524	32,694	15,737	127,026
Discount loan portfolio, net	97,559	371,680	287,912	217,321	974,472
Total rate-sensitive assets	536,704	628,812	405,097	316,328	1,886,941
Rate-Sensitive Liabilities:					
NOW and money market checking deposits	6,481	2,405	4,783	8,825	22,494
Savings deposits	75	200	396	781	1,452
Certificates of deposit	263,136	475,994	678,277	153,699	1,571,106
Total interest-bearing deposits	269,692	478,599	683,456	163,305	1,595,052
Securities sold under agreements to repurchase	109,383	--	--	--	109,383
Obligations outstanding under lines of credit	49,849	--	--	--	49,849
Notes and debentures	6,396	--	--	215,560	221,956
Total rate-sensitive liabilities	435,320	478,599	683,456	378,865	1,976,240
Interest rate sensitivity gap before off-balance sheet financial instruments	101,384	150,213	(278,359)	(62,537)	(89,299)
Financial Instruments:					
Swaptions and put option contracts	144	403	--	--	547
Interest rate sensitivity gap	$ 101,528	$ 150,616	$ (278,359)	$ (62,537)	$ (88,752)
Cumulative interest rate sensitivity gap	$ 101,528	$ 252,144	$ (26,215)	$ (88,752)	
Cumulative interest rate sensitivity gap as a percentage of total rate-sensitive assets	5.38%	13.36%	(1.39)%	(4.70)%	

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

Although the interest rate sensitivity gap analysis is a useful measurement and contributes toward effective asset and liability management, it is difficult to predict the effect of changing interest rates based solely on that measure. 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 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 minimum NPV Ratio for each of the seven rate shock scenarios and the corresponding limits approved by the Board of Directors of the Bank, is as follows at September 30, 1999.

Rate Shock (in basis points)	Board Limits (minimum NPV Ratios)	Current NPV Ratios
+300	5.00%	20.30%
+200	6.00	20.41
+100	7.00	20.46
0	8.00	20.42
-100	7.00	20.35
-200	6.00	20.28
-300	5.00	20.23

The Asset/Liability Committee also regularly reviews interest rate risk by forecasting the impact of alternative interest rate environments on net interest income and NPV, and evaluating such impacts against the maximum potential changes in net interest income and NPV that is authorized by the Board of Directors of the Bank. The following table quantifies the potential changes in net interest income and NPV should interest rates go up or down (shocked) 300 basis points, assuming the yield curves of the rate shocks will be parallel to each other. The cash flows associated with the loan portfolios and securities available for sale are calculated based on prepayment and default rates that vary by asset. Projected losses, as well as prepayments, are generated based upon the actual experience with the subject pool, as well as similar, more seasoned pools. To the extent available, loan characteristics such as loan-to-value ratio, interest rate, credit history, prepayment penalty terms and product types are used to produce the projected loss and prepayment assumptions that are included in the cash flow projections of the securities. When interest rates are shocked, these projected loss and prepayment assumptions are further adjusted. For example, under current market conditions, a 100 basis point decline in the market interest rate is estimated to result in a 200 basis point increase in the prepayment rate of a typical subprime residential loan. Most commercial and multi-family loans are not subject to prepayments as a result of prepayment penalties and contractual terms which prohibit prepayments during specified periods. However, for those commercial and multi-family loans where prepayments are not currently precluded by contract, declines in interest rates are associated with steep increases in prepayment speeds in computing cash flows. A risk premium is then calculated for each asset, which, when added to the interest rate being modeled, results in a matrix of discount rates that are applied to the cash flows computed by the model. The base interest rate scenario assumes interest rates at September 30, 1999. Actual results could differ significantly from those estimated in the table.

Change in interest Rates (Rate shock in basis points)	Estimated Changes in Net Interest	Estimated Changes in NPV
+300	16.96%	(4.33)%
+200	11.31	(2.53)
+100	5.65	(0.99)
0	--	--
-100	(5.65)	0.87
-200	(11.31)	1.70
-300	(16.96)	2.59

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

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

FOREIGN CURRENCY EXCHANGE RATE RISK MANAGEMENT. The Company uses foreign currency derivatives to hedge its equity investment in Ocwen UK and Kensington ("net investment hedges"). The Company's exposure to foreign currency exchange rates exists with the British Pound versus the U.S. dollar. It is the Company's policy to periodically adjust the amount of foreign currency derivative contracts it has entered into in response to changes in its recorded equity investment in these foreign entities.

