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

FORM 10-K

(Mark one)

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

For the fiscal year ended December 31, 2000

OR

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

For the transition period from: _________________to _________________

Commission File No. 0-21341

OCWEN FINANCIAL CORPORATION

(Exact name of Registrant as specified in its charter)

Florida	65-0039856
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1675 Palm Beach Lakes Boulevard West Palm Beach, Florida	33401
(Address of principal executive office)	(Zip Code)

(561) 682-8000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $.01 par Value	New York Stock Exchange (NYSE)
(Title of each class)	(Name of each exchange on which registered)

Securities registered pursuant to Section 12 (g) of the Act: Not applicable.

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[ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Aggregate market value of the Common Stock, $.01 par value, held by nonaffiliates of the registrant, computed by reference to the closing price as reported on the NYSE as of the close of business on March 9, 2001: $354,631,433 (for purposes of this calculation affiliates include only directors and executive officers of the registrant).

Number of shares of Common Stock, $.01 par value, outstanding as of March 9, 2001: 67,152,363 shares

DOCUMENTS INCORPORATED BY REFERENCE: Portions of the Annual Report to Shareholders for fiscal year ended December 31, 2000 are incorporated by reference into Part I, Items 1 and 3, and Part II, Items 5-8, and portions of the Company's definitive Proxy Statement with respect to the Company's Annual Meeting of Shareholders to be held on May 17, 2001, and as filed with the Commission on or about March 30, 2001, are incorporated by reference into Part III, Items 10-13.

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FORWARD-LOOKING STATEMENTS

Certain statements contained herein are not, and certain statements contained in future filings by the Company with the Securities and Exchange Commission (the "Commission"), in the Company's press releases or in the Company's other public or shareholder communications may not be, based on historical facts and are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements, which are based on various assumptions (some of which are beyond the Company's control), may be identified by reference to a future period(s) or by the use of forward-looking terminology such as "anticipate," "believe," "commitment," "consider," "continue," "could," "estimate," "expect," "foresee," "intend," "in the event of," "may," "plan," "propose," "prospect," "whether," "will," "would," future or conditional verb tenses, similar terms, variations on such terms or negatives of such terms. Although the Company believes the anticipated results or other expectations reflected in such forward-looking statements are based on reasonable assumptions, it can give no assurance that those results or expectations will be attained. Actual results could differ materially from those indicated in such statements due to risks, uncertainties and changes with respect to a variety of factors, including, but not limited to, international, national, regional or local economic environments (particularly in the market areas where the Company operates), government fiscal and monetary policies (particularly in the market areas where the Company operates), prevailing interest or currency exchange rates, effectiveness of interest rate, currency and other hedging strategies, laws and regulations affecting financial institutions, investment companies and real estate (including regulatory fees, capital requirements, access for disabled persons and environmental compliance), uncertainty of foreign laws, competitive products, pricing and conditions (including from competitors that have significantly greater resources than the Company), credit, prepayment, basis, default, subordination and asset/liability risks, loan servicing effectiveness, ability to identify acquisitions and investment opportunities meeting the Company's investment strategy, the course of negotiations and the ability to reach agreement with respect to the material terms of any particular transaction, satisfactory due diligence results, satisfaction or fulfillment of agreed upon terms and conditions of closing or performance, the timing of transaction closings, software integration, development and licensing, change to the Company's computer equipment and the information stored in its data centers, availability of and costs associated with obtaining adequate and timely sources of liquidity, ability to repay or refinance indebtedness (at maturity or upon acceleration), to meet collateral calls by lenders (upon re-valuation of the underlying assets or otherwise), to generate revenues sufficient to meet debt service payments and other operating expenses, availability of discount loans and servicing rights for purchase, size of, nature of and yields available with respect to the secondary market for mortgage loans, financial, securities and securitization markets in general, allowances for loan losses, changes in real estate conditions (including liquidity, valuation, revenues, rental rates, occupancy levels and competing properties), adequacy of insurance coverage in the event of a loss, other factors generally understood to affect the real estate acquisition, mortgage, servicing and leasing markets, securities investments and the software and technology industry, and other risks detailed from time to time in the Company's reports and filings with the Commission, including its Registration Statements on Forms S-1 and S-3 and periodic reports on Forms 10-Q, 8-K and 10-K and Exhibit 99.1, Risk Factors (filed herewith). Given these uncertainties, readers are cautioned not to place undue reliance on such statements. The Company does not undertake, and specifically disclaims any obligation, to publicly release the result of any revisions that may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

PART I

ITEM 1. BUSINESS (DOLLARS IN THOUSANDS)

GENERAL

Ocwen Financial Corporation ("OCN" or the "Company") is a financial services company headquartered in West Palm Beach, Florida. The Company's primary businesses are the servicing and resolution of subperforming and nonperforming residential and commercial mortgage loans, as well as the related development of loan servicing technology and business-to-business e-commerce solutions for the mortgage and real estate industries.

The Company is a Florida corporation which was organized in February 1988 in connection with its acquisition of Ocwen Federal Bank FSB (the "Bank"). The Company is a registered savings and loan holding company subject to regulation by the Office of Thrift Supervision (the "OTS"). The Bank is a wholly owned subsidiary of the Company and is also 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 to the maximum extent permitted by law. The Bank is also subject to regulation by the Board of Governors of the Federal Reserve System ("Federal Reserve Board") and currently is a member of the Federal Home Loan Bank ("FHLB") of New York, one of the 12 regional banks which comprise the FHLB System.

The Company's business activities in recent years reflect a change in strategic direction from capital-intensive lines of business to fee-based lines of business such as mortgage loan servicing and developing technology solutions for the mortgage and real estate industries.

BUSINESS ACQUISITIONS AND DISPOSITIONS

On November 22, 2000, the Company sold its minority investment in Kensington Group plc ("Kensington"), an originator of subprime residential mortgages in the United Kingdom ("UK"), for the pound sterling equivalent of approximately $48,600, net of stamp duty and other fees. The Company had purchased 36.07% of the total outstanding common stock of Kensington in February 1998. See "Segments - UK Operations."

On October 7, 1999, Ocwen Acquisition Company, an indirect wholly-owned subsidiary of OCN, merged with (the "Merger") and into Ocwen Asset Investment Corp. ("OAC"). OAC was a real estate investment company that invested in several categories of real estate and real estate related assets. Prior to the Merger, the Company, through Investors Mortgage Insurance Holding Company, owned 8.12% of the outstanding common stock of OAC and 8.71% of the outstanding partnership units of Ocwen Partnership L.P. ("OPLP"). OPLP is the operating partnership subsidiary of OAC. In accordance with the terms of the Merger, OAC shareholders (except for OCN or its subsidiaries) received 0.71 shares of OCN stock for each outstanding share of OAC common stock, and a total of 12,371,750 shares of OCN stock at a value of $96,809 were issued to OAC shareholders. The Merger, which resulted in OCN acquiring the remaining interest in OAC, reflected an aggregate purchase price of $101,271, including direct costs of the acquisition. The Merger was accounted for as a purchase, and the purchase price was allocated to OAC's assets and liabilities based on their fair market values, resulting in $60,042 of excess of net assets acquired over the purchase price.

On September 30, 1999, the Company sold all the shares of its wholly-owned subsidiary, Ocwen UK plc ("Ocwen UK"), to Malvern House Acquisition Limited for the pound sterling equivalent of $122,101 in cash. Ocwen UK was originally formed to acquire the UK mortgage loan portfolio and residential subprime mortgage loan origination and servicing operations of Cityscape Financial Corp. ("Cityscape UK") in April 1998. See "Segments - UK Operations."

On June 2, 1999, Ocwen Technology Xchange ("OTX"), a wholly-owned subsidiary of OCN, acquired the assets of Synergy Software, LLC ("Synergy"), a developer of commercial and multifamily mortgage servicing systems for $10,000, of which $5,000 has been paid and $5,000 is a holdback which will be released over time if certain performance objectives are attained. The acquisition was accounted for as a purchase. See "Segments - OTX."

On January 20, 1998, the Company acquired DTS Communications, Inc. ("DTS"), a real estate technology company located in San Diego, California, for a purchase price of $13,025 in cash, common stock of the Company and repayment of certain indebtedness. The acquisition was accounted for as a purchase. DTS has developed technology tools to automate real estate transactions. DTS is a wholly-owned subsidiary of OTX. See "Segments - OTX."

On November 6, 1997, the Company acquired AMOS, Inc. ("AMOS"), a Connecticut-based company engaged primarily in the development of residential mortgage loan servicing software. The acquisition was accounted for as a purchase. The aggregate purchase price was $9,718, including $4,815 that is contingent on AMOS meeting certain software development performance criteria. AMOS is a wholly-owned subsidiary of OTX. See "Segments - OTX."

SEGMENTS

The Company's business segments consist of the following: (i) single family residential discount loan acquisition and resolution activities, including real estate owned; (ii) commercial loan activities, including commercial discount loans and real estate owned; (iii) servicing of domestic residential mortgage loans for others; (iv) investments in low-income housing tax credit interests (v) technology, which is conducted through OTX and its subsidiaries; (vi) commercial real estate; (vii) United Kingdom ("UK") operations; (viii) domestic subprime single family residential lending; (ix) unsecured collections; (x) Ocwen Realty Advisors ("ORA"); and (xi) corporate items and other.

Segment activity in recent years reflects growth in the domestic loan servicing segment, continued investment in the development of new technology products at OTX, an exit from the subprime loan origination business, both in the US and the UK, the cessation of commercial and multi-family loan origination activity and the acquisition of OAC. This activity reflects the Company's transition in business strategy from capital-intensive businesses to fee-based businesses.

SINGLE FAMILY RESIDENTIAL DISCOUNT LOANS

Certain mortgage loans, for which the borrower is not current as to principal and interest payments or for which there is a reason to believe the borrower will be unable to continue to make scheduled principal and interest payments, are acquired at a discount. Discount loans generally have collateral coverage which is sufficiently in excess of the purchase price of the loan, such that successful resolutions can produce total returns which are in excess of an equivalent investment in performing mortgage loans.

