UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

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PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT
(DATE OF EARLIEST EVENT REPORTED): JANUARY 29, 1999

OCWEN FINANCIAL CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

| | | |
|---|---|---|
| FLORIDA | 0-21341 | 65-0039856 |
| (STATE OR OTHER JURISDICTION OF INCORPORATION) | (COMMISSION FILE NUMBER) | (I.R.S. EMPLOYER IDENTIFICATION NO.) |

THE FORUM, SUITE 1000
1675 PALM BEACH LAKES BOULEVARD, WEST PALM BEACH, FLORIDA 33401
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICE) (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (561) 682-8000

N/A
(FORMER NAME OR FORMER ADDRESS, IF CHANGED SINCE LAST REPORT)

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ITEM 5. OTHER EVENTS

The news release of Ocwen Financial Corporation, dated January 29, 1999, announcing its 1998 results and certain other information, is attached hereto and filed herewith as Exhibit 99.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits

The following exhibit is filed as part of this report:

(99) News release of Ocwen Financial Corporation dated January 29, 1999.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

OCWEN FINANCIAL CORPORATION
(Registrant)

By: /s/ MARK S. ZEIDMAN
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Mark S. Zeidman
Senior Vice President and
Chief Financial Officer

Date: February 11, 1999

INDEX TO EXHIBIT

Exhibit 99

[GRAPHIC OMITTED] OCWEN FINANCIAL CORPORATION

FOR IMMEDIATE RELEASE

FOR FURTHER INFORMATION, CONTACT:
A. RICHARD HURWITZ
VP, CORPORATE COMMUNICATIONS & MARKETING
T: (561) 682-8575
F: (561) 682-8177 OR E-MAIL: rhurwitz@ocwen.com

# OCWEN FINANCIAL CORPORATION REPORTS 1998 RESULTS CONSISTENT WITH PRE-EARNINGS RELEASE

FOURTH QUARTER AND YEAR END HIGHLIGHTS

- 1998 NET INCOME, PRIOR TO IMPAIRMENT CHARGES, INCREASED 22% OVER PRIOR YEAR
- 1998 FOURTH QUARTER NET INCOME, PRIOR TO IMPAIRMENT CHARGES, DECREASED 9.6% OVER SAME QUARTER PRIOR YEAR
- NET INCOME FROM THIRD PARTY MORTGAGE SERVICING INCREASED 223% IN 1998
- OTX INTRODUCES REALTRANS(SM), ITS REAL ESTATE E-COMMERCE SOLUTION
- LOANS SERVICED FOR OTHERS INCREASED 92% DURING 1998 TO $10.59 BILLION
- APPOINTED SPECIAL SERVICER FOR $9.12 BILLION OF LOANS IN 1998

WEST PALM BEACH, FL - (January 29, 1999) Ocwen Financial Corporation (NYSE: OCN) today reported net income for its fourth quarter ended December 31, 1998, prior to impairment charges, of $20.4 million, or $0.34 per diluted share, compared to $22.9 million, or $0.37 per diluted share, for the fourth quarter of 1997. For the year ended December 31, 1998, the Company reported net income, prior to impairment charges, of $95.9 million, or $1.57 per diluted share, compared to $78.9 million, or $1.39 per diluted share, for the year ended December 31, 1997, an increase of 22%.

Including impairment charges, the Company reported a net loss of $10.6 million, or $0.17 per diluted share, for the 1998 fourth quarter, compared to net income of $22.9 million, or $0.37 per diluted share, for the 1997 fourth quarter. For the year ended December 31, 1998, the Company reported a net loss of $1.2 million, or $0.02 per diluted share, for 1998 compared to net income of $78.9 million, or $1.39 per diluted share, for the year ended December 31, 1997.

Pre-tax impairment charges for the 1998 fourth quarter totaled $49.5 million, of which $28.5 million related to the Company's securities available for sale (an investment portfolio including subordinate and residual mortgage-backed securities), $8.2 million was for losses on its investment in Ocwen Asset Investment Corp. (NYSE: OAC) and $10.9 million was for the anticipated curtailment of its domestic subprime operations. The $28.5 million charge resulted from each security being written down to the lower of amortized cost or fair value.

Pre-tax impairment charges for the year ended December 31, 1998 totaled $152.8 million, of which $86.1 million related to the Company's securities portfolio of AAA-rated agency IOs, $43.6 million related to securities available for sale, $8.2 million was for losses on its investment in OAC, and $13.0 million was for the anticipated curtailment of its domestic subprime operations.





## STATEMENT FROM CHAIRMAN AND CEO REGARDING STRATEGIC TRANSITION

William C. Erbey, Chairman and Chief Executive Officer, stated "While 1998 was a very difficult year for financial services companies, OCN made several notable achievements, not the least of which was that our discount loan and servicing businesses made $63.5 million. In addition, we have continued to grow our annuity-based fee income stream and have made substantial strides in developing and commercializing our loan servicing and e-commerce technology for the mortgage and real estate industries. All told, we are quite proud of our progress during the last quarter with respect to re-focusing our resources on business lines which leverage the Company's core competencies. For example, the net income in our third party mortgage-servicing unit increased 223%, and the loans serviced for others increased 92% to $10.59 billion in unpaid principal balance in 1998.

"We believe that our servicing expertise and operating platform are exportable to other countries. In 1998, the Company entered the United Kingdom, and we are very pleased with the servicing and origination platform that we have developed there. Other 1998 highlights include:

- At year-end 1998, OCN serviced 153,458 loans for third parties in the United States totaling $10.59 billion of unpaid principal balance, compared to 70,308 loans totaling $5.51 billion in UPB at December 31, 1997. To accommodate this growth, the Company is building a national servicing center in Orlando, Florida, which will have capacity for 1,000 loan servicing representatives per shift upon planned completion in the summer of 1999.

- OCN continued to expand its servicing activities in 1998 by entering into special servicing arrangements, wherein the Company acts as a special servicer for nonperforming loans on behalf of third parties, typically as part of a securitization. The Company services loans that become greater than 60 days past due and receives incentive fees to the extent certain loss mitigation parameters are achieved. Through December 31, 1998, OCN had been designated as a special servicer for pools of loans totaling approximately $9.12 billion in original unpaid principal balance.