The Company entered into a foreign currency swap with a AAA-rated counterparty and sold short foreign currency futures contracts to hedge its equity investment in Kensington. See Note 5 to the Interim Consolidated Financial Statements included in Item 1 hereof.

Prior to the sale of Ocwen UK, the Company sold short foreign currency futures to hedge its foreign currency exposure related to its equity investment in Ocwen UK. During the first quarter of 1999, the Company increased its derivative hedging instruments to include its foreign currency exposure resulting from the unrealized gain on securities available for sale related to Ocwen UK. The value of the currency futures is based on quoted market prices. See Note 5 to the Interim Consolidated Financial Statements included in Item 1 hereof.

The Company's net investment hedges (currency futures and swaps) and related foreign currency equity investments and net exposures as of September 30, 1999 and December 31, 1998 were as follows.

	Equity Investment	Net Hedges	Net Exposure
	(Dollars in thousands)		
SEPTEMBER 30, 1999:			
Ocwen UK (1)...............	$ --	$ 111,642	$ 111,642
Kensington.................	$ 39,923	$ 48,208	$ 8,285
DECEMBER 31, 1998:			
Ocwen UK (1)...............	$ 53,436	$ 43,828	$ (9,608)
Kensington.................	$ 46,586	$ 45,093	$ (1,493)

(1) Equity investment in Ocwen UK excludes unrealized gains on securities available for sale. The Company sold its investment in Ocwen UK on September 30, 1999. These currency futures were closed in October 1999.

The net exposures are subject to gain or loss if foreign currency exchange rates fluctuate.

Additional information required by this Item appears in Note 5 to the Interim Consolidated Financial Statements included in Item 1 hereof, and is incorporated herein by reference.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