The Company began its discount loan operations in 1991 and initially focused on the acquisition of single family residential loans. In 1994 the Company expanded this business to include the acquisition and resolution of discount multi-family residential and commercial real estate loans (together, unless the context otherwise requires, "commercial real estate loans"). Prior to entering the discount loan business, management of the Company had substantial loan resolution experience through former subsidiaries of the Company which had been engaged in the business of providing private mortgage insurance for residential loans. This experience assisted the Company in developing the procedures, facilities and systems to evaluate, acquire and resolve such loans.

The volume of discount loan acquisitions has declined in recent years, primarily because of two factors: the strength of the domestic economy, which has led to a decline in the volume of nonperforming loans being brought to the market; and the Company's change in strategic direction from capital intensive lines of business to fee-based businesses.

ACQUISITION OF DISCOUNT LOANS. Discount real estate loans generally are acquired in pools, although discount commercial real estate loans may be acquired individually. These pools generally are acquired in auctions or other competitive bid circumstances. The Company obtains a substantial amount of discount loans from various private sector sellers, such as banks, savings institutions, mortgage companies, subprime lenders and insurance companies. In addition, governmental agencies, including the Department of Housing and Urban Development ("HUD"), are potential sources of discount loans.

The Company generally acquires discount loans solely for its own portfolio. From time to time, however, the Company and one or more co-investors may submit a joint bid to acquire a pool of discount loans in order to enhance the prospects of submitting a successful bid. If successful, the Company and the co-investors generally allocate ownership of the acquired loans in an agreed upon manner, although in certain instances the Company and the co-investor may continue to have a joint interest in the acquired loans. In addition, from time to time the Company and a co-investor may acquire discount loans through a joint venture.

Prior to making an offer to purchase a portfolio of discount loans, the Company conducts an investigation and evaluation of the loans in the portfolio. Evaluations of potential discount loan acquisitions are conducted primarily by the Company's employees who specialize in the analysis of nonperforming loans, often with further specialization based on geographic or collateral-specific factors. The Company's employees regularly use third parties, such as brokers, who are familiar with a property's type and location, to assist them in conducting an evaluation of the value of collateral property, and depending on the circumstances, particularly in the case of commercial real estate loans, may use subcontractors, such as local counsel and engineering and environmental experts, to assist in the evaluation and verification of information and the gathering of other information not previously made available by a potential seller.

The Company determines the purchase offer by using a proprietary modeling system and loan information database which focuses on the anticipated recovery amount and the timing and cost of the resolution of the loans. The amount offered by the Company generally is at a discount from both the stated value of the loan and the value of the underlying collateral which the Company estimates is sufficient to generate an acceptable return on its investment.

RESOLUTION OF DISCOUNT LOANS. After a discount loan is acquired, the Company utilizes its information technology software systems, including OTX's residential loan servicing system REAL-e(TM), to resolve the loan as expeditiously as possible in accordance with specified procedures. The various resolution alternatives generally include the following: (i) the borrower brings the loan current in accordance with original or modified terms; (ii) the borrower repays the loan or a negotiated amount of the loan; (iii) the borrower agrees to deed the property to the Company in lieu of foreclosure, in which case it is classified as real estate owned and held for sale by the Company; or (iv) the Company forecloses on the loan and the property is acquired at the foreclosure sale either by a third party or by the Company, in which case it is classified as real estate owned and held for sale by the Company. In addition, in the case of single family residential loans, assistance is provided to borrowers in the form of forbearance agreements under which the borrower either makes a monthly payment less than or equal to the original monthly payment or makes a monthly payment more than the contractual monthly payment to make up for arrearages.

In appropriate cases, the Company works with borrowers to resolve the loan in advance of foreclosure. One method is through forbearance agreements, which generally allow the borrower to pay the contractual monthly payment plus a portion of the arrearage each month, and other means. Although this strategy may result in an initial reduction in the yield on a discounted loan, the Company believes that it is advantageous because it (i) generally results in a higher resolution value than foreclosure; (ii) reduces the amount of real estate owned acquired by foreclosure or by deed-in-lieu thereof and related risks, costs and expenses; (iii) enhances the ability of the Company to sell the loan in the secondary market, either on a whole loan basis or through securitizations (in which case the Company may continue to earn fee income from servicing such loans); and (iv) permits the borrower to retain ownership of the home and, thus, enhances relations between the Company and the borrower.

The general goal of the Company's asset resolution process is to maximize, in a timely manner, cash recovery on each loan in the discount loan portfolio. The Company generally anticipates a longer period (approximately 12 to 30 months) to resolve discount commercial real estate loans than to resolve discount single family residential loans because of their complexity and the wide variety of issues that may occur in connection with the resolution of such loans.

The Credit Committee of the Board of Directors of the Bank actively monitors the asset resolution process to identify discount loans which have exceeded their expected foreclosure period and real estate owned which has been held longer than anticipated. Plans of action are developed for each of these assets to remedy the cause for delay and are reviewed by the Credit Committee.

SALE OF DISCOUNT LOANS. From time to time the Company has sold performing discount loans either on a whole loan basis or indirectly through the securitization of such loans and sale of the mortgage-related securities backed by them. During the third quarter of 1999, the Company made a strategic decision to structure future securitizations as financing transactions, which will preclude the use of gain-on-sale accounting. There were no securitizations of loans executed by the Company during 2000 or the second half of 1999.

Additional financial information regarding this segment appears under the captions "Segment Profitability" on pages 14 to 15 and "Note 32: Business Segment Reporting" on pages 113 to 115 of the Company's 2000 Annual Report to Shareholders (the "Annual Report to Shareholders") and is incorporated herein by reference.

COMMERCIAL LOANS

Commercial loan activities include both discount loans and originated loans. See "Single Family Residential Discount Loans" above for a discussion regarding discount loan acquisition, resolution and sale activities, including commercial. A discussion regarding commercial loans originated by the Company follows.

The Company's investment in multi-family residential and commercial real estate loans have declined significantly during 1999 and 2000, reflecting the Company's decision to cease the origination of such loans. The Company's lending activities have historically included the acquisition of loans secured by commercial real estate, particularly loans secured by hotels and office buildings, which the Company began originating in late 1994 and late 1995, respectively. Commercial real estate loans have also been made to finance the purchase and refinance of commercial properties, the refurbishment of distressed properties and the construction of hotels. Additionally, the Company has originated loans for the construction of multi-family residences, as well as bridge loans to finance the acquisition and rehabilitation of distressed multi-family residential properties.

Multi-family residential and commercial real estate loans are secured by a first priority lien on the real property, all improvements thereon and, in the case of hotel loans, all fixtures and equipment used in connection therewith, as well as a first priority assignment of all revenue and gross receipts generated in connection with the property. The liability of a borrower on multi-family residential and commercial real estate loans generally is limited to the borrower's interest in the property, except with respect to certain specified circumstances.

In addition to stated interest, certain of the multi-family residential and commercial real estate loans originated by the Company include provisions pursuant to which the borrower agrees to pay the Company as additional interest on the loan an amount based on specified percentages of the net cash flow from the property during the term of the loan and/or the net proceeds from the sale or refinancing of the property upon maturity of the loan. Participating interests have also been obtained in the form of additional fees which must be paid by the borrower in connection with a prepayment of the loan, generally after an initial lock-out period during which prepayments are prohibited. The fees which could be payable by a borrower during specified periods of the loan consist of either fixed exit fees or yield maintenance payments, which are required to be paid over a specified number of years after the prepayment and are intended to increase the yield to the Company on the proceeds from the loan payoff to a level which is comparable to the yield on the prepaid loan.

Construction loans generally have terms of three to four years and interest rates which float on a monthly basis in accordance with designated reference rates. Payments during the term of the loan may be made to the Company monthly on an interest-only basis. The loan amount may include an interest reserve which is maintained by the Company and utilized to pay interest on the loan during a portion of its term.

Construction loans are secured by a first priority lien on the real property, all improvements thereon and all fixtures and equipment used in connection therewith, as well as a first priority assignment of all revenues and gross receipts generated in connection with the property. Construction loans are made without pre-leasing requirements or any requirement of a commitment by another lender to "take-out" the construction loan by making a permanent loan secured by the property upon completion of construction. Disbursements on a construction loan are subject to a retainage percentage of 10% and are made only after evidence that available funds have been utilized by the borrower, available funds are sufficient to pay for all construction costs through the date of the construction advance and funds remain in the construction budget and from sources other than the loan to complete construction of the project.

The Company generally has required the general contractor selected by the borrower, which along with the general construction contract is subject to the Company's review and approval, to provide payment and performance bonds issued by a surety approved by the Company in an amount at least equal to the costs which are estimated to be necessary to complete construction of the project in accordance with the construction contract. Moreover, the Company generally conducts site inspections of projects under construction at least bi-monthly and of completed projects at least semi-annually.

Additional financial information regarding this segment appears under the captions "Segment Profitability" on pages 14 to 15 and "Note 32: Business Segment Reporting" on pages 113 to 115 of the Company's 2000 Annual Report to Shareholders (the "Annual Report to Shareholders") and is incorporated herein by reference.

DOMESTIC RESIDENTIAL MORTGAGE LOAN SERVICING

In connection with the securitization and sale of loans, the Company generally retained the rights to service such loans for investors. More recently, the Company also purchased mortgage servicing rights, which are recorded at the amount paid.

During 1996, the Company developed a program to provide loan servicing and various other asset management and resolution services to third party owners of nonperforming assets, underperforming assets and subprime assets such as Class B, C and D single family residential mortgage loans. Servicing contracts entered into by the Company provide for the payment to the Company of specified fees and in some cases may include terms which allow the Company to participate in the profits resulting from the successful resolution of the assets being serviced. Servicing fees, generally expressed as a percent of the unpaid principal balance, are collected from the borrowers' payments. During any period in which the borrower is not making payments, the Company is required under certain servicing agreements to advance its own funds to meet contractual principal and interest remittance requirements for certain investors, maintain property taxes and insurance, and process foreclosures. The Company generally recovers such advances from borrowers for reinstated and performing loans and from investors for foreclosed loans.

