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 March 31, 1997

OR

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

Commission File No. 0-21341

Ocwen Financial Corporation

(Exact name of registrant as specified in its charter)

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

The Forum, Suite 1000
1675 Palm Beach Lakes Boulevard, West Palm Beach, Florida 33401

(Address of principal executive offices) (Zip Code)

(561) 681-8000

(Registrant's telephone number, including area code)

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

Number of shares of Common Stock, $.01 par value, outstanding at the close of business on May 14,1997: 26,799,511.

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)

	March 31, 1997	December 31, 1996
Assets		
Cash and amounts due from depository institutions	$ 8,966	$ 6,878
Interest bearing deposits	8,802	13,341
Federal funds sold and repurchase agreements	99,000	32,000
Securities held for trading	--	75,606
Securities available for sale, at market value	348,066	354,005
Loans available for sale, at lower of cost or market	88,511	126,366
Investment securities, net	11,201	8,901
Loan portfolio, net	422,232	402,582
Discount loan portfolio, net	1,280,972	1,060,953
Principal, interest and dividends receivable	13,566	16,821
Investments in low income housing tax credit interests	99,924	93,309
Investment in joint ventures	33,367	67,909
Real estate owned, net	98,466	103,704
Investment in real estate	46,132	41,033
Premises and equipment, net	15,518	14,619
Income taxes receivable	14,625	15,115
Deferred tax asset	3,253	5,860
Other assets	56,870	44,683
	$ 2,649,471	$ 2,483,685
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits	$ 2,106,829	$ 1,919,742
Advances from the Federal Home Loan Bank	399	399
Securities sold under agreements to repurchase	39,224	74,546
Notes, debentures and other interest bearing obligations	225,573	225,573
Accrued expenses, payables and other liabilities	52,290	59,829
Total liabilities	2,424,315	2,280,089
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value; 20,000,000 shares authorized; 0 shares issued and outstanding	--	--
Common stock, $.01 par value; 200,000,000 shares authorized; 26,799,511 and 26,744,170 shares issued and outstanding at March 31, 1997 and December 31, 1996, respectively	268	267
Additional paid-in capital	23,109	23,258
Retained earnings	197,458	180,417
Unrealized gain on securities available for sale, net of taxes	6,648	3,486
Notes receivable on exercise of common stock options	(2,327)	(3,832)
Total stockholders' equity	225,156	203,596
	$ 2,649,471	$ 2,483,685

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

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

For the three months ended March 31,	1997	1996
Interest income:		
Federal funds sold and repurchase agreements	$ 1,658	$ 769
Securities available for sale	8,173	7,781
Securities held for trading	248	--
Loans available for sale	2,851	6,597
Loans	10,692	10,010
Discount loans	30,224	22,155
Investment securities and other	681	644
	54,527	47,956
Interest expense:		
Deposits	29,894	23,001
Securities sold under agreements to repurchase	272	653
Advances from the Federal Home Loan Bank	283	1,039
Notes, debentures and other interest bearing obligations	6,715	3,439
	37,164	28,132
Net interest income before provision for loan losses	17,363	19,824
Provision for loan losses	9,742	9,407
Net interest income after provision for loan losses	7,621	10,417
Non-interest income:		
Servicing fees and other charges	5,236	(681)
Gains on sales of interest earning assets, net	16,778	5,017
Loss on real estate owned, net	(794)	(1,916)
Other income	131	872
	21,351	3,292
Non-interest expense:		
Compensation and employee benefits	14,923	6,170
Occupancy and equipment	2,829	2,045
Net operating losses on investments in real estate and certain low-income housing tax credit interests	1,093	461
Other operating expenses	3,852	3,007
	22,697	11,683
Equity in earnings of investment in joint venture	14,372	--
Income before income taxes	20,647	2,026
Income tax expense (benefit)	3,606	(1,003)
Net income	$ 17,041	$ 3,029
Earnings per share:		
Net income	$ 0.63	$ 0.11
Weighted average common shares outstanding	27,073,362	26,445,370

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

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Dollars in thousands, except share data)
For the three months ended March 31, 1997 and the year ended December 31, 1996

	Common Stock		Additional paid-in capital	Retained earnings	Unrealized gain (loss) on securities available for sale, net of taxes	Notes receivable on exercise of common stock options	Total
	Shares	Amount					
Balances at December 31, 1995	23,812,270	$ 238	$ 10,449	$130,275	$ (1,415)	$ --	$139,547
Net income	--	--	--	50,142	--	--	50,142
Repurchase of common stock options	--	--	(177)	--	--	--	(177)
Exercise of common stock options	2,928,830	29	12,963	--	--	--	12,992
Directors compensation payable in common stock	3,070	--	23	--	--	--	23
Notes receivable on exercise of common stock options	--	--	--	--	--	(3,832)	(3,832)
Change in unrealized gain on securities available for sale, net of taxes	--	--	--	--	4,901	--	4,901
Balances at December 31, 1996	26,744,170	267	23,258	180,417	3,486	(3,832)	203,596
Net income	--	--	--	17,041	--	--	17,041
Repurchase of common stock options	--	--	(1,870)	--	--	--	(1,870)
Exercise of common stock options	55,341	1	1,721	--	--	--	1,722
Notes receivable on exercise of common stock options	--	--	--	--	--	1,505	1,505
Change in unrealized gain on securities available for sale, net of taxes	--	--	--	--	3,162	--	3,162
Balances at March 31, 1997	26,799,511	$ 268	$ 23,109	$197,458	$ 6,648	$ (2,327)	$225,156

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 three months ended March 31,	1997	1996
Cash flows from operating activities:		
Net income	$ 17,041	$ 3,029
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Net cash provided from trading activities	85,167	--
Proceeds from sales of loans available for sale	88,184	62,939
Purchases of loans available for sale	(37,667)	(80,648)
Originations of loans available for sale	(28,164)	--
Principal payments received on loans available for sale	3,010	16,481
Premium amortization (discount accretion), net	11,029	(917)
Depreciation and amortization	4,579	914
Provision for loan losses	9,742	9,407
Gains on sales of interest earning assets, net	(16,778)	(5,017)
Gain on sale of real estate owned, net	(3,702)	(3,900)
Provision for real estate losses	2,336	6,378
Decrease in principal, interest and dividends receivable	1,080	280
Decrease (increase) in income taxes receivable	918	(744)
Decrease in deferred tax asset	2,181	--
Increase in other assets	(5,360)	(5,180)
(Decrease) increase in accrued expenses, payables and other liabilities	(9,400)	5,247
Net cash provided by operating activities	124,196	8,269
Cash flows from investing activities:		
Proceeds from sales of securities available for sale	14,631	37,309
Purchases of securities available for sale	(21,679)	(5,740)
Maturities of and principal payments received on securities available for sale	3,831	12,445
Purchase of securities held for investment	(2,306)	--
Maturities of and principal payments received on securities held for investments	--	10,025
Purchase of low income housing tax credit interests	(9,966)	(6,409)
Proceeds from sales of discount loans and loans held for investment	87,253	22,095
Purchase and originations of discount loans and loans held for investment	(432,494)	(58,832)
Decrease (increase) in investment in joint ventures	34,542	(32,000)
Principal payments received on discount loans and loans held for investment	67,420	100,633
Proceeds from sales of real estate owned	48,768	29,144
Other, net	(2,826)	(4,179)
Net cash (used) provided by investing activities	(212,826)	104,491

(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 three months ended March 31,	1997	1996
Cash flows from financing activities:		
Increase (decrease) in deposits	187,180	(4,047)
Decrease in securities sold under agreements to repurchase	(35,322)	(84,761)
Payments and repurchase of notes and mortgages payable	--	(1,055)
Repayment of notes by executive officers	1,505	
Exercise of common stock options	1,722	--
Repurchase of common stock options	(1,870)	--
Other, net	(36)	238
Net cash provided (used) by financing activities	153,179	(89,625)
Net increase in cash and cash equivalents	64,549	23,135
Cash and cash equivalents at beginning of period	52,219	54,632
Cash and cash equivalents at end of period	$ 116,768	$ 77,767
Reconciliation of cash and cash equivalents at end of period:		
Cash and amounts due from depository institutions	$ 8,966	$ 6,322
Interest bearing deposits	8,802	26,445
Federal funds sold and repurchase agreements	99,000	45,000
	$ 116,768	$ 77,767
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 36,206	$ 23,606
Income taxes	$ 509	$ 1,869
Supplemental schedule of non-cash investing and financing activities:		
Exchange of discount loans and loans available for sale for securities	$ 38,062	$ --
Real estate owned acquired through foreclosure	$ 42,095	$ 15,125

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

OCWEN FINANCIAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1997
(Dollars in thousands, except share data)

NOTE 1 BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in conformity with the instructions to Form 10-Q and Article 10, Rule 10-01 of Regulation S-X for interim financial statements. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles ("GAAP") for complete financial statements. The consolidated financial statements include the accounts of Ocwen Financial Corporation ("Ocwen" or the "Company") and its subsidiaries. Ocwen owns directly and indirectly all of the outstanding common and preferred stock of its primary subsidiaries, Ocwen Federal Bank FSB (the "Bank") and Investors Mortgage Insurance Holding Company ("IMI").