- Ocwen Technology Xchange, Inc. ("OTX"), our software solutions subsidiary, introduced REALTrans(SM), a web-based application which facilitates the electronic ordering of real estate products and services via the Internet. REALTrans(SM) allows users (banks, brokers, appraisers, agents, title insurers, attorneys, and other ancillary real estate and mortgage service providers) to send, receive, and track information easily. It can provide major cost reductions for all parties to these transactions by saving valuable time and increasing organizational efficiencies.

- OTX expects to bring to market a significant enhancement to its menu of mortgage servicing software products in mid-1999. This system of fully integratable modules allows for the management of the total life cycle of a loan. The modules include loan servicing, collections, default management, loss mitigation, REO management, construction loan servicing and related workflow management. We expect to implement the OTX servicing platform in the Ocwen UK operation by year-end.

"We believe that our Company, which had $445.2 million in cash and cash equivalents at 1998 year-end, including $69.0 million at the holding company, enjoys ample liquidity to fund our strategic transition. In 1999, we will continue to focus our resources on acquiring discount loans, growing our fee-for-service business, and developing software technology for the real estate and mortgage industries."

Ocwen Financial Corporation Fourth Quarter Results
January 29, 1999

NET INCOME SUMMARY BY BUSINESS ACTIVITY

| For the periods ended December 31, | Three Months 1998 | Three Months 1997 | Twelve Months 1998 | Twelve Months 1997 |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| Discount loans (1): | | | | |
| Single family residential loans | $(11,066) | $ 12,280 | $ 14,394 | $ 23,349 |
| Large commercial real estate loans | 4,463 | 3,411 | 28,103 | 24,474 |
| Small commercial real estate loans | 737 | 2,948 | 8,195 | 5,349 |
| | (5,866) | 18,639 | 50,692 | 53,172 |
| Mortgage loan servicing: | | | | |
| Domestic | 4,704 | 1,286 | 8,066 | 3,972 |
| Foreign (UK) | 2,857 | -- | 4,771 | -- |
| | 7,561 | 1,286 | 12,837 | 3,972 |
| Investment in low-income housing tax credits | 627 | 503 | 6,149 | 4,147 |
| Commercial real estate lending | 759 | 6,167 | 13,588 | 12,405 |
| OTX | (3,547) | -- | (9,623) | -- |
| Subprime single family residential lending: | | | | |
| Domestic | (13,267) | (781) | (20,524) | (2,166) |
| Foreign (UK) | 1,257 | -- | 7,475 | -- |
| | (12,010) | (781) | (13,049) | (2,166) |
| Investment securities | (3,226) | (2,203) | (59,186) | 3,587 |
| Other | 5,125 | (677) | (2,608) | 3,815 |
| | $(10,577) | $ 22,934 | $ (1,200) | $ 78,932 |

(1) Exclusive of the impairment charges on residential subordinate securities, net income (loss) from the single family residential loan business activity would have been $(3,490) and $21,970 for the three and twelve months ended December 31, 1998, respectively, and net income from the discount loan business activity in the aggregate would have been $1,710 and $58,268 for the three and twelve months ended December 31, 1998, respectively.

THE REMAINDER OF THIS RELEASE CONTAINS SELECTED SUMMARY INFORMATION ON THE SPECIFIC AREAS OF THE COMPANY'S RESULTS, FINANCIAL CONDITION, AVERAGE BALANCES, AND RATES, AS WELL AS OCN'S INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS.

| FOURTH QUARTER AND TWELVE MONTHS AT A GLANCE | Fourth Quarter | | Year | |
|---|---|---|---|---|
| In thousands of dollars, except per share data | 1998 | 1997 | 1998 | 1997 |
| Revenues | $ 39,934 | $ 84,689 | $ 226,131 | $ 263,879 |
| Provision for loan losses | (4,775) | (10,479) | (18,509) | (32,218) |
| Expenses | (74,016) | (45,197) | (239,988) | (132,123) |
| Income tax (expense) benefit | 27,811 | (6,398) | 30,699 | (21,309) |
| Minority interest | 469 | 319 | 467 | 703 |
| Net income | $ (10,577) | $ 22,934 | $ (1,200) | $ 78,932 |
| Earnings per share: | | | | |
| Basic | $ (0.17) | $ 0.38 | $ (0.02) | $ 1.40 |
| Diluted | $ (0.17) | $ 0.37 | $ (0.02) | $ 1.39 |
| Weighted average shares outstanding: | | | | |
| Basic | 60,797,467 | 60,541,578 | 60,736,950 | 56,185,956 |
| Diluted | 60,797,467 | 61,321,725 | 61,736,950 | 56,836,484 |
| Annualized Returns: | | | | |
| Average assets | (1.20)% | 2.96% | (0.03)% | 2.78% |
| Average equity | (9.82)% | 22.40% | (0.28)% | 27.22% |

REVENUES

NET INTEREST INCOME

Interest income of $66.2 million for the fourth quarter of 1998 decreased by $7.5 million or 10%, compared to the fourth quarter of 1997. This decrease was the result of a 148 basis point decrease in the average yield earned, offset in part by an $80.3 million increase in the average balance of interest-earning assets. The decrease in the average yield earned for the fourth quarter of 1998 was primarily due to a decline in yield on the loan portfolio which was the result of $5.9 million of additional interest income received in connection with the payoff of four loans secured by hotel and office properties during the fourth quarter of 1997. Of the $80.3 million net increase in average interest-earning assets, $324.2 million, $152.2 million, $84.6 million related to securities available for sale, loans available for sale and federal funds sold, and repurchase agreements, respectively, offset by a $353.9 million decrease in the discount loan portfolio and a $122.5 million decrease related to the loan portfolio. The $152.2 million increase in loans available for sale relates to loans held by Ocwen UK. The average yield on interest-earning assets was 10.02% and 11.50% for the fourth quarter of 1998 and 1997, respectively, and 10.82% and 11.50% for the year ended December 31, 1998 and 1997, respectively. For the year ended December 31, 1998, interest income amounted to $307.7 million, a $35.2 million or a 13% increase over the same period in 1997.