The Bank has been approved as a loan servicer by HUD, Federal Home Loan Mortgage Corporation ("FHLMC") and Federal National Mortgage Association ("FNMA"). The Bank is rated a Tier 1 servicer and as a preferred servicer for high-risk mortgages by FHLMC, the highest rating categories. The Bank is one of only six special servicers of commercial mortgage loans to have received a "Strong" rating from Standard & Poor's. The Bank is recognized and/or designated by four rating agencies (Standard & Poor's, Duff and Phelps, IBC Fitch

Investors, and Moody's) as a "Special Servicer" for both commercial and residential mortgage loans and is the only special servicer with this designation for all mortgage categories.

The Company developed the concept of residential special servicing in 1997 and, in 1998, began entering into special servicing arrangements wherein the Company acted as a special servicer for third parties, typically as part of a securitization. The Company services loans that become greater than 90 days past due and receives incentive fees to the extent certain loss mitigation parameters are achieved.

The Company continues to grow and develop its servicing business as part of its change in strategic focus from capital intensive to fee-based businesses. As a result, the Company has seen steady growth in the average unpaid principal balance of loans serviced for others from $7,998,093 during 1998 to $10,798,857 during 2000. In 2001, the Company will be boarding approximately an additional $1,027,600 of loans under a servicing agreement that was concluded on December 31, 2000 and approximately an additional $3,184,200 of loans under a servicing agreement that was concluded on January 11, 2001.

The Company's loan servicing operations are conducted out of its 125,000 square foot national servicing center in Orlando, Florida. The service center has capacity to house 900 employees per shift handling customer contact on up to one million loans.

In December 1999, OCN announced a joint venture with independent Italian loan servicer, FBS SpA, to service mortgage loans in Italy. The new joint venture gives OCN 50% ownership in a newly formed company, Ocwen FBS SpA.

Additional financial information regarding this segment appears under the captions "Segment Profitability" on pages 14 to 15 and "Note 32: Business Segment Reporting" on pages 113 to 115 of the Company's 2000 Annual Report to Shareholders (the "Annual Report to Shareholders") and is incorporated herein by reference.

INVESTMENTS IN LOW-INCOME HOUSING TAX CREDIT INTERESTS

The Company invests in low-income housing tax credit interests primarily through limited partnerships for the purpose of obtaining Federal income tax credits pursuant to Section 42 of the Internal Revenue Code of 1986, as amended (the "Code"), which provides a tax credit to investors in qualified low-income rental housing that is constructed, rehabilitated or acquired after December 31, 1986. To be eligible for housing tax credits, a property generally must first be allocated an amount of tax credits by the tax credit allocating agency, which in most cases also serves as the housing finance agency, of the state in which the property is located. If the property is to be constructed or rehabilitated, it must be completed and placed in service within a specified time, generally within two years after the year in which the tax credit allocation is received. A specified portion of the apartment units in a qualifying project may be rented only to qualified tenants for a period of 15 years, or a portion of any previously claimed tax credits will be subject to recapture, as discussed below.

The Company's investments in low-income housing tax credit interests are made by the Company indirectly through its subsidiaries, which may be a general partner and/or a limited partner in the partnership. Low-income housing tax credit partnerships in which the Company, through a subsidiary, acts as a general partner are presented on a consolidated basis.

The affordable housing projects owned by the low-income housing tax credit partnerships in which the Company has invested are located throughout the United States.

The ownership of low-income housing tax credit interests produces two types of tax benefits. The primary tax benefit flows from the low-income housing tax credits under the Code which are generated by the ownership and operation of the real property in the manner required to obtain such tax credits. These credits may be used to offset Federal income tax on a dollar for dollar basis but may not offset the alternative minimum tax; tax credits thus may reduce the overall Federal income tax to an effective rate of 20%. In addition, the operation of the rental properties produces losses for financial statement and tax purposes in the early years and sometimes throughout the anticipated ownership period. These tax losses may be used to offset taxable income from other operations and thereby reduce income tax which would otherwise be paid on such taxable income.

Tax credits may be claimed over a ten-year period on a straight-line basis once the underlying multi-family residential properties are placed in service. Tax credits claimed reduce the tax payments computed based upon taxable income to not less than the alternative minimum tax computed for that year or any year not more than three years before or 15 years after the year the tax credit is earned. The Taxpayer Relief Act of 1997 changed the tax credit carryback period from 3 years to 1 year and the carry forward period from 15 years to 20 years for credits that become available for use in years beginning after December 31, 1997. Tax credits are realized even if units in the project do not continue to be occupied once the units in the project have been initially rented to qualifying tenants, and tax credits are not dependent on a project's

operating income or appreciation. Tax credits can be claimed over a ten-year period and generally can be lost or recaptured only if non-qualifying tenants are placed in units, ownership of the project is transferred or the project is destroyed and not rebuilt during a 15-year compliance period for the project. The Company has established specific investment criteria for investment in multi-family residential projects which have been allocated tax credits, which require, among other things, a third party developer of the project and/or the seller of the interest therein to provide a guarantee against loss or recapture of tax credits and to maintain appropriate insurance to fund rebuilding in case of destruction of the project. Notwithstanding the Company's efforts, there can be no assurance that the multi-family residential projects owned by the low-income housing tax credit partnerships in which it has invested will satisfy applicable criteria during the 15-year compliance period and that there will not be loss or recapture of the tax credits associated therewith.

During 2000, the Company began reducing its investment in low-income housing tax credit interests both as part of its change in strategic focus away from capital intensive lines of business and because the volume of tax credits being generated was exceeding its ability to utilize them effectively. As a result, the Company has sold or has entered into agreements to sell the majority of the properties that represent its investment in such interests. The Company will continue to develop those projects that are currently under construction, which may also be sold in the future.

Additional financial information regarding this segment appears under the captions "Segment Profitability" on pages 14 to 15 and "Note 32: Business Segment Reporting" on pages 113 to 115 of the Company's 2000 Annual Report to Shareholders (the "Annual Report to Shareholders") and is incorporated herein by reference.

OTX

OTX, which was formed in 1998, designs software solutions for mortgage and real estate transactions, provides business-to-business e-commerce solutions via the Internet for the mortgage and real estate industries, and also provides implementation, integration and consulting services related to its software and internet products. OTX's principal products are REALTrans(SM), REAL-e(SM) and REALSynergy(TM).

The Company's acquisition of DTS and its product in 1998 served as the basis for the REALTrans system, an internet-based mortgage loan processing application and vendor management system that facilitates the electronic ordering, tracking and fulfillment of mortgage and real estate products and services. It automates the mortgage process, eliminating duplicate manual data entry, reducing errors and speeding delivery time. It also provides a task-based workflow management system, allowing users to track the progress of all tasks and vendor requests required to fulfill an order from any location, at any time. REALTrans also provides for bulk order management that allows customers to order real estate documents and services for an entire portfolio of loans.

The Company's acquisition of AMOS, Inc. and its products in 1997 became the basis for the REAL-e software, a Microsoft(R) Windows(R)-based, residential loan-servicing platform that manages the entire servicing life cycle of single family loans. The REAL-e software was developed through years of experience in the loan servicing industry. It provides powerful workflow management capability, leading to increased effectiveness and lower operational costs, and it integrates with the Internet, call center telephony and data warehouse technology. It can be implemented in its entirety or as a series of modules, including Loan Servicing, Collections, Loss Mitigation, Default Loan Management, REO Management, Construction Loan Servicing and Single Family Bond Series Tracking. The table-driven architecture of REAL-e permits workflow customization by users without requiring support from their information technology staffs. REAL-e was fully implemented by the Bank on January 1, 2001. The Bank has used REAL-e since that time as the platform for managing both its own portfolio of single family residential mortgage loans and the loans that it services for third parties.

The acquisition of Synergy's product in 1999 was the basis for the REALSynergy software, an advanced, Windows-based full-service commercial and multi-family loan servicing software. It handles virtually any loan structure, including complex remittance requirements, monitors multiple properties for each loan, tracks building and site information reports, details extensive appraisal summaries, and includes dynamic, easy-to-use contact management, call tracking and task management capabilities. REALSynergy and its MS-DOS(R)-based predecessor, AMICUS, represent one of the most widely used commercial and multi-family loan servicing systems in the country.

The losses incurred by OTX to date reflect OCN's continuing efforts to develop and market OTX and its suite of technology products.

Additional financial information regarding this segment appears under the captions "Segment Profitability" on pages 14 to 15 and "Note 32: Business Segment Reporting" on pages 113 to 115 of the Company's 2000 Annual Report to Shareholders (the "Annual Report to Shareholders") and is incorporated herein by reference.

COMMERCIAL REAL ESTATE

The Company entered the commercial real estate business largely as a result of its acquisition of OAC in 1999. OAC had followed a strategy that sought to capitalize on inefficiencies in the real estate markets by investing in distressed commercial and multi-family real properties, including properties acquired by a mortgage lender at foreclosure (or through deed in lieu of foreclosure), as well as in properties that were environmentally distressed or located outside the United States. Most of the properties purchased as part of this strategy were in markets, such as San Francisco, that were characterized by limited new supply and barriers to entry as a result of government regulation of development and lack of developable land.

The properties acquired were substantially renovated, including tenant improvements and improvements to lobbies and other public areas. The Company also upgraded mechanical, HVAC, electrical, fire and life/safety systems and made other improvements necessary to comply with the Americans with Disabilities Act of 1990. As a result of these improvements, the Company has been able to increase occupancy rates greatly while at the same time significantly increasing average rents.

The enhanced cash flow and improved physical condition of the properties has increased market values and marketability for most properties. As a result, the Company has been able to successfully market and sell several of the properties at gains. As of December 31, 2000, the Company was actively marketing two of its four remaining properties, one of which was sold in January 2001.