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 March 31, 1997 and December 31, 1996, the results of its operations for the three months ended March 31, 1997 and 1996, its cash flows for the three months ended March 31, 1997 and 1996, and the changes in stockholders' equity for the year ended December 31, 1996 and the three months ended March 31, 1997. The results of operations and other data for the three month period ended March 31, 1997 are not necessarily indicative of the results that may be expected for any other interim periods or the entire year ending December 31, 1997. The unaudited consolidated financial statements presented herein should be read in conjunction with the audited consolidated financial statements and related notes thereto included in the Company's Form 10-K for the year ended December 31, 1996. Certain reclassifications have been made to prior years' consolidated financial statements to conform to the March 31, 1997 presentation.

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

NOTE 2 ADOPTION OF RECENTLY ISSUED ACCOUNTING STANDARDS

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

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

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

NOTE 3 INVESTMENT IN JOINT VENTURES

The Company's investment in joint ventures include investments in BCFL, L.L.C ("BCFL"), a limited liability company formed in January 1997 between the Company and BlackRock Capital Finance L.P. ("BlackRock"), and BCBF, L.L.C, (the "LLC"), a limited liability company formed in March 1996 between the Company and BlackRock. The Company owns a 10% interest in BCFL and a 50% interest in the LLC. BCFL was formed to acquire multifamily loans. At March 31, 1997, the Company's 10% investment, which is accounted for under the cost method, amounted to $1,056.

The Company's 50% investment in the LLC, which was formed to acquire single-family residential loans offered by the Department of Housing and Urban Development ("HUD"), amounted to $32,311 and $67,909 at March 31, 1997 and December 31, 1996, respectively, and is net of valuation allowances of $2,473 and $5,114, respectively. Because the LLC is a pass-through entity for federal income tax purposes, provisions for income taxes are established by each of the Company and its co-investor and not the LLC.

The Company's equity in earnings of the LLC of $14,372 includes 50% of the net income of the LLC before deduction of the Bank's 50% share of loan servicing fees which are paid 100% to the Company, and the recapture of $2,641 of valuation allowances established in 1996 by the Company on its equity investment in the joint venture as a result of the resolution and securitization of loans during the first quarter of 1997. The Company has recognized 50% of the loan servicing fees not eliminated in consolidation in servicing fees and other charges.

(Dollars in thousands, except share data)

Set forth below is the statement of financial condition of the LLC at the dates indicated and a statement of operations for the three months ended March 31, 1997.

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

	March 31, 1997	December 31, 1996
Assets:		
Cash	$ 10	$ 10
Loans held for sale, at lower of cost or market value	48,586	110,702
Real estate owned, net of valuation allowance of $150 and $511 at March 31, 1997 and December 31, 1996, respectively	12,120	25,595
Other assets	9,487	10,526
	$ 70,203	$146,833
Liabilities and Owners' Equity		
Liabilities:		
Accrued expenses, payables and other liabilities	$ 635	$ 787
Total liabilities	635	787
Owners' Equity:		
Ocwen Federal Bank FSB	34,784	73,023
BlackRock Capital Finance L.P.	34,784	73,023
Total owners' equity	69,568	146,046
	$ 70,203	$146,833

BCBF, L.L.C.
STATEMENT OF OPERATIONS
For the three months ended March 31, 1997

Interest income	$ 3,485
Non-interest income:	
Gain on sale of loans held for sale	18,412
Gain on real estate owned, net	1,543
Loan fees	22
	19,977
Operating expenses:	
Loan servicing fees	676
Net income	$22,786

(Dollars in thousands, except share data)

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

NOTE 4 INTEREST RATE RISK MANAGEMENT INSTRUMENTS

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

	Maturity	Notional Amount	LIBOR Index	Fixed Rate	Floating Rate at End of Period	Fair Value
March 31, 1997	1998	$44,070	1-Month	6.18%	5.38%	$(135)
December 31, 1996	1998	$45,720	1-Month	6.18%	5.67%	$(103)

The 1-month LIBOR was 5.69% and 5.50% on March 31, 1997 and December 31, 1996, respectively.

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

Terms and other information on interest rate futures contracts sold short are as follows:

	Maturity	Notional Principal	Fair Value
March 31, 1997			
U.S. Treasury futures	1997	$ 264,300	$ 2,976
December 31, 1996:			
Eurodollar futures	1997	$ 365,000	$ (558)
	1998	40,000	(87)
U.S. Treasury futures	1997	165,100	498

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

NOTE 5 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 institution 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 March 31, 1997, the minimum regulatory capital requirements were:

- Tangible and core capital of 1.5 percent and 3 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 percent of the value of risk-weighted assets.

At March 31, 1997, the Bank was "well-capitalized" under the prompt corrective action ("PCA") regulations adopted by the OTS pursuant to the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"). To be categorized as "well capitalized", the Bank must maintain minimum core capital, Tier 1 risk-based capital and risk-based capital ratios as set forth in the table below. The Bank's capital amounts and classification are subject to review by federal regulators about components, risk-weightings and other factors. There are no conditions or events since March 31, 1997 that management believes have changed the institution's category.

(Dollars in thousands, except share data)

The following tables summarize the Bank's actual and required regulatory capital at March 31, 1997

	Actual		Minimum For Capital Adequacy Purposes		To Be Well Capitalized For Prompt Corrective Action Provisions	
	Ratio	Amount	Ratio	Amount	Ratio	Amount
Stockholders' equity, and ratio to total assets	9.73%	$ 249,860				
Net unrealized gain on certain available for sale securities		(6,786)				
Excess mortgage servicing rights		(222)				
Tangible capital, and ratio to adjusted total assets	9.48%	$ 242,852	1.50%	$ 38,411		
Tier 1 (core) capital, and ratio to adjusted total assets	9.48%	$ 242,852	3.00%	$ 76,822	5.00%	$ 128,037
Tier 1 capital, and ratio to risk-weighted assets	8.80%	$ 242,852			6.00%	$ 165,574
Allowance for loan and lease losses		$ 21,850				
Subordinated debentures		100,000				
Tier 2 Capital		121,850				
Total risk-based capital, and ratio to risk-weighted assets	13.22%	$ 364,702	8.00%	$ 220,765	10.00%	$ 275,956
Total regulatory assets		$ 2,567,743				
Adjusted total assets		$ 2,560,735				
Risk-weighted assets		$ 2,759,563				

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 March 31, 1997. A Tier 1 association that before and after a proposed capital distribution meets or exceeds its fully phased-in capital requirements may make capital distributions during any calendar year equal to the greater of (i) 100% of net income for the calendar year to date plus 50% of its "surplus capital ratio" at the beginning of the year or (ii) 75% of its net income over the most recent four-quarter period. In order to make these capital distributions, the Bank must submit written notice to the OTS 30 days in advance of making the distribution.

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

Based upon recent discussions with the OTS, the Bank has determined to maintain a core capital ratio of at least 9% and a total risk-based capital ratio of no less than 13%. The Bank also determined to transfer its single-family residential lending activities to non-conforming borrowers to a non-bank subsidiary of Ocwen. The Bank believes at this time that it will continue to be a "well-capitalized institution" under OTS regulations.