Interest expense of $43.6 million for the fourth quarter of 1998 increased by $3.3 million or 8% over the comparable period in the prior year as a result of a $195.1 million increase the average balance of interest-bearing liabilities. Of this increase, $182.6 million and $33.9 million related to borrowings under lines of credit and securities sold under agreements to repurchase, respectively, offset by a $16.5 million decline in deposits. The average rate paid on interest-bearing liabilities was 6.77% in the fourth quarter of 1998 and 1997, and 6.84% and 6.69% for the year ended December 31, 1998 and 1997, respectively. For the year ended December 31, 1998, interest expense increased $28.6 million or 18% over the prior year to $184.9 million, primarily due to a $29.0 million increase in interest expense on obligations outstanding under lines of credit as a result of a $396.9 million or 471% increase in the average balance outstanding.

As a result of the above, net interest income before provision for loan losses of $22.6 million for the fourth quarter of 1998 decreased by $10.8 million or 32% from the fourth quarter of 1997, and the net interest margin for the fourth quarter of 1998 decreased to 3.42% from 5.21% for the fourth quarter of 1997. Net interest income of $122.8 million for the year ended December 31, 1998 increased $6.6 million or 6% over the prior year, and the net interest margin declined 59 basis points to 4.32%.

NON-INTEREST INCOME

Non-interest income for the fourth quarter of 1998 was $28.7 million, a decrease of $15.1 million or 34% from that of the fourth quarter of 1997. The decrease was primarily due to a $38.6 million decrease in gains on interest earning assets, offset by an $11.7 million increase in servicing fees and other charges and a $9.2 million increase in other income. Non-interest income for 1998 decreased by $12.6 million to $111.3 million, primarily due to an $83.8 million decline in gains on interest-earning assets, offset by a $33.2 million increase in servicing fees and other charges and a $31.2 million increase in other income.

Loss on interest-earning assets, net, for the fourth quarter of 1998 amounted to $2.5 million and was primarily comprised of a $28.5 million impairment charge on certain subordinate and residual mortgage-backed securities available for sale, offset by a $16.5 million and $5.0 million gain recognized in connection with the securitization of $194.7 million of U.K. subprime single family residential mortgage loans and $262.1 million of U.S. subprime single family residential loans, respectively. Gain on interest-earning assets, net, for the fourth quarter of 1997 of $36.1 million was primarily comprised of a $24.4 million gain recognized in connection with the securitization of single-family discount loans with an aggregate unpaid principal balance of $203.4 million, a $9.0 million gain recognized in connection with the securitization of subprime single-family residential mortgage loans with an aggregate unpaid principal balance of $208.8 million, and a $2.0 million gain recognized in connection with the securitization of small commercial mortgage loans with an aggregate unpaid principal balance of $62.7 million. Gain on interest-earning assets, net, for the year ended December 31, 1998 decreased by $83.8 million primarily as a result of $129.7 million of losses and charges on securities, including AAA-rated agency interest-only securities and certain subordinate and residual mortgage-backed securities, offset by a $37.8 million increase in gains in connection with securitizations of discount and subprime mortgage loans.

The increase in servicing fees and other charges reflects an increase in loan servicing and related fees as a result of an increase in loans serviced for others. The unpaid principal balance of loans serviced for others averaged $10.02 billion and $4.69 billion during the fourth quarter of 1998 and 1997, respectively, and $8.06 billion and $3.11 billion during the year ended December 31, 1998 and 1997, respectively. At December 31, 1998, OCN serviced 153,458 loans for third parties totaling $10.59 billion versus 142,844 loans totaling $9.96 billion at September 30, 1998, and 70,308 loans totaling $5.51 billion at December 31, 1997.

Other income of $9.8 million for the fourth quarter of 1998 included $2.4 million of gains on sales of investments in real estate, $4.3 million of brokerage commissions earned in connection with Ocwen UK loan originations and $1.8 million of management fees earned from OAC. Other income of $39.7 million for 1998 included $10.4 million of gains on sales of investments in real estate, $10.0 million of brokerage commissions earned in connection with Ocwen UK loan originations, $7.4 million of gains recognized in connection with the sale of investments in low-income housing tax credit projects, and $5.9 million of management fees earned from OAC. Other income of $8.5 million for 1997 was primarily comprised of $6.1 million of gains recognized in connection with the sale of investments in low-income housing tax credit projects and $1.8 million of management fees earned from OAC.

EQUITY IN (LOSSES) EARNINGS OF INVESTMENTS IN UNCONSOLIDATED ENTITIES

During the three months ended December 31, 1998, OCN recorded $(8.7) million of losses resulting from its equity investment in OAC and $(2.9) million of losses resulting from its equity investment in Norland Capital Group plc, doing business as Kensington Mortgage Company ("Kensington").

On December 12, 1997, BCBF LLC, a joint venture between the Company and Black Rock Finance LP, distributed all of its remaining assets to its partners. As a result, no equity in earnings was recorded during 1998 related to this entity. During the fourth quarter of 1997, OCN recorded $7.5 million of income related to its investment in joint venture, consisting primarily of net interest income. Income from the joint venture amounted to $23.7 million for 1997 and included $9.2 million of net gains related to the securitization of single-family residential loans.

PROVISION FOR LOAN LOSSES

Provision for loan losses decreased by $5.7 million in the fourth quarter of 1998 and $13.7 million during the year ended December 31, 1998. The decline in the provision for loan losses in 1998, compared to 1997, was primarily due to a decline in the balance of the discount loan and loan portfolios. At December 31, 1998, OCN had allowances for losses of $21.4 million and $4.9 million on its discount loan and loan portfolios, respectively, which amounted to 1.7% and 1.8% of the respective balances. The Company maintained reserves of 1.6% and 1.4% on its discount loan and loan portfolios, respectively, at December 31, 1997.