Additional financial information regarding this segment appears under the captions "Segment Profitability" on pages 14 to 15 and "Note 32: Business Segment Reporting" on pages 113 to 115 of the Company's 2000 Annual Report to Shareholders (the "Annual Report to Shareholders") and is incorporated herein by reference.

UK OPERATIONS

The Company completed its exit from the UK subprime loan origination business in 2000 with the sale of Kensington on November 22, 2000 for a pretax gain of $20,025. The Company had entered the UK subprime residential mortgage market in 1998 through the acquisition of 36.07% of the total outstanding common stock of Kensington on February 25, 1998 for $45,858. The Company's investment was accounted for under the equity method. Kensington is an originator of subprime residential mortgages in the UK. The Company's investment at December 31, 1999 represented 35.84% of Kensington's total outstanding common stock.

On September 30, 1999, the Company sold all the shares of Ocwen UK and recorded a pretax gain on sale of $50,371. On April 24, 1998, the Company, through its then wholly-owned subsidiary Ocwen UK, had acquired substantially all of the assets, and certain liabilities, of Cityscape UK. The Company acquired Cityscape UK's mortgage loan portfolio and its residential subprime mortgage loan origination and servicing businesses for the pound sterling equivalent of $421,326 and assumed $12,393 of Cityscape UK's liabilities. The acquisition was accounted for as a purchase.

Additional financial information regarding this segment appears under the captions "Segment Profitability" on pages 14 to 15 and "Note 32: Business Segment Reporting" on pages 113 to 115 of the Company's 2000 Annual Report to Shareholders (the "Annual Report to Shareholders") and is incorporated herein by reference.

DOMESTIC SUBPRIME SINGLE FAMILY RESIDENTIAL LENDING

In August 1999, the Company closed its domestic subprime residential loan origination offices and reassigned or terminated employees who were involved in loan origination and related management and support functions. Since late 1994, the Company's lending activities had included the origination and purchase of domestic single family residential loans to borrowers who because of prior credit problems, the absence of a credit history or other factors are unable or unwilling to qualify as borrowers for a single family residential loan under guidelines of the FNMA and the FHLMC ("conforming loans") and who have substantial equity in the properties which secure the loans.

Through 1996, the Company had acquired subprime single family residential loans primarily through a correspondent relationship with Admiral Home Loan ("Admiral") and, to a lesser extent, correspondent relationships with three other financial services companies. Correspondent institutions originated loans based on guidelines provided by the Company and promptly sold the loans to the Company on a servicing-released basis.

The Company, through Ocwen Financial Services, Inc. ("OFS"), acquired substantially all of the assets of Admiral in a transaction which closed on May 1, 1997. In connection with the Company's acquisition of assets from Admiral, the Bank transferred its retail and wholesale subprime single family residential lending operations to OFS.

The terms of the loan products offered by the Company directly or through its correspondents emphasized real estate loans which generally were underwritten with significant reliance on a borrower's level of equity in the property securing the loan.

Additional financial information regarding this segment appears under the captions "Segment Profitability" on pages 14 to 15 and "Note 32: Business Segment Reporting" on pages 113 to 115 of the Company's 2000 Annual Report to Shareholders (the "Annual Report to Shareholders") and is incorporated herein by reference.

UNSECURED COLLECTIONS

In 1998, the Company began acquiring charged-off unsecured credit card receivables at a discount. Collections of unsecured credit card receivables are accounted for under the cost recovery method, whereby revenue is recognized only to the extent that collections have exceeded original cost. The Company's contractual obligations to acquire these receivables expired June 2000. No purchases were made in the third and fourth quarters of 2000 and no future purchases are contemplated at this time. This business segment also provides collection services for third party mortgage investors as well as for the Company's own portfolio of loans.

Additional financial information regarding this segment appears under the captions "Segment Profitability" on pages 14 to 15 and "Note 32: Business Segment Reporting" on pages 113 to 115 of the Company's 2000 Annual Report to Shareholders (the "Annual Report to Shareholders") and is incorporated herein by reference.

OCWEN REALTY ADVISORS

As part of its strategic focus on fee-based businesses, the Company established Ocwen Realty Advisors ("ORA") in 1999 as a new division within the Company. ORA provides valuation services to external customers in the wholesale lending community as well as due diligence and research analysis for the Company's own commercial and residential real estate transactions.

An important part of the process of acquiring and managing mortgage loans portfolios is the accurate review and analysis of the collateral offered as security for the loans. ORA not only provides traditional valuation products such as appraisals and broker price opinions, it also employs proprietary Internet-based valuation models and other alternative valuation products that can more precisely meet the specific risk management needs of its customers.

ORA also monitors the state of the economy in 60 of the largest U.S real estate markets. The resulting data allows ORA to assist customers in making loan decisions in riskier markets and in timing loan and asset dispositions. ORA can customize reports down to the specific property level to fit the needs of a customer.

Additional financial information regarding this segment appears under the captions "Segment Profitability" on pages 14 to 15 and "Note 32: Business Segment Reporting" on pages 113 to 115 of the Company's 2000 Annual Report to Shareholders (the "Annual Report to Shareholders") and is incorporated herein by reference.

CORPORATE ITEMS AND OTHER

Corporate items and other consists primarily of extraordinary gains on repurchases of debt, individually insignificant business activities, amounts not allocated to the operating segments, distributions on the Company's 10-7/8% Capital Trust Securities, transfer pricing mismatches and other general corporate expenses.

Corporate items and other also includes the results of the securities portfolio, whether available for sale, trading or held for investment, other than subprime residuals and subordinate interests (which have been included in the related business activity). The investment policy of the Company, which is established by the Investment Committee and approved by the Board of Directors, is designed primarily to provide a portfolio of diversified instruments while seeking to optimize net interest income within acceptable limits of interest rate risk, credit risk and liquidity.

On July 27, 1998, the Company sold its entire portfolio of AAA-rated agency interest-only securities ("IOs") at book value. As a result of an increase in prepayment speeds due to declining interest rates, the Company recorded significant impairment charges on the IOs in 1998 prior to the sale resulting from the Company's decision to discontinue this investment activity and write down the book value. The AAA-rated agency IOs consisted of IOs, which

are classes of mortgage-related securities that are entitled to payments of interest but no (or only nominal) principal, and inverse IOs, which bear interest at a floating rate that varies inversely with (and often at a multiple of) changes in a specified index.

Additional financial information regarding this segment appears under the captions "Segment Profitability" on pages 14 to 15 and "Note 32: Business Segment Reporting" on pages 113 to 115 of the Company's 2000 Annual Report to Shareholders (the "Annual Report to Shareholders") and is incorporated herein by reference.

SOURCES OF FUNDS

GENERAL. Deposits, FHLB advances, reverse repurchase agreements, lines of credit, and maturities and payments of principal and interest on loans and securities, proceeds from the sales thereof and servicing fees currently are the principal sources of funds for use in the Company's investment and lending activities and for other general business purposes. Management of the Company closely monitors rates and terms of competing sources of funds on a regular basis and generally utilizes the sources which are the most cost effective.

DEPOSITS. A significant source of deposits for the Company is brokered certificates of deposit obtained primarily through national investment banking firms which, pursuant to agreements with the Company, solicit funds from their customers for deposit with the Company ("brokered deposits"). In addition, during 1995, the Company commenced a program to obtain certificates of deposit from customers of regional and local investment banking firms which are made aware of the Company's products by the Company's direct solicitation and marketing efforts. The Company also solicits certificates of deposit from institutional investors and high net worth individuals identified by the Company. The Company's brokered deposits are reported net of unamortized deferred fees, which have been paid to investment banking firms.

The Company believes that the effective cost of brokered and other wholesale deposits is more attractive to the Company than deposits obtained on a retail basis from branch offices after the general and administrative expense associated with the maintenance of branch offices is taken into account. Moreover, brokered and other wholesale deposits generally give the Company more flexibility than retail sources of funds in structuring the maturities of its deposits and in matching liabilities with comparably maturing assets.

Although management of the Company believes that brokered and other wholesale deposits are advantageous in certain respects, such funding sources, when compared to retail deposits attracted through a branch network, are generally more sensitive to changes in interest rates and volatility in the capital markets and are more likely to be compared by the investor to competing investments. In addition, such funding sources may be more sensitive to significant changes in the financial condition of the Company. There are also various regulatory limitations on the ability of all but well-capitalized insured financial institutions to obtain brokered deposits. See "Regulation - The Bank - Brokered Deposits." These limitations currently are not applicable to the Company because the Bank is a well-capitalized financial institution under applicable laws and regulations. See "Regulation - The Bank -Regulatory Capital Requirements." There can be no assurances, however, that the Company will not become subject to such limitations in the future.

As a result of the Company's reliance on brokered and other wholesale deposits, significant changes in the prevailing interest rate environment, in the availability of alternative investments for individual and institutional investors or in the Company's financial condition, among other factors, could affect the Company's liquidity and results of operations much more significantly than might be the case with an institution that obtained a greater portion of its funds from retail or core deposits attracted through a branch network.

In addition to brokered and other wholesale deposits, the Company obtains deposits from its office located in New Jersey. These deposits include non-interest bearing checking accounts, NOW and money market checking accounts, savings accounts and certificates of deposit and are obtained through advertising, walk-ins and other traditional means. At December 31, 2000, the deposits which were allocated to this office comprised approximately 11% of the Company's total deposits.

BORROWINGS. Through the Bank, the Company can obtain advances from the FHLB of New York upon the security of certain of its residential first mortgage loans, mortgage-backed and mortgage-related securities and other assets, including FHLB stock, provided certain standards related to the creditworthiness of the Bank have been met. FHLB advances are available to member financial institutions, such as the Bank, for investment and lending activities and other general business purposes. FHLB advances are made pursuant to several different credit programs, each of which has its own interest rate, which may be fixed or adjustable, and range of maturities.