NOTE 6 COMMITMENTS AND CONTINGENCIES

At March 31, 1997 the Company had commitments to fund (i) $65,413 of loans secured by on multi-family residential buildings, (ii) $62,948 of loans secured by office buildings and (iii) $44,303 of loans secured by hotel properties. Additionally, the Company had commitments of $1,292 to purchase residential discount loans. The Company, through its investment in subordinated securities and REMIC residuals which had a book value of $78,116 at March 31, 1997, supports senior classes of mortgage-related securities having an outstanding balance of $1,317,804.

On October 29, 1996, Ocwen Financial Services, Inc., a wholly-owned subsidiary of Ocwen, entered into an asset purchase agreement ("Asset Purchase Agreement") to acquire Admiral Home Loan ("Admiral"), a California corporation engaged in the origination of loans to credit-impaired borrowers secured by first mortgage liens on single-family residential real property, both through the wholesale acquisition of such loans originated by mortgage brokers and through its retail offices, and selling of such originated loans, servicing released, to third parties. Under the Asset Purchase Agreement, as amended, Ocwen has agreed to pay $6,750 to acquire an 80% interest in the assets of Admiral. Closing of the acquisition occurred on May 1, 1997.

The Company is subject to various pending legal proceedings. Management, after reviewing these claims with legal counsel, is of the opinion that the resolution of these claims will not have a material effect on the Company's financial position, results of operations, cash flows or liquidity.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

The Company considers itself to be involved in a single business segment of providing financial services and conducts a wide variety of business within this segment. The Company's primary business activities currently consist of its discounted loan acquisition, resolution and servicing activities, single-family residential activities involving non-conforming borrowers and various investment activities, including investments in a wide variety of mortgage-related securities and investments in low-income housing tax credit interests. The Company obtains funds for investment in the foregoing and other business activities primarily from brokered and other wholesale certificates of deposit, as well as retail deposits obtained through its office in northern New Jersey, FHLB advances, reverse repurchase agreements, maturities and principal repayments on securities and loans and proceeds from the sale of securities and loans held for sale.

At March 31, 1997, the only significant subsidiary of the Company, other than the Bank, was IMI, which, through subsidiaries, currently owns and manages the Westin Hotel in Columbus, Ohio and residential units in cooperative buildings.

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") which insures the Bank's deposits up to the maximum extent permitted by law. The Bank is also subject to certain regulation by the Board of Governors of the Federal Reserve System ("Federal Reserve Board") and currently is a member of the FHLB of New York, one of the 12 regional bank's which comprise the FHLB System.

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

Consolidated Financial Highlights

	At or For the Three Months Ended March 31,		
	1997	1996	% Change Favorable (Unfavorable)
	(Dollars in thousands)		
For The Period			
Net interest income	$ 17,363	$ 19,824	(12)%
Provision for loan losses	9,742	9,407	(4)
Non-interest income	21,351	3,292	549
Non-interest expense	22,697	11,683	(94)
Equity in earnings of investment in joint venture	14,372	--	--
Net income	17,041	3,029	463
Per Common Share			
Net income	$ 0.63	$ 0.11	473 %
Book value	8.40	7.61	10
Stock Price:			
High	34.75	--	--
Low	25.25	--	--
Close	29.00	--	--
Average Balances			
Interest-earning assets	$2,167,601	$1,622,760	34 %
Interest-bearing liabilities	2,259,367	1,727,054	(31)
Stockholders' equity	212,706	141,374	50
Key Ratios			
Interest rate spread:			
Yield on interest-earning assets	10.06%	11.82%	(15)%
Cost of interest-bearing liabilities	6.58	6.52	(1)
Interest rate spread	3.48	5.30	(34)
Annualized return on average assets (1)	2.61	0.62	321
Annualized return on average equity	32.05	8.57	274
Efficiency ratio (2)	42.76	50.54	15
Core capital ratio	9.48	6.99	36
Risk-based capital ratio	13.22	11.41	16

(1) Includes the Company's pro rata share of average assets held by its 50% joint venture
(2) Before provision for loan losses and including equity in earnings of investment in joint venture

Summary

The Company's net income amounted to $17.0 million or $0.63 per share for the first quarter of 1997 compared to net income of $3.0 million or $0.11 per share for the first quarter of 1996.

The 549% increase in non-interest income as compared to the first quarter of 1996 is largely due to a $9.5 million gain in connection with the securitization of discount mortgage loans which occurred on March 27, 1997. On that date the Company, the LLC and an affiliate of BlackRock, completed the securitization of 2,916 single-family residential mortgage loans with an unpaid principal balance of $140.7 million and past due interest of $37.1 million. The loans securitized were all acquired from HUD in 1995 and 1996. The Company continues to service the loans for a fee and has retained an interest in the related subordinate class security.

Equity in earnings of investment in joint venture of $14.4 million for the first quarter of 1997 includes $9.2 million representing the Company's pro rata share of the gain recorded by the LLC in connection with the March 1997 securitization described above. The LLC, which was formed in March 1996, did not begin operations until the second quarter of 1996.

Non-interest expense increased 94% as compared to the first quarter of 1996 as the average number of employees increased to 629 from 323 and the accrual for employee profit sharing expense increased by $3.6 million.

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

	Three Months Ended March 31,					
	1997			1996		
	Average Balance	Interest	Annualized Average Yield/Rate	Average Balance	Interest	Annualized Average Yield/Rate
	(Dollars in thousands)					
Average Assets:						
Federal funds sold and repurchase agreements	$ 132,337	$ 1,658	5.01%	$ 57,191	$ 769	5.38%
Securities held for trading	13,179	248	7.53	--	--	--
Securities available for sale	338,956	8,173	9.64	322,322	7,781	9.66
Loans available for sale (1)	118,729	2,851	9.61	261,351	6,597	10.10
Investment securities and other (2)	23,032	681	11.83	37,912	644	6.79
Loan portfolio (1)	423,135	10,692	10.11	298,502	10,010	13.41
Discount loan portfolio	1,118,233	30,224	10.81	645,482	22,155	13.73
Total interest-earning assets, interest income	2,167,601	54,527	10.06	1,622,760	47,956	11.82
Non-interest earning cash	11,350			6,029		
Allowance for loan losses	(16,515)			(2,849)		
Investments in low-income housing tax credit interests	90,398			85,428		
Investment in joint ventures	63,637			--		
Real estate owned, net	112,227			162,988		
Other assets	179,156			81,846		
Total assets	$2,607,854			$1,956,202		
Average Liabilities and Stockholders' Equity:						
Interest-bearing demand deposits	$ 24,699	227	3.68	$ 26,302	229	3.48
Savings deposits	2,620	15	2.29	3,446	21	2.44
Certificates of deposit	1,964,020	29,652	6.04	1,465,587	22,751	6.21
Total interest-bearing deposits	1,991,339	29,894	6.00	1,495,335	23,001	6.15
Notes, debentures and other	225,573	6,715	11.91	116,335	3,439	11.82
Securities sold under agreements to repurchase	20,934	272	5.20	44,985	653	5.81
Federal Home Loan Bank advances	21,521	283	5.26	70,399	1,039	5.90
Total interest-bearing liabilities, interest expense	2,259,367	37,164	6.58	1,727,054	28,132	6.52
Non-interest bearing deposits	15,543			4,323		
Escrow deposits	71,713			37,167		
Other liabilities	48,525			46,284		
Total liabilities	2,395,148			1,814,828		
Stockholders' equity	212,706			141,374		
Total liabilities and stockholders' equity	$2,607,854			$1,956,202		
Net interest income before provision for loan losses		$ 17,363			$19,824	
Net interest rate spread			3.48%			5.30%
Net interest rate margin			3.20%			4.89%
Ratio of interest-earning assets to interest-bearing liabilities	96%			94%		

(1) The average balance includes non-performing loans, interest on which is recognized on a cash basis.
(2) Included in interest income on investment securities and other is interest income earned on that

portion of the deferred tax asset which relates to tax residuals. Inclusive of the average balance of the deferred tax asset related to tax residuals as investment securities and other, the average yield for the three months ended March 31, 1997 and 1996 would have been 11.82% and 4.47%, respectively.