EXPENSES

NON-INTEREST EXPENSE

Non-interest expense amounted to $70.6 million for the fourth quarter of 1998, including $14.6 million and $3.7 million related to Ocwen UK and OTX, respectively, representing an increase of $28.8 million or 69% over the fourth quarter of 1997. Compensation and employee benefits increased by $9.3 million as the average number of employees increased from 1,104 to 1,663. Of the $9.3 million increase, $5.8 million and $3.2 million related to Ocwen UK and OTX, respectively. Occupancy and equipment expense increased $4.5 million primarily due to an increase in data processing costs, general office equipment expenses, and rental expense. The $7.8 million increase in goodwill amortization was due to the write-off of the remaining unamortized balance of goodwill related to OFS in anticipation of the Company's curtailment of its domestic subprime operations. Loan expenses increased by $4.2 million, all of which was attributed to Ocwen UK. For the year ended December 31, 1998, non-interest expense increased $99.5 million, or 78%, to $226.4 million primarily due to a $38.0 million increase in compensation and benefits, a $17.2 million increase in occupancy and equipment, an $18.2 million increase in loan expenses ($15.2 million of which related to Ocwen UK), and an $11.1 million increase in amortization of goodwill ($10.3 million of which related to OFS). Non-interest expense for 1998 included $41.3 million and $11.3 million related to Ocwen UK and OTX.

DISTRIBUTIONS ON COMPANY-OBLIGATED, MANDATORY REDEEMABLE SECURITIES OF SUBSIDIARY TRUST HOLDING SOLELY JUNIOR SUBORDINATED DEBENTURES

In August 1997, Ocwen Capital Trust I, a wholly-owned subsidiary of OCN, issued $125.0 million of 10 7/8% Capital Securities. Distributions amounted to $3.4 million and $13.6 million during the three and twelve months ended December 31, 1998, respectively, compared to $3.4 million and $5.2 million for the same periods in 1997.

INCOME TAXES

Income tax benefit (expense) amounted to $27.8 million and $(6.4) million during the fourth quarter of 1998 and 1997, respectively, and $30.7 million and $(21.3) million for the year ended December 31, 1998 and 1997, respectively. OCN's income tax benefit for 1998 reflects tax credits of $17.7 million, the use of a $3.0 million tax benefit resulting from the use of prior year net operating loss carryforwards and the tax benefit resulting from pre-tax losses. OCN invests in low-income housing tax credit interests, which provided tax credits of $4.1 million and $4.5 million for the fourth quarter of 1998 and 1997, respectively, and $17.7 million and $14.9 million for 1998 and 1997, respectively. No valuation allowance was required at December 31, 1998 because it is expected that losses and tax credits will be utilized to offset future taxable income and tax expense.

ASSET ACQUISITIONS

The Company's volume of discount loan acquisitions fell in 1998 due to the impact of a healthy economy. Mortgage delinquencies were at their lowest levels in decades, and major lenders had little need to pare their portfolios. Volume was also reduced by the absence of significant offerings from the U.S. government.

| | Three Months | | Twelve Months | |
|---|---|---|---|---|
| For the periods ended December 31, | 1998 | 1997 | 1998 | 1997 |
| | (Dollars in thousands) | | | |
| Discount Loan Acquisitions: | | | | |
| Single family residential ............. | $ 190,796 | $ 111,885 | $ 419,027 | $ 290,359 |
| Housing and Urban Development ("HUD") | -- | -- | 194,173 | 771,608 |
| Total single family ............... | 190,796 | 111,885 | 613,200 | 1,061,967 |
| Commercial real estate ................ | 79,831 | 376,564 | 499,642 | 714,806 |
| | $ 270,627 | $ 488,449 | $1,112,842 | $1,776,773 |
| Subprime Loan Purchases and Originations: | | | | |
| Domestic .............................. | 216,459 | 210,322 | 1,077,983 | 594,182 |
| Foreign (UK) .......................... | 120,175 | -- | 675,621 | -- |
| | $ 336,634 | $ 210,322 | $1,753,604 | $ 594,182 |

For the year ended December 31, 1998, the Company purchased discount loans with a total unpaid principal balance of approximately $1.11 billion, compared to $1.78 billion in 1997. While the volume of single-family residential loans (other than HUD) increased 44.3% over the prior year, the Company acquired approximately $792.6 million less HUD single-family residential loans and commercial real estate loans than in 1997.

For the year ended December 31, 1998, OCN purchased and originated single family residential loans to subprime borrowers with a total unpaid principal balance of approximately $1.75 billion, compared to $594.2 million at December 31, 1997. Domestic subprime loan originations increased 81.4% in 1998, from $594.2 million to $1.01 billion. The $675.6 million of UK subprime loan purchases and originations in 1998 included $421.3 million of loans purchased in connection with OCN's acquisition of its UK origination and servicing platform in April 1998.

CAPITAL

Stockholders' equity increased $16.7 million or 4% during the twelve months ended December 31, 1997 from $419.7 million to $436.4 million at December 31, 1998.