The Company also obtains funds pursuant to securities sold under reverse repurchase agreements. Under these agreements, the Company sells securities (generally mortgage-backed and mortgage-related securities) under an agreement to repurchase such securities at a specified price at a later date. Reverse repurchase agreements have short-term maturities (typically 90 days or less) and are deemed to be financing transactions. All securities underlying reverse repurchase agreements are reflected as assets in the Company's consolidated financial statements and are held in safekeeping by broker-dealers.

The Company's borrowings also include lines of credit, notes, subordinated debentures, bonds-match funded agreements and other interest-bearing obligations.

OTHER. Additional information on the Company's sources of funds appears under the captions "Liquidity, Commitments and Off-Balance Sheet Risks" on pages 58 to 59, "Deposits" on pages 51 to 52, "Note 18: Deposits" on pages 95 to 96, "Note 19: Bonds - Match Funded Agreements" on page 96, "Note 20: Lines of Credit and Other Short-Term Borrowings" on pages 96 to 97 and "Note 21: Notes, Debentures and Other Interest-Bearing Obligations" on pages 97 to 98 of the 2000 Annual Report to Shareholders and is incorporated herein by reference.

RISK FACTORS

Information related to risk factors which could directly or indirectly, affect the Company's results of operations and financial condition set forth in Exhibit 99.1 and are incorporated herein by reference.

COMPETITION

The information under the caption "Competition" set forth in Exhibit 99.1 is incorporated herein by reference.

SUBSIDIARIES

A list of the Company's significant subsidiaries is set forth in Exhibit 21.0 and is incorporated herein by reference.

EMPLOYEES

At December 31, 2000 the Company had 1,217 full time employees. The employees are not represented by a collective bargaining agreement. Management considers the Company's employee relations to be satisfactory.

REGULATION

Financial institutions and their holding companies are extensively regulated under federal and state laws. As a result, the business, financial condition and prospects of the Company can be materially affected not only by management decisions and general economic conditions, but also by applicable statutes and regulations and other regulatory pronouncements and policies promulgated by regulatory agencies with jurisdiction over the Company and the Bank, such as the OTS and the FDIC, which insures up to legal limits deposits placed at the bank. The effect of such statutes, regulations and other pronouncements and policies can be significant, cannot be predicted with a high degree of certainty and can change over time. Moreover, such statutes, regulations and other pronouncements and policies are intended to protect depositors and the insurance funds administered by the FDIC and not stockholders or holders of indebtedness which are not insured by the FDIC.

The enforcement powers available to Federal banking regulators are substantial and include, among other things, the ability to assess civil monetary penalties, to issue cease-and-desist or removal orders and to initiate injunctive actions against banking organizations and institution-affiliated parties, as defined. In general, these enforcement actions must be initiated for violations of laws and regulations and unsafe or unsound practices. Other actions or inactions may provide the basis for enforcement action, including misleading or untimely reports filed with regulatory authorities.

The following discussion and other references to and descriptions of the regulation of financial institutions contained herein constitute brief summaries thereof as currently in effect. This discussion is not intended to constitute, and does not purport to be, a complete statement of all legal restrictions and requirements applicable to the Company and the Bank and all such descriptions are qualified in their entirety by reference to applicable statutes, regulations and other regulatory pronouncements.

THE COMPANY

GENERAL. The Company is a registered savings and loan holding company under the Home Owner's Loan Act (the "HOLA"). As such, the Company is subject to regulation, supervision and examination by the OTS.

ACTIVITIES RESTRICTION. There are generally no restrictions on the activities of a savings and loan holding company, such as the Company, that held only one savings institution subsidiary as of May 4, 1999. However, if the Director of the OTS determines that there is reasonable cause to believe that the continuation by a savings and loan holding company of an activity constitutes a serious risk to the financial safety, soundness or stability of its subsidiary savings institution, the Director may impose such restrictions as are deemed necessary to address such risk, including limiting: (i) payment of dividends by the savings institution; (ii) transactions between the savings institution and its affiliates; and (iii) any activities of the savings institution that might create a serious risk that the liabilities of the holding company and its affiliates may be imposed on the savings institution. Notwithstanding the above rules as to permissible business activities of unitary savings and loan holding companies, if the savings institution subsidiary of such a holding company fails to meet the qualified thrift lender ("QTL") test set forth in OTS regulations, then such unitary holding company shall after one year be subject to the restrictions applicable to a bank holding company. See "The Bank-Qualified Thrift Lender Test."

If the Company were to acquire control of another savings institution other than through merger or other business combination with the Bank, the Company would thereupon become a multiple savings and loan holding company. Except where such acquisition is pursuant to the authority to approve emergency thrift acquisition and where each subsidiary savings institution meets the QTL test, as set forth below, the activities of the Company and any of its subsidiaries (other than the Bank or other subsidiary savings institutions) would thereafter be subject to further restrictions. Among other things, no multiple savings and loan holding company or subsidiary thereof which is not a savings institution generally shall commence or continue for a limited period of time after becoming a multiple savings and loan holding company or subsidiary thereof any business activity, other than: (i) furnishing or performing management services for a subsidiary savings institution; (ii) conducting an insurance agency or escrow business; (iii) holding, managing, or liquidating assets owned by or acquired from a subsidiary savings institution; (iv) holding or managing properties used or occupied by a subsidiary savings institution; (v) acting as trustee under deeds of trust; (vi) those activities authorized by regulation as of March 5, 1987 to be engaged in by multiple savings and loan holding companies; or (vii) unless the Director of the OTS by regulation prohibits or limits such activities for savings and loan holding companies, those activities authorized by the Federal Reserve Board as permissible for bank holding companies. Those activities described in clause (vii) above also must be approved by the Director of the OTS prior to being engaged in by a multiple savings and loan holding company.

RESTRICTIONS ON ACQUISITIONS. Except under limited circumstances, savings and loan holding companies are prohibited from acquiring, without prior approval of the Director of the OTS: (i) control of any other savings institution or savings and loan holding company or substantially all of the assets thereof; or (ii) more than 5% of the voting shares of a savings institution or holding company thereof which is not a subsidiary. Except with the prior approval of the Director of the OTS, no director or officer of a savings and loan holding company, or person owning or controlling by proxy or otherwise more than 25% of such company's stock, may acquire control of any savings institution, other than a subsidiary savings institution, or of any other savings and loan holding company.

The Director of the OTS may approve acquisitions resulting in the formation of a multiple savings and loan holding company which controls savings institutions in more than one state only if: (i) the multiple savings and loan holding company involved controls a savings institution which operated a home or branch office located in the state of the institution to be acquired as of March 5, 1987; (ii) the acquiror is authorized to acquire control of the savings institution pursuant to the emergency acquisition provisions of the Federal Deposit Insurance Act ("FDIA"); or (iii) the statutes of the state in which the institution to be acquired is located specifically permit institutions to be acquired by state-chartered savings institutions located in the state where the acquiring entity is located (or by a holding company that controls such state-chartered savings institutions).

RESTRICTIONS ON TRANSACTIONS WITH AFFILIATES. Transactions between the Company or any of its non-bank subsidiaries and the Bank are subject to various restrictions, which are described below under "The Bank-Affiliate Transactions."

THE BANK

GENERAL. The Bank is a federally-chartered savings bank organized under the HOLA. As such, the Bank is subject to regulation, supervision and examination by the OTS. The deposit accounts of the Bank are insured up to applicable limits by the SAIF administered by the FDIC and, as a result, the Bank also is subject to regulation, supervision and examination by the FDIC.

The business and affairs of the Bank are regulated in a variety of ways. Regulations apply to, among other things, insurance of deposit accounts, capital ratios, payment of dividends, liquidity requirements, the nature and amount of the investments that the Bank may make, transactions with affiliates, community and consumer lending laws, internal policies and controls, reporting by and examination of the Bank and changes in control of the Bank, as well as subsidiaries established by the Bank.

INSURANCE OF ACCOUNTS. Pursuant to legislation enacted in September 1996, a fee was required to be paid by all SAIF-insured institutions at the rate of $0.657 per $100 of deposits held by such institutions at March 31, 1995. The money collected recapitalized the SAIF reserve to the level of 1.25% of insured deposits as required by law for this assessment. The recapitalization of the SAIF has resulted in lower deposit insurance premiums for most SAIF-insured financial institutions, including the Bank.

Insured institutions also are required to share in the payment of interest on the bonds issued by a specially created government entity, the Finance Corporation ("FICO"), the proceeds of which were applied toward resolution of the thrift industry crisis in the 1980s. Beginning on January 1, 1997, in addition to the insurance premiums paid by SAIF-insured institutions to maintain the SAIF reserve at its required level pursuant to the current risk classification system, SAIF-insured institutions pay deposit insurance premiums towards the payment of interest on the FICO bonds. The FICO assessment rate is adjusted quarterly.

Under the current risk classification system, institutions are assigned to one of three capital groups which are based solely on the level of an institution's capital - "well capitalized," "adequately capitalized" and "undercapitalized" - which are defined in the same manner as the regulations establishing the prompt corrective action system under Section 38 of the FDIA, as discussed below. These three groups are then divided into three subgroups, which are based on supervisory evaluations by the institution's primary federal regulator, resulting in nine assessment classifications. Assessment rates currently range from 0 basis points for well capitalized, healthy institutions to 27 basis points for undercapitalized institutions with substantial supervisory concerns.

The FDIC may terminate the deposit insurance of any insured depository institution, including the Bank, if it determines after a hearing that the institution has engaged or is engaging in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, order or any condition imposed by an agreement with the FDIC. It also may suspend deposit insurance temporarily during the hearing process for the permanent termination of insurance, if the institution has no tangible capital. If insurance of accounts is terminated, the accounts at the institution at the time of the termination, less subsequent withdrawals, shall continue to be insured for a period of six months to two years, as determined by the FDIC. Management is aware of no existing circumstances which would result in termination of the Bank's deposit insurance.