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

	Rate	Volume	Total
	(Dollars in thousands)		
Interest-Earning Assets:			
Federal funds sold and repurchase agreement	$ (56)	$ 945	$ 889
Securities held for trading	248	--	248
Securities available for sale	(9)	401	392
Loans available for sale	(307)	(3,439)	(3,746)
Loan portfolio	(2,850)	3,532	682
Discount loan portfolio	(5,484)	13,553	8,069
Investment securities and other	355	(318)	37
Total interest-earning assets	(8,103)	14,674	6,571
Interest-Bearing Liabilities:			
Interest-bearing demand deposits	12	(14)	(2)
Savings deposits	(1)	(5)	(6)
Certificates of deposit	(640)	7,541	6,901
Total interest-bearing deposits	(629)	7,522	6,893
Notes, debentures and other	24	3,252	3,276
Securities sold under agreements to repurchase	(62)	(319)	(381)
Federal Home Loan Bank advances	(103)	(653)	(756)
Total interest-bearing liabilities	(770)	9,802	9,032
Increase in net interest income	$(7,333)	$ 4,872	$(2,461)

Three Months Ended March 31, 1997 versus Three Months Ended March 31, 1996

The Company's net interest income before provision for loan losses of $17.4 million decreased $2.5 million or 12% during the three months ended March 31, 1997 as compared to the comparable period in the prior year. Interest income increased $6.6 million or 14% due to a $544.8 million or 34% increase in the Company's average interest-earning assets from period to period offset in part by a 176 basis point increase in the average yield earned. Interest expense increased $9.0 million or 32% due to a $532.3 million or 31% increase in the Company's average interest-bearing liabilities and a 6 basis point increase in the weighted average rate paid on these liabilities.

Interest income on the discount loan portfolio increased by $8.1 million or 36% in the three months ended March 31, 1997 from the three months ended March 31, 1996 as a result of a $472.8 million or 73% increase in the average balance of the discount loan portfolio offset in part by a 292 basis point decline in the weighted average yield earned. The decline in the yield was primarily attributable to a 138% increase in the average balance of single-family discount loans held as compared to the prior year coupled with the Company's decision to cease accretion of discount on nonperforming single-family discount loans effective January 1, 1997. The Company believes that for the remainder of 1997 the yield earned on its discount loan portfolio will remain below the yield earned in the prior year due to its decision to cease accretion of discount and its current strategy of attempting to work with borrowers to either (i) bring their loans current, (ii) modify the terms of their loans, (iii) enter into forbearance agreements or (iv) refinance the loans with the Company. This resolution strategy results in lower initial yields as compared to borrowers paying off their loans in full or in part, and to the extent the loans are ultimately sold will result in a significant portion of the earnings being reflected in gains on sales of interest earning assets. In addition, the majority of the single-family HUD loans acquired by the Company in February 1997 are currently under a HUD plan, whereby the borrower makes payments based upon ability to pay for a specific period of time. Once this period is over the borrower must make at least its contractual mortgage payment or the Company can pursue foreclosure or other actions. Virtually all the loans currently serviced by the Company under this plan will reach the end of the grace period through July 1998. The yield on the overall discount loan portfolio is also likely to continue to fluctuate from quarter to quarter as a result of the timing of resolutions, particularly the resolution of large multifamily and commercial loans, and the mix of the overall portfolio between paying and nonpaying loans.

Interest income on the loan portfolio increased by $682,000 or 7% in the first quarter of 1997 from the comparable period in 1996 primarily due to an increase in the average balance of the loan portfolio for the three months ended March 31, 1997 of $124.6 million or 42% over that of the same period in 1996, offset in part by a 330 basis point decrease in the weighted average yield earned. The decline in the yield was primarily due to $2.1 million of additional interest earned during the first quarter of 1996 in connection with the repayment of hotel loans.

Interest income on loans available for sale decreased $3.7 million or 57% in the first quarter of 1997 as compared to the first quarter of 1996 due to a decrease in the average balance of loans available for sale of $142.6 million or 55% and a 49 basis point decrease in the weighted average yield earned.

The increase in interest expense during the three months ended March 31, 1997, as compared to the same period of 1996, reflects the Company's continued use of certificates of deposit to fund its asset growth and the issuance of $125.0 million of 11.875% notes in September, 1996. The average amount of the Bank's certificates of deposit increased from $1.46 billion during the three months ended March 31, 1996 to $1.96 billion during the three months ended March 31, 1997.

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

Provisions for loan losses amounted to $9.7 million for the first quarter of 1997, as compared to $9.4 for the first quarter of 1996. The 1997 provision is comprised of $8.4 million related to discount loans and $1.3 million related to the loan portfolio as compared to $8.5 million and $941,000, respectively, for 1996. The amount provided during the first quarter of 1997 includes $2.0 million established on single-family residential loans acquired from HUD in 1995 and 1996 which were not included in the March, 1997 securitization.

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

Non-Interest Income. Non-interest income increased by $18.1 million or 549% in the first quarter of 1997 as compared to 1996. The increase in non-interest income was primarily attributable to gains from the sale of interest-earning assets in 1997 and increased loan servicing fees.

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

	Quarter Ended March 31, 1997	1996
	(Dollars in Thousands)	
Servicing fees and other charges	$ 5,236	$ (681)
Gains on sales of interest-earning assets, net	16,778	5,017
Loss on real estate owned, net	(794)	(1,916)
Other income	131	872
Total	$ 21,351	$ 3,292

The increase in servicing fees and other charges during the first quarter of 1997 is due to an increase in loan servicing and related fees as a result of the Company's increase in loans (primarily non-performing) serviced for others. The average unpaid principal balance of loans serviced for others amounted to $2.04 billion during the first quarter of 1997 as compared to $338.9 million during the first quarter of 1996. Included in servicing fees and other charges during the first quarter of 1997 was $1.1 million of fees earned in connection with the setup of loans transferred to the Company for servicing during the quarter. In addition, during the first quarter of 1996 the Company recorded a $928,000 valuation adjustment to mortgage servicing rights due to a significant increase in prepayments of the underlying loans serviced resulting primarily from refinancings.

Net gains on sales of interest-earning assets in the first quarter of 1997 were primarily comprised of $2.7 million of gains from the sales of single-family non-conforming loans, $3.5 million of gains from sales of certain large commercial loans in the Company's discount loan portfolio and a $9.5 million net gain in connection with the securitization completed in March 1997 of single-family residential mortgage loans acquired from HUD in 1995 and 1996. Net gains on sales of interest-earning assets in the first quarter of 1996 were primarily comprised of a $5.4 million gain from the sale of loans in the Company's single-family residential discount loan portfolio which had been brought current in accordance with their terms.

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

	Three Months Ended March 31, 1997	1996
	(Dollars In Thousands)	
Gains on sales	$ 3,898	$ 3,900
Provision for loss in fair value	(2,337)	(6,378)
Rental income (carrying costs), net	(2,355)	562
Loss on real estate owned, net	$ (794)	$(1,916)

Included in gains on sales of real estate owned for the three months ended March 31, 1997 is a gain of $430,000 on a bulk sale of 288 properties for $21.2 million.

Non-Interest Expense. Non-interest expense increased $11.0 million or 94% in the first quarter of 1997 as compared to the same period of 1996. Compensation and employee benefits accounted for $8.8 million of this increase.

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

	Three Months Ended March 31,	
	1997	1996
	(Dollars in Thousands)	
Compensation and employee benefits	$14,923	$ 6,170
Occupancy and equipment	2,829	2,045
Net operating loss on investments in real estate and certain low-income housing tax credit interests	1,093	461
Other operating expenses	3,852	3,007
Total	$22,697	$11,683

The increase in compensation and employee benefits in the first quarter of 1997 reflected an increase in the average number of full-time equivalent employees from 323 in 1996 to 629 in 1997 as well as a $3.6 million increase in profit sharing expense. Occupancy and equipment expense increased $784,000 primarily due to an increase in data processing costs and office equipment expenses. Net operating losses on investments in real estate and certain low-income housing tax credit interests, which includes hotel operations, increased $632,000 primarily as a result of net operating losses and depreciation expense on low-income housing tax credit interests placed in service since the first quarter of 1996. The associated tax credits on such projects are reported as a reduction of income tax expense. See "Income Tax Expense (Benefit)" below. Other operating expenses increased $845,000 primarily due to a $600,000 increase in loan related expenses and a $200,000 increase in professional fees offset by lower FDIC insurance premium expenses of $405,000.