FORWARD-LOOKING STATEMENTS

CERTAIN STATEMENTS CONTAINED HEREIN ARE NOT BASED ON HISTORICAL FACTS AND ARE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED, AND SECTION 21E OF THE SECURITIES ACT OF 1934, AS AMENDED. THESE FORWARD-LOOKING STATEMENTS MAY BE IDENTIFIED BY REFERENCE TO A FUTURE PERIOD(S) OR BY THE USE OF FORWARD-LOOKING TERMINOLOGY SUCH AS "ANTICIPATE," "BELIEVE," "COMMITMENT," "CONTINUE," "COULD," "ESTIMATE," "MAY," "PRESENT," "WILL," FUTURE OR CONDITIONAL VERB TENSES, SIMILAR TERMS, VARIATIONS ON SUCH TERMS OR NEGATIVES OF SUCH TERMS. ALTHOUGH OCN BELIEVES THE ANTICIPATED RESULTS OR OTHER EXPECTATIONS REFLECTED IN SUCH FORWARD-LOOKING STATEMENTS ARE BASED ON REASONABLE ASSUMPTIONS, ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE INDICATED DUE TO RISKS, UNCERTAINTIES AND CHANGES WITH RESPECT TO A VARIETY OF FACTORS, INCLUDING, BUT NOT LIMITED TO, INTERNATIONAL, NATIONAL, REGIONAL OR LOCAL ECONOMIC ENVIRONMENTS, GOVERNMENT FISCAL AND MONETARY POLICIES, PREVAILING INTEREST OR CURRENCY EXCHANGE RATES, EFFECTIVENESS OF INTEREST RATE, CURRENCY AND OTHER HEDGING STRATEGIES, LAWS AND REGULATIONS AFFECTING FINANCIAL INSTITUTIONS, REAL ESTATE INVESTMENT TRUSTS AND REAL ESTATE (INCLUDING REGULATORY FEES, CAPITAL REQUIREMENTS AND INCOME AND PROPERTY TAXATION), UNCERTAINTY OF FOREIGN LAWS, COMPETITIVE PRODUCTS, PRICING AND CONDITIONS (INCLUDING FROM COMPETITORS THAT HAVE SIGNIFICANTLY GREATER RESOURCES THAN OCN), CREDIT, PREPAYMENT, BASIS, DEFAULT, SUBORDINATION AND ASSET/LIABILITY RISKS, LOAN SERVICING EFFECTIVENESS, ABILITY TO IDENTIFY ACQUISITIONS AND INVESTMENT OPPORTUNITIES MEETING OCN'S INVESTMENT STRATEGY, COURSE OF NEGOTIATIONS AND ABILITY TO REACH AGREEMENT WITH RESPECT TO MATERIAL TERMS OF ANY PARTICULAR TRANSACTION, SATISFACTORY DUE DILIGENCE RESULTS, SATISFACTION OR FULFILLMENT OF AGREED UPON TERMS AND CONDITIONS OF CLOSING OR PERFORMANCE, TIMING OF TRANSACTION CLOSINGS, ACQUISITIONS AND INTEGRATION OF ACQUIRED BUSINESSES, SOFTWARE INTEGRATION, DEVELOPMENT AND LICENSING, AVAILABILITY OF AND COSTS ASSOCIATED WITH OBTAINING ADEQUATE AND TIMELY SOURCES OF LIQUIDITY, DEPENDENCE ON EXISTING SOURCES OF FUNDING, ABILITY TO REPAY OR REFINANCE INDEBTEDNESS (AT MATURITY OR UPON ACCELERATION), TO MEET COLLATERAL CALLS BY LENDERS (UPON RE-VALUATION OF THE UNDERLYING ASSETS OR OTHERWISE), TO GENERATE REVENUES SUFFICIENT TO MEET DEBT SERVICE PAYMENTS AND OTHER OPERATING EXPENSES AND TO SECURITIZE WHOLE LOANS, AVAILABILITY OF DISCOUNT LOANS FOR PURCHASE, SIZE OF, NATURE OF AND YIELDS AVAILABLE WITH RESPECT TO THE SECONDARY MARKET FOR MORTGAGE LOANS, FINANCIAL, SECURITIES AND SECURITIZATION MARKETS IN GENERAL, ALLOWANCES FOR LOAN LOSSES, GEOGRAPHIC CONCENTRATIONS OF ASSETS (TEMPORARY OR OTHERWISE), TIMELY LEASING OF UNOCCUPIED SQUARE FOOTAGE (GENERALLY AND UPON LEASE EXPIRATION), CHANGES IN REAL ESTATE CONDITIONS (INCLUDING LIQUIDITY, VALUATION, REVENUES, RENTAL RATES, OCCUPANCY LEVELS AND COMPETING PROPERTIES), ADEQUACY OF INSURANCE COVERAGE IN THE EVENT OF LOSS, KNOWN OR UNKNOWN ENVIRONMENTAL CONDITIONS, YEAR 2000 COMPLIANCE, OTHER FACTORS GENERALLY UNDERSTOOD TO AFFECT THE REAL ESTATE ACQUISITION, MORTGAGE AND LEASING MARKETS, SECURITIES INVESTMENTS, AND OTHER RISKS DETAILED FROM TIME TO TIME IN OCN'S REPORTS AND FILINGS WITH THE SEC, INCLUDING ITS REGISTRATION STATEMENTS ON FORMS S-1 AND S-3 AND PERIODIC REPORTS ON FORMS 10-Q, 8-K AND 10-K

Ocwen Financial Corporation is a $3.3 billion financial institution headquartered in West Palm Beach, Florida. The Company's primary businesses are the acquisition, servicing, and resolution of subperforming and nonperforming residential and commercial mortgage loans. Additional information about Ocwen Financial Corporation is available at www.ocwen.com - OCN.