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FORWARD-LOOKING STATEMENTS

CERTAIN STATEMENTS CONTAINED HEREIN ARE NOT, AND CERTAIN STATEMENTS CONTAINED IN FUTURE FILINGS BY THE COMPANY WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "COMMISSION"), IN THE COMPANY'S PRESS RELEASES OR IN THE COMPANY'S OTHER PUBLIC OR SHAREHOLDER COMMUNICATIONS MAY NOT BE BASED ON HISTORICAL FACTS AND ARE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED, AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THESE FORWARD-LOOKING STATEMENTS, WHICH ARE BASED ON VARIOUS ASSUMPTIONS (SOME OF WHICH ARE BEYOND THE COMPANY'S CONTROL), MAY BE IDENTIFIED BY REFERENCE TO A FUTURE PERIOD(S) OR BY THE USE OF FORWARD-LOOKING TERMINOLOGY SUCH AS "ANTICIPATE," "BELIEVE," "COMMITMENT," "CONSIDER," "CONTINUE," "COULD," "ENCOURAGE," "ESTIMATE," "EXPECT," "FORESEE," "INTEND," "IN THE EVENT OF," "MAY," "PLAN," "PRESENT," "PROPOSE," "PROSPECT," "UPDATE," "WHETHER," "WILL," "WOULD," FUTURE OR CONDITIONAL VERB TENSES, SIMILAR TERMS, VARIATIONS ON SUCH TERMS OR NEGATIVES OF SUCH TERMS. ALTHOUGH THE COMPANY BELIEVES THE ANTICIPATED RESULTS OR OTHER EXPECTATIONS REFLECTED IN SUCH FORWARD-LOOKING STATEMENTS ARE BASED ON REASONABLE ASSUMPTIONS, IT CAN GIVE NO ASSURANCE THAT THOSE RESULTS OR EXPECTATIONS WILL BE ATTAINED. ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE INDICATED IN SUCH STATEMENTS DUE TO RISKS, UNCERTAINTIES AND CHANGES WITH RESPECT TO A VARIETY OF FACTORS, INCLUDING, BUT NOT LIMITED TO, INTERNATIONAL, NATIONAL, REGIONAL OR LOCAL ECONOMIC ENVIRONMENTS (PARTICULARLY IN THE MARKET AREAS WHERE THE COMPANY OPERATES), GOVERNMENT FISCAL AND MONETARY POLICIES (PARTICULARLY IN THE MARKET AREAS WHERE THE COMPANY OPERATES), PREVAILING INTEREST OR CURRENCY EXCHANGE RATES, EFFECTIVENESS OF INTEREST RATE, CURRENCY AND OTHER HEDGING STRATEGIES, LAWS AND REGULATIONS AFFECTING FINANCIAL INSTITUTIONS, REAL ESTATE INVESTMENT TRUSTS, INVESTMENT COMPANIES AND REAL ESTATE (INCLUDING REGULATORY FEES, CAPITAL REQUIREMENTS, INCOME AND PROPERTY TAXATION, ACCESS FOR DISABLED PERSONS AND ENVIRONMENTAL COMPLIANCE), UNCERTAINTY OF FOREIGN LAWS, COMPETITIVE PRODUCTS, PRICING AND CONDITIONS (INCLUDING FROM COMPETITORS THAT HAVE SIGNIFICANTLY GREATER RESOURCES THAN THE COMPANY), CREDIT, PREPAYMENT, BASIS, DEFAULT, SUBORDINATION AND ASSET/LIABILITY RISKS, LOAN SERVICING EFFECTIVENESS, ABILITY TO IDENTIFY ACQUISITIONS AND INVESTMENT OPPORTUNITIES MEETING THE COMPANY'S INVESTMENT STRATEGY, COURSE OF NEGOTIATIONS AND ABILITY TO REACH AGREEMENT WITH RESPECT TO MATERIAL TERMS OF ANY PARTICULAR TRANSACTION, SATISFACTORY DUE DILIGENCE RESULTS, SATISFACTION OR FULFILLMENT OF AGREED UPON TERMS AND CONDITIONS OF CLOSING OR PERFORMANCE, TIMING OF TRANSACTION CLOSINGS, RECENT EFFORTS TO REFOCUS ON CORE BUSINESSES AND INCREASE LIQUIDITY, DISPOSITIONS AND WINDING DOWN OF DISCONTINUED BUSINESSES, ACQUISITIONS AND INTEGRATION OF ACQUIRED BUSINESSES, SOFTWARE INTEGRATION, DEVELOPMENT AND LICENSING, AVAILABILITY OF AND COSTS ASSOCIATED WITH OBTAINING ADEQUATE AND TIMELY SOURCES OF LIQUIDITY, DEPENDENCE ON EXISTING SOURCES OF FUNDING, 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 AND TO SECURITIZE WHOLE LOANS, TAXABLE INCOME EXCEEDING CASH FLOW, AVAILABILITY OF DISCOUNT LOANS FOR PURCHASE, SIZE OF, NATURE OF AND YIELDS AVAILABLE WITH RESPECT TO THE SECONDARY MARKET FOR MORTGAGE LOANS AND FINANCIAL, SECURITIES AND SECURITIZATION MARKETS IN GENERAL, 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, KNOWN OR UNKNOWN ENVIRONMENTAL CONDITIONS, YEAR 2000 COMPLIANCE, OTHER FACTORS GENERALLY UNDERSTOOD TO AFFECT THE REAL ESTATE ACQUISITION, MORTGAGE AND LEASING MARKETS, SECURITIES INVESTMENTS AND RAPID GROWTH COMPANIES, AND OTHER RISKS DETAILED FROM TIME TO TIME IN THE COMPANY'S REPORTS AND FILINGS WITH THE COMMISSION, INCLUDING ITS REGISTRATION STATEMENTS ON FORMS S-1 AND S-3 AND PERIODIC REPORTS ON FORMS 10-Q, 8-K AND 10-K. SPECIFIC REFERENCE IS MADE TO EXHIBIT 99. 1, FILED HEREWITH, FOR A DESCRIPTION OF MATERIAL RISKS FACED BY THE COMPANY AND ITS SECURITIES HOLDERS. GIVEN THESE UNCERTAINTIES, READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON SUCH STATEMENTS. THE COMPANY DOES NOT UNDERTAKE, AND SPECIFICALLY DISCLAIMS ANY OBLIGATION, TO PUBLICLY RELEASE THE RESULT 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 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