Equity in Earnings of Investment in Joint Venture. Equity in earnings of investment in joint venture relates to the joint venture formed in March 1996 to acquire discount single-family residential loans from HUD. The Company's $14.4 million of earnings from this joint venture during the three months ended March 31, 1997 consisted of 50% of the net income of the LLC before deduction of the Company's 50% share of loan servicing fees, which are paid 100% to the Company, and the recapture of $2.5 million of valuation allowances established in 1996 by the Company on its equity investment in the joint venture as a result of the resolution and securitization of loans during the quarter. Income of the joint venture is primarily attributable to interest on discount loans, which had an annualized weighted average yield of 14.6% during the period and $18.4 million of gains on the sale of discount loans, including the securitization of HUD loans in March, 1997. See Note 3 to the Interim Consolidated Financial Statements.

Income Tax Expense (Benefit). Income tax expense (benefit) amounted to $3.6 million and $(1.0) million during the three months ended March 31, 1997 and 1996, respectively. The Company's income tax expense is reported net of tax credits of $3.6 million and $2.4 million during the first quarter of 1997 and 1996, respectively, resulting from the Company's investment in low-income housing tax credit interests. Exclusive of such amounts, the Company's effective tax rate amounted to 34.74% and 37.02% during the three months ended March 31, 1997 and 1996, respectively. See "Changes in Financial Condition-Investments in Low Income Housing Tax Credit Interests" for additional information regarding tax credits.

Changes in Financial Condition

General. From December 31, 1996 to March 31, 1997 total assets increased by $165.8 million or 7%. This increase was primarily due to a $220.0 million increase in discount loans, a $19.7 million increase in the loan portfolio and $64.5 million increase in cash and cash equivalents, offset in part by a $75.6 million decrease in securities held for trading, a $37.9 million decrease in loans available for sale and a $34.5 million decrease in investment in joint ventures. Total liabilities increased by $144.2 million from December 31, 1996 to March 31, 1997. This increase was primarily due to a $187.1 million increase in deposits offset by the $35.3 million decrease in securities sold under agreements to repurchase.

Securities Held For Trading. The Company held a $75.6 million single-family CMO for trading at December 31, 1996. This security, which was sold in January 1997, was acquired from the LLC in connection with the LLC's securitization of a portion of the HUD Loans in October, 1996.

Securities Available for Sale. At March 31, 1997, an aggregate of $6.6 million of net unrealized gains, net of related deferred taxes of $3.8 million on securities classified as available for sale were included in stockholders' equity, as compared to $3.5 million of net unrealized gains at December 31, 1996, net of related deferred taxes of $2.0 million. The Company's securities available for sale were comprised of the following at the dates indicated.

	March 31, 1997	December 31, 1996
	(Dollars in thousands)	
Mortgage-related securities:		
Single-family residential:		
AAA-rated CMOs	$ 69,664	$ 73,935
FHLMC interest only	56,475	47,571
FNMA interest only	41,104	49,380
AAA-rated interest only	1,076	1,173
Subordinates	23,197	19,164
REMIC residuals	21,566	20,560
Futures contracts	(1,623)	(1,921)
	211,459	209,862
Multi-family residential and commercial:		
AAA-rated interest only	77,752	83,590
Non-investment grade interest only	3,683	3,799
Subordinates	54,401	57,534
Futures contracts	771	(780)
	136,607	144,143
Total	$ 348,066	$ 354,005

The Company's securities available for sale of $348.1 million at March 31, 1997 decreased by $5.9 million or 2% in the first quarter due primarily to $14.0 million of sales and $14.0 million of principal repayments and net premium amortization, offset in part by $21.7 million of purchases including the acquisition of a $3.8 million subordinate security in connection with the Company's securitization of single-family residential loans in March, 1997 and sale of senior classes of securities backed by such loans.

Loans Available for Sale. The Company's loans available for sale at March 31, 1997, which are carried at the lower of cost or fair value, decreased by $37.9 million or 30% from December 31, 1996 and consist primarily of single-family residential loans to sub-prime borrowers. The Company generally intends to sell or securitize its single-family residential loans to non-conforming borrowers and, as a result, all of such loans were classified as available for sale at March 31, 1997 and December 31, 1996.

	March 31, 1997	December 31, 1996
	(Dollars in thousands)	
Single-family residential loans	$ 87,847	$111,980
Multi-family residential loans	--	13,657
Consumer loans	664	729
	$ 88,511	$126,366

During the first quarter of 1997 the Company purchased and originated $64.5 million of single-family residential loans to sub-prime borrowers. The Company also sold $82.1 million of such loans during the first quarter of 1997 for a gain of $2.7 million.

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

	Three Months Ended March 31, 1997	Three Months Ended March 31, 1996
	(Dollars in thousands)	
Balance at beginning of period	$126,366	$251,790
Purchases:		
Single-family residential	37,667	70,192
Multi-family residential	--	10,456
Total loans purchased	37,667	80,648
Originations:		
Single-family residential	28,164	--
Sales	(85,486)	(62,038)
Lower of cost or market reserve	158	(1,338)
Loans transferred (to)from loan portfolio	(13,694)	1,964
Principal repayments, net of capitalized interest	(2,959)	(16,948)
Transfer to real estate owned	(1,705)	(495)
Net (decrease) increase in loans	(37,855)	1,793
Balance at end of period	$ 88,511	$253,583

The following table presents a summary of the Company's non-performing loans in the loans available for sale portfolio at the dates indicated:

	March 31, 1997	December 31, 1996
	(Dollars in thousands)	
Non-performing loans		
Single-family	$13,054	$14,410
Consumer	37	36
	$13,091	$14,446

Non-performing loans increased by $1.4 million or 9.4% from December 31, 1996 to March 31, 1997, of which $1.1 million resulted from the Company's loans to sub-prime borrowers. Although non-conforming loans generally have higher levels of default than conforming loans, the Company believes that the borrower's equity in the security property and its expertise in the area of resolution of non-performing loans will continue to make its non-conforming borrower loan program a profitable one notwithstanding such defaults and any resulting losses.

Investment Securities. Investment securities increased by $2.3 million from December 31, 1996 to March 31, 1997 and consisted primarily of required holdings of FHLB stock.

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

	March 31, 1997	December 31, 1996
	(Dollars in thousands)	
Single-family residential loans (1)	$ 835,592	$ 504,049
Multi-family residential loans	323,553	341,796
Commercial real estate loans	401,054	465,801
Other loans	2,186	2,753
Total discount loans	1,562,385	1,314,399
Unaccreted discount	(264,605)	(241,908)
Allowance for loan losses	(16,808)	(11,538)
Discount loans, net	$ 1,280,972	$ 1,060,953

(1) Does not include the Company's 50% ownership interest in the LLC, which held $48.6 million and $110.7 million of discount single-family residential loans at March 31, 1997 and December 31, 1996, respectively. See "Changes in Financial Condition - Investment in Joint Venture" below. Inclusive of the Company's pro rata interest in such loans, the Company's discount loans, net amounted to $1.31 billion and $1.12 billion at March 31, 1997 and December 31, 1996, respectively.

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

	Three Months Ended March 31,			
	1997		1996	
	Balance	No. of Loans	Balance	No. of Loans
	(Dollars in thousands)			
Balance at beginning of period	$1,314,399	5,460	$943,529	4,543
Acquisitions (1)	442,878	8,211	34,918	7
Resolutions and repayments	(63,553)	(194)	(72,032)	(285)
Loans transferred to real estate owned	(51,586)	(392)	(25,533)	(193)
Sales	(79,753)	(883)	(26,499)	(256)
Balance at end of period	$1,562,385	12,202	$854,383	3,816

(1) During the first quarter of 1997, acquisitions consisted of $436.8 million of single-family residential loans, $5.2 million of multi-family residential loans, and $0.9 million of commercial real estate loans. Included in acquisitions for the first quarter of 1997 are the Company's approximate one-half allocated share of 13,781 single-family residential loans acquired by the Company and its co-investor at an auction by HUD with an aggregate unpaid principal balance of $855.7 million for a purchase price of $757.4 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.