| OCWEN FINANCIAL CORPORATION FINANCIAL SUMMARY (DOLLARS IN THOUSANDS, EXCEPT SHARE DATA) | At or for the Three Months ended December 31, 1998 | 1997 | Change % | At or for the Twelve Months ended December 31, 1998 | 1997 | Change % |
|---|---|---|---|---|---|---|
| OPERATIONS DATA: | | | | | | |
| Interest income | $ 66,236 | $ 73,736 | (10) | $ 307,694 | $ 272,531 | 13 |
| Interest expense | 43,601 | 40,313 | 8 | 184,893 | 156,289 | 18 |
| Net interest income | 22,635 | 33,423 | (32) | 122,801 | 116,242 | 6 |
| Provision for loan losses | 4,775 | 10,479 | (54) | 18,509 | 32,218 | (43) |
| Net interest income after provision for loan losses | 17,860 | 22,944 | (22) | 104,292 | 84,024 | 24 |
| Servicing fees and other charges | 20,136 | 8,479 | 137 | 59,180 | 25,962 | 128 |
| (Loss) gain on interest-earning assets, net | (2,502) | 36,070 | (107) | (1,594) | 82,212 | (102) |
| Other non-interest income | 11,108 | (751) | 1,579 | 53,729 | 15,775 | 241 |
| Total non-interest income | 28,742 | 43,798 | (34) | 111,315 | 123,949 | (10) |
| Compensation and employee benefits | 31,835 | 22,504 | 41 | 115,556 | 77,573 | 49 |
| Other non-interest expense | 38,782 | 19,294 | 101 | 110,838 | 49,301 | 125 |
| Total non-interest expense | 70,617 | 41,798 | 69 | 226,394 | 126,874 | 78 |
| Capital Trust Securities | 3,399 | 3,399 | -- | 13,594 | 5,249 | 159 |
| Equity in (losses) earnings of investments in unconsolidated entities | (11,443) | 7,468 | (253) | (7,985) | 23,688 | (134) |
| (Loss) income before income taxes | (38,857) | 29,013 | (234) | (32,366) | 99,538 | (133) |
| Income tax benefit (expense) | 27,811 | (6,398) | (535) | 30,699 | (21,309) | (244) |
| Minority interest | 469 | 319 | 47 | 467 | 703 | (34) |
| Net income | $ (10,577) | $ 22,934 | (146) | $ (1,200) | $ 78,932 | (102) |
| EARNINGS PER SHARE: | | | | | | |
| Basic | $ (0.17) | $ 0.38 | (145) | $ (0.02) | $ 1.40 | (101) |
| Diluted | $ (0.17) | $ 0.37 | (146) | $ (0.02) | $ 1.39 | (101) |
| KEY RATIOS: | | | | | | |
| Net interest spread | 3.25% | 4.73% | (31) | 3.98% | 4.81% | (17) |
| Net interest margin | 3.42% | 5.21% | (34) | 4.32% | 4.91% | (12) |
| Annualized Return on Average: | | | | | | |
| Assets (1) (2) | (1.20)% | 2.96% | (141) | (0.03)% | 2.78% | (101) |
| Equity (2) | (9.82)% | 22.40% | (144) | (0.28)% | 27.22% | (101) |
| Efficiency Ratio (3) | 100.12% | 49.35% | 103 | 176.83% | 48.06% | 268 |
| AVERAGE BALANCES: | | | | | | |
| Securities available for sale | $ 642,601 | $ 318,368 | 102 | $ 590,367 | $ 299,558 | 97 |
| Loans available for sale | 409,978 | 257,730 | 59 | 520,859 | 171,837 | 203 |
| Loan portfolio | 244,004 | 366,472 | (33) | 266,519 | 410,863 | (35) |
| Discount loan portfolio | 1,098,271 | 1,452,204 | (24) | 1,285,383 | 1,283,020 | -- |
| Total interest-earning assets | 2,644,240 | 2,563,977 | 3 | 2,844,691 | 2,369,149 | 20 |
| Total assets | 3,521,461 | 3,094,784 | 14 | 3,586,985 | 2,835,514 | 27 |
| Deposits | 1,908,166 | 1,924,708 | (1) | 1,886,563 | 1,998,191 | (6) |
| Total interest-bearing liabilities | 2,577,578 | 2,382,522 | 8 | 2,702,814 | 2,336,895 | 16 |
| Total liabilities | 3,090,550 | 2,685,290 | 15 | 3,159,473 | 2,545,484 | 24 |
| Total stockholders' equity | 430,911 | 409,494 | 5 | 427,512 | 290,030 | 47 |

(1) Includes OCN's pro rata share of average assets held by the joint venture for the three and twelve months ended December 31, 1997.

(2) Exclusive of the impairment charges the annualized return on average assets would have been 2.29% and 3.02% for the three and twelve months ended December 31, 1998, respectively, and the annualized return on average equity would have been 18.70% and 25.32% for the three and twelve months ended December 31, 1998, respectively.

(3) Efficiency ratio represents non-interest expense divided by the sum of net interest income before provision for loan losses, and including equity in (losses) earnings of investments in unconsolidated entities. Exclusive of the impairment charges the efficiency ratio would have been 75.43% and 58.09% for the three and twelve months ended December 31, 1998, respectively.

OCWEN FINANCIAL CORPORATION
AVERAGE BALANCE/RATE ANALYSIS

| | Three months ended December 31, 1998 Average Balance | 1998 Interest | 1998 Annualized Yield/Rate | 1997 Average Balance | 1997 Interest | 1997 Annualized Yield/Rate |
|---|---|---|---|---|---|---|
| AVERAGE ASSETS: | | | | | | |
| Federal funds sold and repurchase agreements | $ 206,500 | $ 2,986 | 5.78% | $ 121,190 | $ 1,663 | 5.49% |
| Securities available for sale | 642,601 | 15,051 | 9.37 | 318,368 | 5,775 | 7.26 |
| Loans available for sale | 409,978 | 10,606 | 10.35 | 257,730 | 7,277 | 11.29 |
| Investment securities and other | 42,886 | (823) | (7.68) | 48,013 | 1,302 | 10.85 |
| Loan portfolio | 244,004 | 6,921 | 11.35 | 366,472 | 16,910 | 18.46 |
| Discount loan portfolio | 1,098,271 | 31,495 | 11.47 | 1,452,204 | 40,809 | 11.24 |
| Total interest-earning assets, interest income | 2,644,240 | 66,236 | 10.02 | 2,563,977 | 73,736 | 11.50 |
| Non-interest earning cash | 26,209 | | | 23,153 | | |
| Allowance for loan losses | (25,721) | | | (24,672) | | |
| Investments in low-income housing tax credit interests | 137,297 | | | 94,241 | | |
| Investment in unconsolidated entities | 84,942 | | | 19,790 | | |
| Real estate owned, net | 210,851 | | | 170,132 | | |
| Investment in real estate | 8,125 | | | 61,584 | | |
| Other assets | 435,518 | | | 186,579 | | |
| Total assets | $3,521,461 | | | $3,094,784 | | |
| AVERAGE LIABILITIES AND STOCKHOLDERS' EQUITY: | | | | | | |
| Interest-bearing demand deposits | $ 49,032 | $ 269 | 2.19% | $ 25,734 | $ 215 | 3.34% |
| Savings deposits | 1,524 | 9 | 2.36 | 1,915 | 11 | 2.30 |
| Certificates of deposit | 1,857,610 | 28,638 | 6.17 | 1,897,059 | 29,523 | 6.23 |
| Total interest-bearing deposits | 1,908,166 | 28,916 | 6.06 | 1,924,708 | 29,749 | 6.18 |
| Notes, debentures and other | 227,642 | 6,844 | 12.03 | 227,003 | 6,748 | 11.89 |
| Obligations outstanding under lines of credit | 381,021 | 6,197 | 6.51 | 198,414 | 3,267 | 6.59 |
| Securities sold under agreements to repurchase | 60,749 | 1,644 | 10.82 | 26,854 | 467 | 6.96 |
| Federal Home Loan Bank advances | -- | -- | -- | 5,543 | 82 | 5.92 |
| Total interest-bearing liabilities, interest expense | 2,577,578 | 43,601 | 6.77 | 2,382,522 | 40,313 | 6.77 |
| Non-interest bearing deposits | 34,295 | | | 23,345 | | |
| Escrow deposits | 201,073 | | | 90,587 | | |
| Capital Trust Securities | 125,000 | | | 125,000 | | |
| Other liabilities | 152,604 | | | 63,836 | | |
| Total liabilities | 3,090,550 | | | 2,685,290 | | |
| Stockholders' equity | 430,911 | | | 409,494 | | |
| Total liabilities and stockholders' equity | $3,521,461 | | | $3,094,784 | | |
| Net interest income before provision for loan losses | | $ 22,635 | | | $ 33,423 | |
| Net interest rate spread | | | 3.25% | | | 4.73% |
| Net interest margin | | | 3.42% | | | 5.21% |
| Ratio of interest-earning assets to interest-bearing liabilities | 103% | | | 108% | | |