REGULATORY CAPITAL REQUIREMENTS. Federally-insured savings associations are subject to three capital requirements of general applicability: a tangible capital requirement, a core or leverage capital requirement and a risk-based capital requirement. All savings associations currently are required to maintain tangible capital of at least 1.5% of adjusted total assets (as defined in the regulations), core capital equal to 3% of adjusted total assets and total capital (a combination of core and supplementary capital) equal to 8% of risk-weighted assets (as defined in the regulations). For purposes of the regulation, tangible capital is core capital less all intangibles other than qualifying purchased mortgage servicing rights. Core capital includes common stockholders' equity, non-cumulative perpetual preferred stock and related surplus, minority interests in the equity accounts of fully consolidated subsidiaries and certain nonwithdrawable accounts and pledged deposits. Core capital generally is reduced by the amount of a savings association's intangible assets, other than qualifying mortgage servicing rights.

A savings association is allowed to include both core capital and supplementary capital in the calculation of its total capital for purposes of the risk-based capital requirements, provided that the amount of supplementary capital included does not exceed the savings association's core capital. Supplementary capital consists of certain capital instruments that do not qualify as core capital, including subordinated debt (such as the Bank's Debentures) which meets specified requirements, and general valuation loan and lease loss allowances up to a maximum of 1.25% of risk-weighted assets. In determining the required amount of risk-based capital, total assets, including certain off-balance sheet items, are multiplied by a risk weight based on the risks inherent in the type of assets. The risk weights assigned by the OTS for principal categories of assets currently range from 0% to 100%, depending on the type of asset.

OTS policy imposes a limitation on the amount of net deferred tax assets that may be included in regulatory capital. (Net deferred tax assets represent deferred tax assets, reduced by any valuation allowances, in excess of deferred tax liabilities.) Application of the limit depends on the possible sources of taxable income available to an institution to realize deferred tax assets. Deferred tax assets that can be realized from the following generally are not limited: taxes paid in prior carryback years and future reversals of existing taxable temporary differences. To the extent that the realization of deferred tax assets depends on an institution's future taxable income (exclusive of reversing temporary differences and carryforwards), or its tax-planning strategies, such deferred tax assets are limited for regulatory capital purposes to the lesser of the amount that can be realized within one year of the quarter-end report date or 10% of core capital.

OTS has adopted an interest-rate risk component into the risk-based capital regulation. Under the rule, an institution with a greater than "normal" level of interest rate risk will be subject to a deduction of its interest rate risk component from total capital for purposes of determining whether it has met the risk-based capital requirement. As a result, such an institution will be required to maintain additional capital in order to comply with the risk-based capital requirement. Although the final rule was originally scheduled to be effective as of January 1994, the OTS has indicated that it will delay invoking its interest rate risk rule until appeal procedures are implemented and evaluated. The OTS has not yet established an effective date for the capital deduction. Management of the Company does not believe that the adoption of an interest rate risk component to the risk-based capital requirement will adversely affect the Bank if it becomes effective in its current form.

The OTS minimum core capital ratio provides that only those institutions with Uniform Financial Institution Rating System ("UFIRS") rating of "1" are subject to a 3% minimum core capital ratio. All other institutions are subject to a 4% minimum core capital ratio.

The OTS and other banking regulators proposed revisions to their capital rules concerning the treatment of residual interests in asset securitizations and other transfers of financial assets. Generally, the proposed rule would require that risk-based capital be held in an amount equal to the amount of residual interests retained on an institution's balance sheet and would limit the amount of residual interests that may be included in Tier 1 capital.

In January 2001, the four federal banking agencies jointly issued expanded examination and supervision guidance relating to subprime lending activities. In the guidance, "subprime" lending generally refers to programs that target borrowers with weakened credit histories or lower repayment capacity. The guidance principally applies to institutions with subprime lending programs with an aggregate credit exposure equal to or greater than 25 percent of an institution's Tier 1 capital. Such institutions would be subject to more stringent risk management standards and, in many cases, additional capital requirements. As a starting point, the guidance generally expects that such an institution would hold capital against subprime portfolios in an amount that is one and one half to three times greater than the amount appropriate for similar types of non-subprime assets. The guidance is primarily directed at insured depository institutions. Management is currently analyzing the impact of the guidance on the conduct of its business.

CLASSIFIED ASSETS. OTS regulations require that each insured savings association classify its assets on a regular basis. In addition, in connection with examinations of insured associations, OTS examiners have authority to identify problem assets and, if appropriate, require them to be classified. There are three classifications for problem assets: "substandard," "doubtful" and "loss." Substandard assets have one or more defined weaknesses and are characterized by the distinct possibility that the insured institution will sustain some loss if the deficiencies are not corrected. Doubtful assets have the weaknesses of substandard assets with the additional characteristic that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions and values questionable, and there is a high possibility of loss. An asset classified as a loss is considered uncollectible and of such little value that continuance as an asset of the institution is not warranted. Another category designated "special mention" also must be established and maintained for assets which do not currently expose an insured institution to a sufficient degree of risk to warrant classification as substandard, doubtful or loss but do possess credit deficiencies or potential weaknesses deserving management's close attention. Assets classified as substandard or doubtful require the institution to establish general allowances for loan losses. If an asset or portion thereof is classified as a loss, the insured institution must either establish specific allowances for loan losses in the amount of 100% of the portion of the asset classified as a loss or charge off such amount. In this regard, the Company establishes required reserves and charges off loss assets as soon as administratively practicable. General loss allowances established to cover possible losses related to assets classified substandard or doubtful may be included in determining an institution's regulatory capital, while specific valuation allowances for loan losses do not qualify as regulatory capital.

In 1996, based upon discussions with the OTS and as a result of an OTS bulletin issued on December 13, 1996 entitled "Guidance on the Classification and Regulatory Reporting of Certain Delinquent Loans and Other Credit Impaired Assets," the Company has classified all discount loans that are 90 or more days contractually past due, not otherwise classified, as special mention and all real estate owned, not otherwise classified, as special mention. The Company also modified its policy for classifying nonperforming discount loans and real estate owned related to its discount loan portfolio ("nonperforming discount assets") to take into account both the holding period of such assets from the date of acquisition and the ratio of book value to market value of such assets. All nonperforming discount assets which are held 15 months or more after the date of acquisition are classified substandard; nonperforming discount assets held 12 months to less than 15 months from the date of acquisition are classified as substandard if a ratio of book value to market value is 80% or more; and nonperforming discount assets held less than 12 months from the date of acquisition are classified as substandard if they have a ratio of book value to market value of more than 85%. In addition, nonperforming discount assets which are performing for a period of time subsequent to acquisition by the Company are classified as substandard at the time such loans become nonperforming. The Company also modified its classified assets policy to classify all real estate owned which is not generating a cash flow and which has been held for more than 15 months and three years as substandard and doubtful, respectively. The Company's past experience indicates that classified discount assets do not necessarily correlate to probability or severity of loss.

Excluding assets which have been classified loss and fully reserved by the Bank, the Bank's classified assets at December 31, 2000 under the above policy consisted of $280,249 of assets classified as substandard and $1,569 of assets classified as doubtful. In addition, at the same date, $272,834 of assets were designated as special mention.

Substandard assets at December 31, 2000 under the above policy consisted primarily of $156,316 of loans and real estate owned related to the Company's discount single family residential loan program and $102,899 of loans and real estate owned related to the Company's discount commercial real estate loan program. Special mention assets at December 31, 2000 under the policy consisted primarily of $124,445 and $129,787 of loans and real estate owned related to the Company's discount single family residential and discount commercial real estate loan programs, respectively.

PROMPT CORRECTIVE ACTION. Federal law provides the Federal banking regulators with broad power to take "prompt corrective action" to resolve the problems of undercapitalized institutions. The extent of the regulators' powers depends on whether the institution in question is "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" or "critically undercapitalized." Under regulations adopted by the Federal banking regulators, an institution shall be deemed to be: (i) "well capitalized" if it has a total risk-based capital ratio of 10.0% or more, has a Tier 1

risk-based capital ratio of 6.0% or more, has a Tier 1 leverage capital ratio of 5.0% or more and is not subject to any written agreement, order or directive to meet and maintain a specific capital level for any capital measure; (ii) "adequately capitalized" if it has a total risk-based capital ratio of 8.0% or more, a Tier 1 risk-based capital ratio of 4.0% or more and a Tier 1 leverage capital ratio of 4.0% or more (3.0% under certain circumstances) and does not meet the definition of "well capitalized"; (iii) "undercapitalized" if it has a total risk-based capital ratio that is less than 8.0%, a Tier 1 risk-based capital ratio that is less than 4.0% or a Tier 1 leverage capital ratio that is less than 4.0% (3.0% under certain circumstances); (iv) "significantly undercapitalized" if it has a total risk-based capital ratio that is less than 6.0%, a Tier 1 risk-based capital ratio that is less than 3.0% or a Tier 1 leverage capital ratio that is less than 3.0% and; (v) "critically undercapitalized" if it has a ratio of tangible equity to adjusted total assets that is equal to or less than 2.0%. The regulations also permit the appropriate Federal banking regulator to downgrade an institution to the next lower category (provided that a significantly undercapitalized institution may not be downgraded to critically undercapitalized) if the regulator determines: (i) after notice and opportunity for hearing or response, that the institution is in an unsafe or unsound condition or (ii) that the institution has received (and not corrected) a less-than-satisfactory rating for any of the categories of asset quality, management, earnings or liquidity in its most recent exam. At December 31, 2000, the Bank was a "well capitalized" institution under the prompt corrective action regulations of the OTS.

Depending upon the capital category to which an institution is assigned, the regulators' corrective powers, many of which are mandatory in certain circumstances, include: prohibition on capital distributions; prohibition on payment of management fees to controlling persons; requiring the submission of a capital restoration plan; placing limits on asset growth; limiting acquisitions, branching or new lines of business; requiring the institution to issue additional capital stock (including additional voting stock) or to be acquired; restricting transactions with affiliates; restricting the interest rates that the institution may pay on deposits; ordering a new election of directors of the institution; requiring that senior executive officers or directors be dismissed; prohibiting the institution from accepting deposits from correspondent banks; requiring the institution to divest certain subsidiaries; prohibiting the payment of principal or interest on subordinated debt; and, ultimately, appointing a receiver for the institution.