	March 31, 1997	December 31, 1996
	(Dollars in thousands)	
Loan status		
Past due less than 31 days	$ 535,999	$ 579,597
Past due 31 days to 89 days	40,365	22,161
Past due 90 days or more	975,517	563,077
Acquired and servicing not yet transferred	10,504	149,564
	$ 1,562,385	$ 1,314,399

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

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

	March 31, 1997	December 31, 1996
	(Dollars in thousands)	
Single-family residential loans	$ 73,118	$ 73,186
Multi-family residential loans	90,776	67,842
Commercial real estate and land loans:		
Hotel	196,523	200,311
Office buildings	119,944	128,782
Land	4,566	2,332
Other	23,415	25,623
Total	344,448	357,048
Commercial non-mortgage	3,750	2,614
Consumer	402	424
Total loans	512,494	501,114
Undisbursed loan funds	(80,487)	(89,840)
Unaccreted discount	(4,941)	(5,169)
Allowance for loan losses	(4,834)	(3,523)
Loans, net	$ 422,232	$402,582

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

	The Months Ended March 31, 1997	1996
	(Dollars in thousands)	
Balance at beginning of period	$501,114	$ 342,649
Originations:		
Single-family residential loans	1,769	4,179
Multi-family residential loans	12,680	7,410
Commercial real estate loans and land loans	--	21,000
Commercial non-mortgage and consumer loans	1,134	--
Total loans originated	15,583	32,589
Purchases	--	--
Sales	--	--
Loans transferred from (to) available for sale	13,802	(2,000)
Principal repayments, net of capitalized interest	(17,652)	(42,929)
Transfer to real estate owned	(353)	(243)
Net increase(decrease) in loans	11,380	(12,583)
Balance at end of period	$512,494	$ 330,066

The following table presents a summary of the Company's non-performing loans in the loan portfolio and significant ratios at the dates indicated:

	March 31, 1997	December 31, 1996
	(Dollars in thousands)	
Non-performing loans:		
Single-family residential loans	$1,728	$2,123
Multi-family residential loans	7,517	106
Consumer and other loans	62	55
	$9,307	$2,284
Non-performing loans as a percentage of:		
Total loans (1)	2.15%	0.54%
Total assets	0.35%	0.10%

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

Allowances for Losses. The Company maintains an allowance for loan losses for each of its loan portfolio and discount loan portfolio at a level which management considers adequate to provide for potential losses in each portfolio based upon an evaluation of known and inherent risks in such portfolios.

The following table sets forth the allocation of the Company's allowance for loan losses at March 31, 1997 and December 31, 1996 by loan category and the percentage of loans in each category to total loans in the respective portfolios at the dates indicated:

	March 31, 1997			December 31, 1996		
	Allowance	Gross Loan Balance	Percent	Allowance	Gross Loan Balance	Percent
			(Dollars in thousands)			
Loan portfolio:						
Single-family	$ 433	$ 73,118	14.3%	$ 520	$ 73,186	14.6%
Multi-family	1,745	90,776	17.7%	673	67,842	13.5%
Commercial	2,610	344,448	67.2%	2,299	357,048	71.3%
Commercial non mortgage	28	3,750	0.7%	11	2,614	0.5%
Other	18	402	0.1%	20	424	0.1%
	$ 4,834	$ 512,494	100.0%	$ 3,523	$ 501,114	100.0%
Discount loan portfolio:						
Single-family	$ 8,522	$ 835,592	53.5%	$ 3,528	$ 504,049	38.4%
Multi-family	3,464	323,553	20.7%	3,124	341,796	26.0%
Commercial	4,822	401,054	25.7%	4,886	465,801	35.4%
Other	--	2,186	0.1%	--	2,753	0.2%
	$ 16,808	$1,562,385	100.0%	$ 11,538	$1,314,399	100.0%

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

The following table summarizes activity in the allowance for loan losses by portfolio and property type during the three months ended March 31, 1997.

	Balance December 31, 1996	Additions	Charge-offs	Recoveries	Balance March 31, 1997
			(Dollars in thousands)		
Loan portfolio:					
Single-family	$ 520	$ (53)	$ (34)	$	$ 433
Multi-family	673	1,072	--	--	1,745
Commercial real estate	2,299	311	--	--	2,610
Commercial non mortgage	11	17	--	--	28
Consumer	20	(2)	--	--	18
	$ 3,523	$ 1,345	$ (34)	$ --	$4,834
Discount loans:					
Single-family	$ 3,528	$ 6,742	$(1,795)	$ 47	$8,522
Multi-family	3,124	849	(509)	--	3,464
Commercial	4,886	806	(870)	--	4,822
	$11,538	$8,397	$(3,174)	$ 47	$16,808

Investments in Low-Income Housing Tax Credit Interests. In 1993, the Company commenced a program to invest in multi-family residential projects which have been allocated low income housing tax credits under Section 42 of the Internal Revenue Code by a state tax credit allocating agency. At March 31, 1997 the Company had $99.9 million of investments in low-income housing tax credit interests as compared to $93.3 million at December 31, 1996, an increase of $6.6 million or 7%.

Investments by the Company in low-income housing tax credit interests made on or after May 18, 1995 in which the Company invests solely as a limited partner, which amounted to $23.7 million at March 31, 1997, are accounted for using the equity method in accordance with the consensus of the Emerging Issues Task Force through Issue Number 94-1. Limited partnership investments made prior to May 18, 1995, which amounted to $52.2 million at March 31, 1997, 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 as both a limited and, through a subsidiary, general partner amounted to $24.0 million at March 31, 1997 and are presented on a consolidated basis.

Investment in Joint Ventures. General. The Company's investment in joint ventures decreased 50.8% from $67.9 million at December 31, 1996 to $33.4 million at March 31, 1997. The decrease in investment in joint ventures is primarily due to the sale of loans and real estate owned by the LLC, including the $51.7 million securitization of loans in March 1997, offset in part by the Company's $1.1 million investment in BCFL in January 1997. The Company's investment in the LLC amounted to $32.3 million and $67.9 million at March 31, 1997 and December 31, 1996, respectively, and is net of valuation allowances of $2.5 million and $5.1 million, respectively. See Note 3 to the Interim Consolidated Financial Statements.

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

The following table sets forth information relating to the payment status of the HUD Loans at the dates indicated.

	March 31, 1997		December 31, 1996	
	Principal Amount	% of HUD Loans	Principal Amount	% of HUD Loans
HUD Loans without Forbearance Agreements:				
Past due less than 31 days	$ 2,255	3.06	$ 6,709	4.21
Past due 31 to 89 days	919	1.25	3,011	1.89
Past due 90 days or more	45,810	62.14	84,509	53.02
Subtotal	48,984	66.45	94,229	59.12
HUD Loans with Forbearance Agreements:				
Past due less than 31 days	2,531	3.43	4,867	3.05
Past due 31 to 89 days	1,294	1.76	5,168	3.24
Past due 90 days or more	20,908	28.36	55,141	34.59
Subtotal	24,733	33.55	65,176	40.88
Total	$73,717	100.00	$159,405	100.00

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:

	March 31, 1997	December 31, 1996
	(Dollars in thousands)	
Discount loan portfolio:		
Single-family residential	$ 45,839	$ 49,728
Multi-family residential	10,468	14,046
Commercial real estate	40,084	36,264
Total	96,391	100,038
Loan portfolio	581	592
Loans available for sale portfolio	1,494	3,074
	$ 98,466	$103,704

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

	Three Months Ended March 31, 1997	1996
Balance at beginning of period	$ 11,493	$ 4,606
Provision for loss in fair value	2,337	6,378
Charge-offs and sales	(6,239)	(2,394)
Balance at end of period	$ 7,591	$ 8,590

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

	Three Months Ended March 31, 1997 Amount	1997 No. of Properties	1996 Amount	1996 No. of Properties
	(Dollars in thousands)			
Balance at beginning of period	$103,704	825	$166,556	1,070
Properties acquired through foreclosure or deed-in-lieu thereof.	37,653	407	16,220	200
Acquired in connection with acquisitions of discount loans	70	3	1,197	3
Sales	(46,863)	(533)	(28,733)	(239)
Change in allowance	3,902	-	(3,984)	--
Balance at end of period	$ 98,466	702	$151,256	1,034

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

	March 31, 1997	December 31, 1996
	(Dollars in thousands)	
One to two months	$ 32,539	$ 17,695
Three to four months	12,572	15,291
Five to six months	7,637	14,348
Seven to twelve months	12,855	13,004
Over twelve months	32,863	43,366
	$ 98,466	$103,704

Investment in Real Estate. In conjunction with its multi-family and commercial real estate lending business activities, the Company has made certain acquisition, development and construction loans in which the Company participates in the expected residual profits of the underlying real estate and the borrower has not made an equity contribution substantial to the overall project. As such, the Company accounts for these loans under the equity method of accounting as though it has made an investment in a real estate limited partnership. The Company's investment in such loans amounted to $30.3 million at March 31, 1997, as compared to $24.9 million at December 31, 1996. Currently, the Company does not intend, except for commitments outstanding, to originate new loans in which it participates in the residual profits in underlying real estate.