3.1	Amended and Restated Articles of Incorporation (1)
3.2	Amended and Restated Bylaws (2)
4.0	Form of Certificate of Common Stock (1)
4.1	Form of Indenture between the Company and Bank One, Columbus, NA as Trustee (1)
4.2	Form of Note due 2003 (included in Exhibit 4.1) (1)
4.3	Certificate of Trust of Ocwen Capital Trust I (3)
4.4	Amended and Restated Declaration of Trust of Ocwen Capital Trust I (3)
4.5	Form of Capital Security of Ocwen Capital Trust I (4)
4.6	Form of Indenture relating to 10 7/8% Junior Subordinated Debentures due 2027 of the Company (3)
4.7	Form of 10 7/8% Junior Subordinated Debentures due 2027 of the Company (4)
4.8	Form of Guarantee of the Company relating to the Capital Securities of Ocwen Capital Trust I (3)
4.9	Form of Indenture between the Company and The Bank of New York as Trustee (5)
4.10	Form of Subordinated Debentures due 2005 (5)
10.1	Ocwen Financial Corporation 1991 Non-Qualified Stock Option Plan, as amended (6)
10.2	Annual Incentive Plan (1)
10.3	Ocwen Financial Corporation 1996 Stock Plan for Directors, as amended (7)
10.4	Ocwen Financial Corporation 1998 Annual Incentive Plan (7)
10.5	Ocwen Financial Corporation Long-Term Incentive Plan (7)
10.6	Loan Facility Agreement dated April 23, 1999 between Ocwen Limited, National Westminster Bank plc, and Ocwen Financial Corporation (8)
10.7	Agreement of Merger dated as of July 25, 1999 among Ocwen Financial Corporation, Ocwen Asset Investment Corp. and Ocwen Acquisition Company (9)
27.1	Financial Data Schedule-For the three months ended September 30, 1999 (filed herewith)
99.1	Risk factors (8)

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(1) Incorporated by reference to 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.

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

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

(4) Incorporated by reference to similarly described exhibit included with Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997.

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

(6) Incorporated by reference to 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.

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

(8) Incorporated by reference to the similarly described exhibit filed in connection with the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999.

(9) Incorporated by reference to the similarly described exhibit included with the Registrant's current report on Form 8-K filed with the Commission on July 26, 1999.

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

(b) Reports on Form 8-K, filed during the quarter ended September 30, 1999.

(1) A Form 8-K was filed by the Company on July 26, 1999 which contained a news release announcing the signing of a definitive agreement with Ocwen Asset Investment Corp ("OAC") that contemplates that OAC would merge with an indirect subsidiary of the Company. The Form 8-K also contained the Agreement of Merger dated July 25, 1999 among the Company, Ocwen Acquisition Company and OAC.

(2) A Form 8-K was filed by the Company on August 12, 1999 which contained a news release announcing its financial results for the second quarter of 1999.

(3) A Form 8-K was filed by the Company on August 19, 1999 which contained a news release announcing the setting of the record and meeting dates of shareholders relating to the proposed acquisition of OAC by the Company.

SIGNATURE

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

Ocwen Financial Corporation

By: /s/ MARK S. ZEIDMAN

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

Date: November 15, 1999

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM OCWEN FINANCIAL CORPORATION'S CONSOLIDATED STATEMENT OF FINANCIAL CONDITION AND STATEMENT OF OPERATIONS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS FROM ITS FILING ON FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998.

0000873860
OCWEN FINANCIAL CORP.
1,000
USD

9-MOS
DEC-31-1999
JAN-01-1999
SEP-30-1999
1
94,517
161,991
0
0
545,798
10,825
10,825
1,168,327
25,813
2,801,441
1,776,646
159,232
81,127
221,956
0
0
608
436,786
2,801,441
128,952
49,736
6,412
185,100
75,166
113,423
71,677
5,188
4,486
171,577
27,405
18,307
253
0
18,560
0.31
0.31
11.03
585,722
0
0
0
26,330
6,031
326
25,813
25,813
0
0

Includes Loans Available for Sale of $66,829, Loan Portfolio of $127,026, and Discount Loan Portfolio of $974,472.

Includes Allowance for Loan Losses on Loan Portfolio of $5,491 and on the Discount Loan Portfolio of $20,322.

Includes Securities sold under agreements to repurchase of $109,383 and Obligations outstanding under lines of credit of $49,849.

Includes Interest Income on Loans Available for Sale of $25,376, Loan Portfolio of $18,985, and Discount Loans of $84,591.

Includes Non-interest expense of $151,898 and Distributions on Company obligated, Mandatorily Redeemable Securities of Subsidiary Trust Holding Solely Junior Subordinated Debentures of the Company of $10,196, and Equity in Losses of Investment in Unconsolidated Entities of $9,483.