QUALIFIED THRIFT LENDER TEST. All savings associations are required to meet the QTL test set forth in the HOLA to avoid certain restrictions on their operations. Under the QTL test provisions, a savings institution must maintain at least 65% of its portfolio assets in qualified thrift investments. In general, qualified thrift investments include loans, securities and other investments that are related to housing, small business and credit card lending, and to a more limited extent, consumer lending and community service purposes. Portfolio assets are defined as an institution's total assets less goodwill and other intangible assets, the institution's business property and a limited amount of the institution's liquid assets. A savings association that does not meet the QTL test set forth in the HOLA and implementing regulations must either convert to a bank charter or comply with the following restrictions on its operations: (i) the association may not engage in any new activity or make any new investment, directly or indirectly, unless such activity or investment is permissible for a national bank; (ii) the branching powers of the association shall be restricted to those of a national bank; and (iii) payment of dividends by the association shall be subject to the rules regarding payment of dividends by a national bank. Upon the expiration of three years from the date the association ceases to be a QTL, it must cease any activity and not retain any investment unless that activity or investment would be permissible if the association were a national bank and for the association as a savings association. The Bank met the QTL test throughout 2000, and its qualified thrift investments comprised 72.36% of its portfolio assets at December 31, 2000.

RESTRICTIONS ON CAPITAL DISTRIBUTIONS. Effective April 1, 1999, the Bank is required to file a notice with the OTS at least 30 days prior to making any payment to repurchase, redeem, retire or otherwise acquire debt instruments included in total risk-based capital (each a "capital distribution") unless (a) it is not eligible for expedited treatment under the OTS application processing regulations, (b) the total amount of the Bank's capital distributions (including the proposed distribution) for the calendar year exceeds the Bank's net income for the year to date plus retained net income for the previous two years, (c) the Bank would not be "adequately capitalized" following the proposed distribution or (d) the proposed distribution would violate any applicable statute, regulation, or an agreement between the Bank and the OTS, or a condition imposed upon the Bank by an OTS-approved application or notice. If one of these four criteria is present, the Bank is required to file an application with the OTS at least 30 days prior to making the proposed capital distribution. The OTS may deny the Bank's application or disapprove its notice if the OTS determines that (a) the Bank will be "undercapitalized," "significantly undercapitalized" or "critically undercapitalized," as defined in the OTS capital regulations, following the capital distribution, (b) the proposed capital distribution raises safety and soundness concerns or (c) the proposed capital distribution violates a prohibition contained in any statute, regulation or agreement between the Bank and the OTS or a condition imposed on the Bank in an application or notice approved by the OTS.

LOAN-TO-ONE BORROWER. Under applicable laws and regulations, the amount of loans and extensions of credit which may be extended by a savings institution such as the Bank to any one borrower, including related entities, generally may not exceed the greater of 15% of the unimpaired capital and unimpaired surplus of the institution. Loans in an amount equal to an additional 10% of unimpaired capital and unimpaired surplus also may be made to a borrower if the loans are fully secured by readily marketable collateral. An institution's "unimpaired capital and unimpaired surplus" includes, among other things, the amount of its core capital and supplementary capital included in its total capital under OTS regulations.

At December 31, 2000, the Bank's unimpaired capital and surplus amounted to $293,093, resulting in a general loans-to-one borrower limitation of $43,964 under applicable laws and regulations.

BROKERED DEPOSITS. Under applicable laws and regulations, an insured depository institution may be restricted in obtaining, directly or indirectly, funds by or through any "deposit broker," as defined, for deposit into one or more deposit accounts at the institution. The term "deposit broker" generally includes any person engaged in the business of placing deposits, or facilitating the placement of deposits, of third parties with insured depository institutions or the business of placing deposits with insured depository institutions for the purpose of selling interests in those deposits to third parties. In addition, the term "deposit broker" includes any insured depository institution, and any employee of any insured depository institution, which engages, directly or indirectly, in the solicitation of deposits by offering rates of interest (with respect to such deposits) which are significantly higher than the prevailing rates of interest on deposits offered by other insured depository institutions having the same type of charter in such depository institution's normal market area. As a result of the definition of "deposit broker," all of the Bank's brokered deposits, as well as possibly its deposits obtained through customers of regional and local investment banking firms and the deposits obtained from the Bank's direct solicitation efforts of institutional investors and high net worth individuals, are potentially subject to the restrictions described below. Under FDIC regulations, well-capitalized institutions are not subject to the brokered deposit limitations, while adequately capitalized institutions are able to accept, renew or roll over brokered deposits only: (i) with a waiver from the FDIC; and (ii) subject to the limitation that they do not pay an effective yield on any such deposit which exceeds by more than 75 basis points (a) the effective yield paid on deposits of comparable size and maturity in such institution's normal market area for deposits accepted in its normal market area or (b) 120% (130% deposits at least half of which is uninsured) of the current yield on comparable maturity U.S. Treasury obligations for deposits accepted outside the institution's normal market area. Undercapitalized institutions are not permitted to accept brokered deposits and may not solicit deposits by offering an effective yield that exceeds by more than 75 basis points the prevailing effective yields on insured deposits of comparable maturity in the institution's normal market area or in the market area in which such deposits are being solicited. At December 31, 2000, the Bank was a well-capitalized institution which was not subject to restrictions on brokered deposits. See "Sources of Funds - Deposits."

LIQUIDITY REQUIREMENTS. All savings associations are required to maintain an average daily balance of liquid assets, which include specified short-term assets and certain long-term assets, equal to a certain percentage of the sum of its average daily balance of net withdrawable deposit accounts and borrowings payable in one year or less. The liquidity requirement may vary from time to time (between 4% and 10%) depending upon economic conditions and savings flows of all savings associations. In November 1997, the OTS amended its liquidity regulations to, among other things, provide that a savings association shall maintain liquid assets of not less than 4% of the amount of its liquidity base at the end of the preceding calendar quarter as well as to provide that each savings association must maintain sufficient liquidity to ensure its safe and sound operation. Prior to November 1997, the required liquid asset ratio was 5%. Historically, the Bank has operated in compliance with these requirements. In December, 2000, Congress passed the Financial Regulatory Relief and Economic Efficiency Act of 2000 (Pub. L. 106-569), which repealed the statutory liquidity requirement for savings associations formerly found in HOLA. Accordingly, in March 2001, the OTS issued and Interim Final Rule that eliminated the 4% liquidity requirement. The Interim Rule requires savings associations to maintain sufficient liquidity to ensure their safe and sound operation.

AFFILIATE TRANSACTIONS. Under federal law and regulation, transactions between a savings association and its affiliates are subject to quantitative and qualitative restrictions. Affiliates of a savings association include, among other entities, companies that control, are controlled by or are under common control with the savings association. As a result, the Company, OAC, OTX and the Company's non-bank subsidiaries are affiliates of the Bank.

Savings associations are restricted in their ability to engage in "covered transactions" with their affiliates. In addition, covered transactions between a savings association and an affiliate, as well as certain other transactions with or benefiting an affiliate, must be on terms and conditions at least as favorable to the savings association as those prevailing at the time for comparable transactions with non-affiliated companies. Savings associations are required to make and retain detailed records of transactions with affiliates.

Notwithstanding the foregoing, a savings association is not permitted to make a loan or extension of credit to any affiliate unless the affiliate is engaged only in activities the Federal Reserve Board has determined to be permissible for bank holding companies. Savings associations also are prohibited from purchasing or investing in securities issued by an affiliate, other than shares of a subsidiary.

Savings associations are also subject to various limitations and reporting requirements on loans to insiders. These limitations require, among other things, that all loans or extensions of credit to insiders (generally executive officers, directors or 10% stockholders of the institution) or their "related interests" be made on substantially the same terms (including interest rates and collateral) as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with the general public and not involve more than the normal risk of repayment or present other unfavorable features.

COMMUNITY INVESTMENT AND CONSUMER PROTECTIONS LAWS. In connection with its lending activities, the Bank is subject to a variety of federal laws designed to protect borrowers and promote lending to various sectors of the economy and population. Included among these are the Federal Home Mortgage Disclosure Act, Real Estate Settlement Procedures Act, Truth-in-Lending Act, Equal Credit Opportunity Act, Fair Credit Reporting Act and the Community Reinvestment Act.

GRAMM-LEACH-BLILEY ACT. The Bank is also subject to the Gramm-Leach-Bliley Act ("GLB Act"), which was signed into law at the end of 1999. The GLB Act contains comprehensive consumer financial privacy restrictions. Various federal enforcement agencies, including the Federal Trade Commission, have issued final regulations to implement the GLB Act; however, compliance with the new regulations is voluntary until July 1, 2001. The restrictions fall into two basic categories. First, a financial institution must provide various notices to consumers about an institution's privacy policies and practices. Second, the GLB Act act gives consumers the right to prevent the financial institution from disclosing non-public personal information about the consumer to non-affiliated third parties, with exceptions. As with all new regulations, we intend to prepare the appropriate disclosures and internal procedures to assure compliance with these new requirements.

SAFETY AND SOUNDNESS. Other regulations include: (i) real estate lending standards for insured institutions, which provide guidelines concerning loan-to-value ratios for various types of real estate loans; (ii) risk-based capital rules to account for interest rate risk, concentration of credit risk and the risks posed by "non-traditional activities;" (iii) rules requiring depository institutions to develop and implement internal procedures to evaluate and control credit and settlement exposure to their correspondent banks; and (iv) rules addressing various "safety and soundness" issues, including operations and managerial standards, standards for asset quality, earnings and stock valuations, and compensation standards for the officers, directors, employees and principal stockholders of the insured institution.