The Company also has invested in The Westin Hotel, Columbus, located in Columbus, Ohio. The Company's investment in such property decreased to $15.9 million at March 31, 1997 from $16.1 million at December 31, 1996 as a result of depreciation recorded against the asset.

Deferred Tax Asset. At March 31, 1997 the deferred tax asset, net of deferred tax liabilities, amounted to $3.3 million, a decrease of $2.6 million from the $5.9 million deferred tax asset at December 31, 1996. At March 31, 1997, the gross deferred tax asset amounted to $16.0 million and consisted primarily of $2.1 million of mark-to-market and reserves on real estate owned, $4.0 million of deferred interest expense on the discount loan portfolio, $3.8 million of valuation allowance reserve and $1.9 million of profit sharing expense, and the gross deferred tax liability amounted to $12.7 million and consisted primarily of $4.4 million of deferred interest income on the discount loan portfolio, $1.5 million related to hedging transactions, and $3.7 million of mark-to-market on securities available for sale. At December 31, 1996, the gross deferred tax asset amounted to $15.1 million and consisted primarily of $3.7 million related to tax residuals, $3.5 million of mark-to-market and reserves on real estate owned and $3.9 million of deferred interest expense on the discount loan portfolio, and the gross deferred tax liability amounted to $9.2 million and consisted primarily of $4.6 million of deferred interest income on the discount loan portfolio and $2.1 million of mark-to-market on certain securities available for sale.

As a result of the Company's earnings history, current tax position and taxable income projections, management believes that the Company will generate sufficient taxable income in future years to realize the deferred tax asset which existed at March 31, 1997. In evaluating the expectation of sufficient future taxable income, management considered future reversals of temporary differences and available tax planning strategies that could be implemented, if required. A valuation allowance was not required at March 31, 1997 because it was management's assessment that, based on available information, it is more likely than not that all of the deferred tax asset will be realized. A valuation allowance will be established in the future to the extent of a change in management's assessment of the amount of the net deferred tax asset that is expected to be realized.

Deposits. Deposits increased $187.1 million during the first quarter of 1997 primarily as a result of brokered deposits obtained through national investment banking firms which solicit deposits from their customers, which amounted to $1.35 billion at March 31, 1997, as compared to $1.22 billion at December 31, 1996. The Company's deposits also increased during the first quarter of 1997 as a result of the Company's direct solicitation and marketing efforts to regional and local investment banking firms, institutional investors and high net worth individuals. Deposits obtained in this manner amounted to $607.1 million at March 31, 1997 as compared to $540.6 million at December 31, 1996. At March 31, 1997 the Company had $267.2 million of certificates of deposit in amounts of $100,000 or more, including $138.4 million of deposits of states and political subdivisions in the U.S. which are secured or collateralized as required under state law. For additional information, see "Liquidity, Commitments and Off-Balance Sheet Risks" below.

Securities Sold Under Agreements to Repurchase. Securities sold under agreements to repurchase decreased $35.3 million from December 31, 1996 to March 31, 1997. From time to time, the Company utilizes such collateralized borrowings as additional sources of liquidity.

Notes, Debentures and Other Interest-Bearing Obligations. Notes, debentures and other interest-bearing obligations remained unchanged from December 31, 1996 and consist primarily of $100 million of 12% Debentures issued in June 1995 and due June 2005, and $125.0 million of 11.875% of notes issued in September 1996 and due September 2003.

Stockholders' Equity. Stockholders' equity increased by $21.6 million or 11% from December 31, 1996 to March 31, 1997. The increase in stockholders' equity during this period was attributable to net income of $17.0 million, an increase of $3.2 million in the unrealized gain on securities available for sale and a $1.5 million decrease in the outstanding balance of loans made to certain officers and directors to fund their exercise of stock options. See the Consolidated Statements of Changes in Stockholders' Equity in the Interim Consolidated Financial Statements.

Asset and Liability Management

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

The Asset/Liability Committee is authorized to utilize a wide variety of off-balance sheet financial techniques to assist it in the management of interest rate risk. These techniques include interest rate exchange agreements, pursuant to which the parties exchange the difference between fixed-rate and floating-rate interest payments on a specified principal amount (referred to as the "notional amount") for a specified period without the exchange of the underlying principal amount. Interest rate exchange agreements are utilized by the Company to protect against the decrease in value of a fixed-rate asset or the increase in borrowing cost from a short-term, fixed-rate liability, such as reverse repurchase agreements, in an increasing interest-rate environment. At March 31, 1997, the Company had entered into interest rate exchange agreements with an aggregate notional amount of $44.1 million. Interest rate exchange agreements had the effect of decreasing the Company's net interest income by $74,000 and $0 during the three months ended March 31, 1997 and 1996, 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. At March 31, 1997, the Company had entered into U.S. Treasury futures (short) contracts with an aggregate notional amount of $264.3 million. The Company had no outstanding Eurodollar futures contracts at March 31, 1997. Futures contracts had the effect of decreasing the Company's net interest income by $904,000 and $240,000 during the three months ended March 31, 1997 and 1996, respectively. See Note 4 to the Interim Consolidated Financial Statements.

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

The following table sets forth the estimated maturity or repricing of the Company's interest-earning assets and interest-bearing liabilities at March 31, 1997. The amounts of assets and liabilities shown within a particular period were determined in accordance with the contractual terms of the assets and liabilities, except (i) adjustable-rate loans, performing discount loans, securities and FHLB advances are included in the period in which they are first scheduled to adjust and not in the period in which they mature, (ii) fixed-rate mortgage-related securities reflect estimated prepayments, which were estimated based on analyses of broker estimates, the results of a prepayment model utilized by the Company and empirical data, (iii) non-performing discount loans reflect the estimated timing of resolutions which result in repayment to the Company, (iv) fixed-rate loans reflect scheduled contractual amortization, with no estimated prepayments, (v) NOW and money market checking deposits and savings deposits, which do not have contractual maturities, reflect estimated levels of attrition, which are based on detailed studies of each such category of deposit by the Bank, and (vi) escrow deposits and other non-interest bearing checking accounts, which amounted to $95.2 million at March 31, 1997, are excluded. Management believes that these assumptions approximate actual experience and considers them reasonable; however, the interest rate sensitivity of the Company's assets and liabilities in the table could vary substantially if different assumptions were used or actual experience differs from the historical experience on which the assumptions are based.

	March 31, 1997				
	Within 3 Months	4 to 12 Months	More than 1 Year to 3 Years	3 Years and Over	Total
	(Dollars in thousands)				
Rate-Sensitive Assets:					
Interest-earning cash, federal funds sold and repurchase agreements	$ 107,802	$ --	$ --	$ --	$ 107,802
Securities available for sale	26,688	62,190	71,831	187,357	348,066
Loans available for sale (1)	13,857	33,358	12,919	28,377	88,511
Investment securities, net	95	238	19	10,849	11,201
Loan portfolio, net (1)	118,372	86,726	53,522	163,612	422,232
Discount loan portfolio, net	201,850	446,097	291,081	341,944	1,280,972
Total rate-sensitive assets	468,664	628,609	429,372	732,139	2,258,784
Rate-Sensitive Liabilities:					
NOW and money market checking deposits	13,784	1,292	1,431	6,145	22,652
Savings deposits	348	266	292	1,167	2,073
Certificates of deposit	326,956	642,889	444,154	572,941	1,986,940
Total interest-bearing deposits	341,088	644,447	445,877	580,253	2,011,665
FHLB advances	--	399	--	--	399
Securities sold under agreements to repurchase	39,224	--	--	--	39,224
Subordinated debentures	--	--	--	225,573	225,573
Total rate-sensitive liabilities	380,312	644,846	445,877	805,826	2,276,861
Interest rate sensitivity gap before off-balance sheet financial instruments	88,352	(16,237)	(16,505)	(73,687)	(18,077)
Off-Balance Sheet Financial Instruments:					
Futures contracts and interest rate swap	286,131	(39,595)	(46,230)	(200,306)	--
Interest rate sensitivity gap	$ 374,483	$ (55,832)	$ (62,735)	$ (273,993)	$ (18,077)
Cumulative interest rate sensitivity gap	$ 374,483	$ 318,651	$ 255,916	$ (18,077)	
Cumulative interest rate sensitivity gap as a percentage of total rate-sensitive assets	16.58%	14.11%	11.33%	(0.80)%	

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

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

The following table sets forth at March 31, 1997 the estimated percentage change in the Company's net interest income over a four-quarter period and MVPE based upon the indicated changes in interest rates, assuming an instantaneous and sustained uniform change in interest rates at all maturities.