| | Twelve months ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 1998 | | | 1997 | | |
| | Average Balance | Interest | Annualized Yield/Rate | Average Balance | Interest | Annualized Yield/Rate |
| AVERAGE ASSETS: | | | (Dollars in thousands) | | | |
| Federal funds sold and repurchase agreements | $ 149,441 | $ 7,930 | 5.31% | $ 163,671 | $ 8,975 | 5.47% |
| Securities available for trading | -- | -- | -- | 3,295 | 248 | 7.53 |
| Securities available for sale | 590,367 | 40,705 | 6.90 | 299,558 | 29,851 | 9.53 |
| Loans available for sale | 520,859 | 56,791 | 10.90 | 171,837 | 18,368 | 10.69 |
| Investment securities and other | 32,122 | 2,812 | 8.75 | 36,905 | 2,739 | 11.00 |
| Loan portfolio | 266,519 | 38,609 | 14.49 | 410,863 | 54,701 | 13.31 |
| Discount loan portfolio | 1,285,383 | 160,847 | 12.51 | 1,283,020 | 157,649 | 12.29 |
| Total interest-earning assets, interest income | 2,844,691 | 307,694 | 10.82 | 2,369,149 | 272,531 | 11.50 |
| Non-interest earning cash | 23,739 | | | 14,843 | | |
| Allowance for loan losses | (25,655) | | | (22,001) | | |
| Investments in low-income housing tax credit interests | 130,391 | | | 96,096 | | |
| Investment in unconsolidated entities | 82,779 | | | 34,777 | | |
| Real estate owned, net | 178,223 | | | 131,007 | | |
| Investment in real estate | 36,922 | | | 44,722 | | |
| Other assets | 315,895 | | | 166,921 | | |
| Total assets | $3,586,985 | | | $2,835,514 | | |
| AVERAGE LIABILITIES AND STOCKHOLDERS' EQUITY: | | | | | | |
| Interest-bearing demand deposits | $ 39,934 | $ 1,434 | 3.59% | $ 31,719 | $ 1,220 | 3.85% |
| Savings deposits | 1,652 | 38 | 2.30 | 2,121 | 49 | 2.31 |
| Certificates of deposit | 1,844,977 | 115,112 | 6.24 | 1,964,351 | 120,801 | 6.15 |
| Total interest-bearing deposits | 1,886,563 | 116,584 | 6.18 | 1,998,191 | 122,070 | 6.11 |
| Notes, debentures and other | 227,858 | 27,088 | 11.89 | 228,233 | 27,114 | 11.88 |
| Obligations outstanding under lines of credit | 481,212 | 34,587 | 7.19 | 84,272 | 5,578 | 6.62 |
| Securities sold under agreements to repurchase | 104,980 | 6,514 | 6.20 | 16,717 | 1,000 | 5.98 |
| Federal Home Loan Bank advances | 2,201 | 120 | 5.45 | 9,482 | 527 | 5.46 |
| Total interest-bearing liabilities, interest expense | 2,702,814 | 184,893 | 6.84 | 2,336,895 | 156,289 | 6.69 |
| Non-interest bearing deposits | 19,483 | | | 23,224 | | |
| Escrow deposits | 165,111 | | | 78,986 | | |
| Capital Trust Securities | 125,000 | | | 48,387 | | |
| Other liabilities | 147,065 | | | 57,992 | | |
| Total liabilities | 3,159,473 | | | 2,545,484 | | |
| Stockholders' equity | 427,512 | | | 290,030 | | |
| Total liabilities and stockholders' equity | $3,586,985 | | | $2,835,514 | | |
| Net interest income before provision for loan losses | | $122,801 | | | $116,242 | |
| Net interest rate spread | | | 3.98% | | | 4.81% |
| Net interest margin | | | 4.32% | | | 4.91% |
| Ratio of interest-earning assets to interest-bearing liabilities | 105% | | | 101% | | |