Change (in Basis Points) in Interest Rates	Estimated Change in	
	Net Interest Income	MVPE
+400	11.99%	(7.09)%
+300	8.99	(4.44)
+200	6.00	1.27
+100	3.00	(1.19)
0	--	--
-100	(3.00)	(8.81)
-200	(6.00)	(22.72)
-300	(8.99)	(31.56)
-400	(11.99)	(36.70)

The negative estimated changes in MVPE for -100 to -400 changes in interest rates is attributable to the Company's investments in IO stripped mortgage-backed securities. Increased prepayments of the underlying mortgages as a result of a decrease in market interest rates or other factors can result in a loss of all or part of the purchase price of IO strips. The IO strip portfolio is also adversely affected by an increase in rates due primarily to inverse IO strips whose interest rates change inversely with, and often as a multiple of, a specialized index such as the one-month LIBOR rate. An increasing rate environment adversely affects the value of inverse IO strips, because the coupons of inverse IO strips decrease in an increasing rate environment. IO strips exhibit considerably more price volatility than mortgage or ordinary mortgage pass-through securities, due in part to the uncertain cash flows that result from changes in the prepayment rates of the underlying mortgages.

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

Liquidity, Commitments and Off-Balance Sheet Risks

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

Sources of liquidity include certificates of deposit obtained primarily from wholesale sources. At March 31, 1997 the Company had $1.99 billion of certificates of deposit, including $1.35 billion of brokered certificates of deposit obtained through national investment banking firms, all of which are non-cancelable. At the same date scheduled maturities of certificates of deposit during the 12 months ending March 31, 1998 and 1999 and thereafter amounted to $957.4 million, $449.4 million and $580.1 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 March 31, 1997, the Company had $399,000 of FHLB advances outstanding, was eligible to borrow up to an aggregate of $167.1 million from the FHLB of New York (subject to the availability of acceptable collateral) and had $123.4 million of single-family residential loans, $10.5 million of multi-family residential loans and $33.2 million of loans secured by hotel properties which could be pledged as security for such advances. At the same date, the Company had contractual relationships with 12 brokerage firms and the FHLB of New York pursuant to which it could obtain funds from reverse repurchase agreements and had $188.1 million of unencumbered mortgage-related securities which could be used to secure such borrowings.

The Company's operating activities provided cash flows of $124.2 million and $8.3 million during the three months ended March 31, 1997 and 1996, respectively. During the foregoing periods cash resources were provided primarily by net income, sale of securities held for trading and proceeds from sales of loans available for sale, and cash resources were used primarily to purchase and originate loans available for sale.

The Company's investing activities used cash flows totaling $212.8 million and provided cash flows of $104.5 million during the three months ended March 31, 1997 and 1996, respectively. During the foregoing periods, cash flows from investing activities were provided primarily by principal payments on and sales of discount loans and loans held for investment, proceeds from sales of securities available for sale and real estate owned, and cash flows from investing activities were primarily utilized to purchase and originate discount loans and loans held for investment and purchase securities available for sale.

The Company's financing activities provided $153.2 million and used $89.6 million during the three months ended March 31, 1997 and 1996, respectively. Cash flows from financing activities primarily relate to changes in the Company's deposits and reverse repurchase agreements.

The Bank is required under applicable federal regulations to maintain specified levels of "liquid" investments in qualifying types of U.S. Government, federal agency and other investments having maturities of five years or less. Current OTS regulations require that a savings association maintain liquid assets of not less than 5% of its average daily balance of net withdrawable deposit accounts and borrowings payable in one year or less, of which short-term liquid assets must consist of not less than 1%. Monetary penalties may be imposed for failure to meet applicable liquidity requirements. The Bank's liquidity, as measured for regulatory purposes, averaged 6.35% during the three months ended March 31, 1997 and amounted to 6.51% at March 31, 1997.

At March 31, 1997, the Company had $174.0 million of unfunded commitments related to purchases and originations of loans. The Company also had a $6.8 million commitment at March 31, 1997 to acquire an 80% interest in the assets of Admiral. Management of the Company believes that the Company has adequate resources to fund all of its commitments to the extent required and that substantially all of such commitments will be funded during 1997. For additional information relating to commitments and contingencies at March 31, 1997, see Note 6 to the Interim Consolidated Financial Statements.

In addition to commitments to extend credit, the Company is party to various off-balance sheet financial instruments in the normal course of business to manage its interest rate risk. See "Asset and Liability Management" above and Note 4 to the Interim Consolidated Financial Statements.

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

Regulatory Capital Requirements

Federally-insured savings associations such as the Bank are required to maintain minimum levels of regulatory capital. These standards generally must be as stringent as the comparable capital requirements imposed on national banks. The OTS also is authorized to impose capital requirements in excess of these standards on individual associations on a case-by-case basis. Based upon recent discussions with the OTS, the Bank has determined to maintain a core capital ratio of at least 9% and a total risk-based capital ratio of no less than 13%. The Bank also determined to transfer its single-family residential lending activities to non-conforming borrowers to a non-bank subsidiary of Ocwen. The Bank believes at this time that it will continue to be a "well-capitalized insititution" under OTS regulations.

In August 1993, the OTS promulgated regulations which incorporate an interest rate risk component into the OTS risk-based capital requirements, and in August 1995 the OTS postponed the effectiveness of this regulation after having previously deferred the effective date several times. Because only institutions whose measured interest rate risk exceeds certain parameters will be subject to the interest rate risk capital requirement, management of the Bank does not believe that this regulation will increase the Bank's risk-based regulatory capital requirement if it becomes effective in its current form. For additional information relating to regulatory capital requirements and the Bank's capital ratios, see Note 5 to the Interim Consolidated Financial Statements.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

The Company is subject to various legal proceedings. Management, after reviewing these claims with legal counsel, is of the opinion that the resolution of these claims will not have a material effect on the financial condition or operations of the Company.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

27 Financial Data Schedule

(b) Reports on Form 8-K.

No reports on Form 8-K have been filed during the three months ending March 31, 1997.

SIGNATURE

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

Ocwen Financial Corporation

By: /s/ Christine A. Reich

Christine A. Reich,
Managing Director and
Chief Financial Officer
(On behalf of the Registrant and
as its principal financial officer)

Date: May 14, 1997

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.

1,000

3-MOS
DEC-31-1997
JAN-01-1997
MAR-31-1997
8,966
8,802
99,000
0
348,066
11,201
0
1,791,715
21,642
2,649,471
2,106,829
39,623
52,290
225,573
0
0
268
224,888
2,649,471
43,767
9,102
1,658
54,527
29,894
37,164
17,363
9,742
10,563
22,697
20,647
20,647
0
0
17,041
0.63
0.63
10.062
811,376
0
0
0
15,061
3,208
47
21,642
21,642
0
0

TAG 17 INCLUDES LOANS AVAILABLE FOR SALE OF $88,511 LOAN PORTFOLIO OF $422,232 AND DISCOUNT LOAN PORTFOLIO OF $ 1,280,972

TAG 18 INCLUDES ALLOWANCE FOR LOAN LOSSES ON LOAN PORTFOLIO OF $4,834 AND ON DISCOUNT LOAN PORTFOLIO OF $16,808.