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

| | December 31, 1998 | December 31, 1997 |
|---|---|---|
| Assets: | | |
| Cash and amounts due from depository institutions | $ 120,805 | $ 12,243 |
| Interest earning deposits | 49,374 | 140,001 |
| Federal funds sold and repurchase agreements | 275,000 | -- |
| Securities available for sale, at fair value | 593,347 | 476,796 |
| Loans available for sale, at lower of cost or market | 177,847 | 177,041 |
| Investment securities, net | 10,825 | 13,295 |
| Loan portfolio, net | 230,312 | 266,299 |
| Discount loan portfolio, net | 1,026,511 | 1,434,176 |
| Investments in low-income housing tax credit interests | 144,164 | 128,614 |
| Investment in unconsolidated entities | 86,893 | 1,056 |
| Real estate owned, net | 201,551 | 167,265 |
| Investment in real estate | 36,860 | 76,340 |
| Premises and equipment, net | 33,823 | 21,542 |
| Income taxes receivable | 40,328 | -- |
| Deferred tax asset | 60,980 | 45,148 |
| Excess of purchase price over net assets acquired | 12,706 | 15,560 |
| Principal, interest and dividends receivable | 18,993 | 17,284 |
| Escrow advances on loans | 88,277 | 47,888 |
| Other assets | 99,483 | 28,617 |
| | $ 3,308,079 | $ 3,069,165 |
| Liabilities and Stockholders' Equity: | | |
| Liabilities: | | |
| Deposits | $ 2,175,016 | $ 1,982,822 |
| Securities sold under agreements to repurchase | 72,051 | 108,250 |
| Obligations outstanding under lines of credit | 179,285 | 118,304 |
| Notes, debentures and other interest bearing obligations | 225,000 | 226,975 |
| Accrued interest payable | 33,706 | 32,238 |
| Income taxes payable | -- | 3,132 |
| Accrued expenses, payables and other liabilities | 61,053 | 51,709 |
| Total liabilities | 2,746,111 | 2,523,430 |
| Company-obligated, mandatory redeemable securities of subsidiary trust holding solely junior subordinated debentures of the Company | 125,000 | 125,000 |
| Minority interest | 592 | 1,043 |
| Commitments and contingencies | | |
| Stockholders' Equity: | | |
| Preferred stock, $.01 par value; 20,000,000 shares authorized; 0 shares issued and outstanding | -- | -- |
| Common stock, $.01 par value; 200,000,000 shares authorized; 60,800,357 and 60,565,835 shares issued and outstanding at December 31, 1998 and 1997, respectively | 608 | 606 |
| Additional paid-in capital | 166,234 | 164,751 |
| Retained earnings | 257,170 | 259,349 |
| Net unrealized gain (loss) on securities available for sale, net of taxes | 14,057 | (5,014) |
| Net unrealized foreign currency translation loss, net of taxes | (1,693) | -- |
| Total stockholders' equity | 436,376 | 419,692 |
| | $ 3,308,079 | $ 3,069,165 |

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

| | Three Months | | Twelve Months | |
|---|---|---|---|---|
| For the periods ended December 31, | 1998 | 1997 | 1998 | 1997 |
| Interest Income: | | | | |
| Federal funds sold and repurchase agreements | $ 2,986 | $ 1,663 | $ 7,930 | $ 8,975 |
| Securities available for sale | 15,051 | 5,775 | 40,705 | 29,851 |
| Securities held for trading | -- | -- | -- | 248 |
| Loans available for sale | 10,606 | 7,277 | 56,791 | 18,368 |
| Loans | 6,921 | 16,910 | 38,609 | 54,701 |
| Discount loans | 31,495 | 40,809 | 160,847 | 157,649 |
| Investment securities and other | (823) | 1,302 | 2,812 | 2,739 |
| | 66,236 | 73,736 | 307,694 | 272,531 |
| Interest Expense: | | | | |
| Deposits | 28,916 | 29,749 | 116,584 | 122,070 |
| Securities sold under agreements to repurchase | 1,644 | 467 | 6,514 | 1,000 |
| Advances from the Federal Home Loan Bank | -- | 82 | 120 | 527 |
| Obligations outstanding under lines of credit | 6,197 | 3,267 | 34,587 | 5,578 |
| Notes, debentures and other interest bearing obligations | 6,844 | 6,748 | 27,088 | 27,114 |
| | 43,601 | 40,313 | 184,893 | 156,289 |
| Net interest income before provision for loan losses | 22,635 | 33,423 | 122,801 | 116,242 |
| Provision for loan losses | 4,775 | 10,479 | 18,509 | 32,218 |
| Net interest income after provision for loan losses | 17,860 | 22,944 | 104,292 | 84,024 |
| Non-interest Income: | | | | |
| Servicing fees and other charges | 20,136 | 8,479 | 59,180 | 25,962 |
| (Loss) gain on interest-earning assets, net | (2,502) | 36,070 | (1,594) | 82,212 |
| Gain (loss) on real estate owned, net | 1,269 | (1,351) | 14,033 | 7,277 |
| Other income | 9,839 | 600 | 39,696 | 8,498 |
| | 28,742 | 43,798 | 111,315 | 123,949 |
| Non-interest Expense: | | | | |
| Compensation and employee benefits | 31,835 | 22,504 | 115,556 | 77,573 |
| Occupancy and equipment | 10,384 | 5,839 | 34,878 | 17,657 |
| Net operating loss on investments in real estate and certain low-income housing tax credit interests | 1,765 | 2,973 | 6,753 | 4,792 |
| Amortization of excess of purchase price over net assets acquired | 8,010 | 247 | 11,614 | 557 |
| Loan expenses | 6,474 | 2,299 | 25,193 | 7,014 |
| Other operating expenses | 12,149 | 7,936 | 32,400 | 19,281 |
| | 70,617 | 41,798 | 226,394 | 126,874 |
| Distributions on Company-obligated, mandatory redeemable securities of subsidiary trust holding solely junior subordinated debentures | 3,399 | 3,399 | 13,594 | 5,249 |
| Equity in (losses) earnings of investments in unconsolidated entities | (11,443) | 7,468 | (7,985) | 23,688 |
| (Loss) income before income taxes | (38,857) | 29,013 | (32,366) | 99,538 |
| Income tax benefit (expense) | 27,811 | (6,398) | 30,699 | (21,309) |
| Minority interest in net loss of consolidated subsidiary | 469 | 319 | 467 | 703 |
| Net (loss) income | $ (10,577) | $ 22,934 | $ (1,200) | $ 78,932 |
| Income Per Share: | | | | |
| Basic | $ (0.17) | $ 0.38 | $ (0.02) | $ 1.40 |
| Diluted | $ (0.17) | $ 0.37 | $ (0.02) | $ 1.39 |
| Weighted Average Common Shares Outstanding: | | | | |
| Basic | 60,797,467 | 60,541,578 | 60,736,950 | 56,185,956 |
| Diluted | 60,797,467 | 61,321,725 | 60,736,950 | 56,836,484 |