FEDERAL RESERVE REGULATION. Under Federal Reserve Board regulations, the Bank is required to maintain a reserve against its transaction accounts (primarily interest-bearing and noninterest-bearing checking accounts). Because reserves must generally be maintained in cash or in noninterest-bearing accounts, the effect of the reserve requirements is to increase an institution's cost of funds. These regulations generally require that the Bank maintain reserves against net transaction accounts. Institutions may designate and exempt $5,000 of certain reservable liabilities from these reserve requirements. This amount is subject to adjustment by the Federal Reserve Board. The Bank, like other depository institutions maintaining reservable accounts, may borrow from the Federal Reserve Bank discount window, but the Federal Reserve Board's regulations require the Bank to exhaust other reasonable alternative sources before borrowing from the Federal Reserve Bank. Numerous other regulations promulgated by the Federal Reserve Board affect the business operations of the Bank. These include regulations relating to equal credit opportunity, electronic fund transfers, collection of checks, truth in lending, truth in savings and availability of funds.

FEDERAL HOME LOAN BANK SYSTEM. The FHLB System was created in 1932 and consists of twelve regional FHLBs. The FHLBs are federally chartered but privately owned institutions created by Congress. The Federal Housing Finance Board ("Finance Board") is an agency of the federal government and is generally responsible for regulating the FHLB System. Each FHLB is owned by its member institutions. The primary purpose of the FHLBs is to provide funding to their members for making housing loans as well as for affordable housing and community development lending. FHLBs are generally able to make advances to their member institutions at interest rates that are lower than could otherwise be obtained by such institutions. Under current rules, an FHLB member is generally required to purchase FHLB stock in an amount equal to at least 5% of the aggregate outstanding advances made by the FHLB to the member. The GLB Act and new regulations adopted by the Finance Board in December 2000 require a new capital structure for the FHLBs. The new capital structure will contain risk-based and leverage capital requirements similar to those currently in place for depository institutions. Each FHLB must submit a capital structure plan to the Finance Board for approval within 270 days of the publication of the new regulations. Generally, an institution is eligible to be a member of the FHLB for the district where the member's principal place of business is located. The Bank , whose home office is in Ft. Lee, New Jersey, is a member of the New York FHLB.

COMMUNITY REINVESTMENT ACT. The Community Reinvestment Act ("CRA") requires financial institutions regulated by the federal financial supervisory agencies to ascertain and help meet the credit needs of their delineated communities, including low- to moderate-income neighborhoods within those communities, while maintaining safe and sound banking practices. The regulatory agency assigns one of four possible ratings to an institution's CRA performance and is required to make public an institution's rating and written evaluation. The four possible ratings of meeting community credit needs are outstanding, satisfactory, needs to improve, and substantial noncompliance. In 1999, the Bank received a "satisfactory" CRA rating from the OTS. This rating reflects our commitment to meeting the credit needs of the communities we serve. Under regulations that apply to all CRA performance evaluations after July 1, 1997, many factors play a role in assessing a financial institution's CRA performance. The institution's regulator must consider its financial capacity and size, legal impediments, local economic conditions and demographics, including the competitive environment in which it operates. The evaluation does not rely on absolute standards, and the institutions are not required to perform specific activities or to provide specific amounts or types of credit. We maintain a CRA file available for public viewing.

The bank has filed an application with the OTS to be designated a

Wholesale Bank for CRA purposes beginning in May 2001. The Wholesale Bank designation is available to institutions that are not in the business of extending home mortgage, small business, small farm or consumer loans to retail customers. Wholesale Banks are subject to a separate CRA test that measures its community development loans, investments and services.

FEDERAL TAXATION

GENERAL. The Company and all of its domestic subsidiaries currently file, and expect to continue to file, a consolidated Federal income tax return based on a calendar year. Consolidated returns have the effect of eliminating inter-company transactions, including dividends, from the computation of taxable income.

ALTERNATIVE MINIMUM TAX. In addition to the regular corporate income tax, corporations, including qualifying savings institutions, are subject to an alternative minimum tax. The 20% tax is computed on Alternative Minimum Taxable Income ("AMTI") and applies if it exceeds the regular tax liability. AMTI is equal to regular taxable income with certain adjustments. For taxable years beginning after 1989, AMTI includes an adjustment for 75% of the excess of "adjusted current earnings" over regular taxable income. Net operating loss carrybacks and carryforwards are permitted to offset only 90% of AMTI. Alternative minimum tax paid can be credited against regular tax due in later years.

TAX RESIDUALS. From time to time, the Company acquires Real Estate Mortgage Investment Conduit ("REMIC") residuals or retains residual securities in REMICs which were formed by the Company in connection with the securitization and sale of loans. Although a tax residual may have little or no future economic cash flows from the REMIC from which it has been issued, the tax residual does bear the income tax liability or benefit resulting from the difference between

the interest rate paid on the securities by the REMIC and the interest rate received on the mortgage loans held by the REMIC. This generally results in taxable income for the Company in the first several years of the REMIC and equal amounts of tax deductions thereafter. The Company receives cash payments in connection with the acquisition of tax residuals to compensate the Company for the time value of money associated with the tax payments related to these securities and the costs of modeling, recording, monitoring and reporting the securities. The Company defers all fees received and recognizes such fees in interest income on a level yield basis over the expected life of the deferred tax asset related to tax residuals. The Company also adjusts the recognition in interest income of fees deferred based upon the changes in the actual prepayment rates of the underlying mortgages held by the REMIC and periodic reassessments of the expected life of the deferred tax asset related to tax residuals. At December 31, 2000, the Company's gross deferred tax assets included $4,374, which was attributable to the Company's tax residuals and related deferred income.

INVESTMENTS IN LOW-INCOME HOUSING TAX CREDIT INTERESTS. For a discussion of the tax effects of investments in low-income housing tax credit interests, see "Segments-Investment in Low-Income Housing Tax Credit Interests."

EXAMINATIONS. The most recent examination by the IRS of the Company's Federal income tax return was of the tax return filed for 1996. The statute of limitations has run with respect to 1996 and all prior tax years. Thus, the Federal income tax returns for the years 1997 through 1999 are open for examination. Management of the Company does not anticipate any material adjustments as a result of any examination, although there can be no assurances in this regard.

STATE TAXATION

The Company's income is subject to tax by the States of Florida and California, which have statutory tax rates of 5.5% and 10.84%, respectively, and is determined based on certain apportionment factors. The Company is taxed in New Jersey on income, net of expenses, earned in New Jersey at a statutory rate of 3.0%. No state return of the Company has been examined, and no notification has been received by the Company that any state intends to examine any of the Company's tax returns.

ITEM 2. PROPERTIES

The following table sets forth information relating to the Company's facilities at December 31, 2000.

Location	Owned/Leased	Net Book Value of Property or Leasehold Improvements
		(Dollars in Thousands)
EXECUTIVE OFFICES:		
1675 Palm Beach Lakes Boulevard West Palm Beach, FL	Leased	$ 5,016
BANK MAIN OFFICE:		
2400 Lemoine Ave Fort Lee, NJ	Leased	$ 13
SERVICING CENTER:		
12650 Ingenuity Drive Orlando, FL	Owned	$ 22,732
SOFTWARE DEVELOPMENT AND SERVICING OPERATIONS CENTER:		
Information Technology Park Bangalore, India	Leased	$ 252
OTX OFFICES:		
California office:		
5050 Avenida Encinas, Suite 200 Carlsbad, CA	Leased	$ 166
Amos, Inc.:		
10 Research Parkway Wallingford, CT	Leased	$ 79
Synergy Software, LLC:		
Two Creekside Crossing 10 Cadillac Drive, Suite 350 Brentwood, TN	Leased	$ 188

OTX's main offices are located in facilities provided by the Company. OAC does not maintain an office. It relies on the facilities provided by the Company.

ITEM 3. LEGAL PROCEEDINGS

The Company is subject to various pending legal proceedings. Management is of the opinion that the resolution of these claims will not have a material adverse effect on the results of operations or financial condition of the Company. See "Note 33: Commitments and Contingencies" on page 115 to 116 of the Company's 2000 Annual Report to Shareholders which is incorporated herein by reference.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Information required by this Item appears under the caption "Shareholder Information" on page 120 of the 2000 Annual Report to Shareholders and is incorporated herein by reference.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

Information required by this Item appears under the caption "Selected Consolidated Financial Information" on pages 10 to 13 of the 2000 Annual Report to Shareholders and is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Information required by this Item appears under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 14 to 60 of the 2000 Annual Report to Shareholders and is incorporated herein by reference. In addition, please also note the information below, which is not discussed in the 2000 Annual Report to Shareholders.

RECENT DEVELOPMENTS (DOLLARS IN THOUSANDS)

On January 30, 2001, OCN was hired as an advisor to Jamaica's Financial Sector Adjustment Company ("FINSAC") to resolve or liquidate approximately $1,000,000 in non-performing loans and real estate assets. Since 1997, FINSAC has assumed over 15,000 assets as a result of bank insolvencies within the Jamaican financial sector.

Subsequent to yearend through March 27, 2001, the Company repurchased in the open market an aggregate of $15,845 of its 10 7/8% Capital Securities for aggregate pretax gains of $3,336. Additionally, on March 23, 2001, the Company repurchased $4,200 of its 11.875% Notes in the open market for a pretax gain of $97.

On March 19, 2001, OTX announced that Washington Mutual Home Loans and Insurance Services group will utilize REALTrans to order many of the real estate settlement services necessary to close a mortgage transaction. Washington Mutual is the eighth largest banking company, the largest savings institution and one of the top five mortgage originators in the United States.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information required by this Item appears under the captions "Asset and Liability Management" on pages 53 to 58, "Note 1: Summary of Significant Accounting Policies" on pages 70 to 77 and "Note 24: Derivative Financial Instruments" on pages 100 to 103 of the 2000 Annual Report to Shareholders and is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information required by this Item appears on pages 62 to 119 in the 2000 Annual Report to Shareholders and is incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information contained in the Company's definitive Proxy Statement with respect to the Company's Annual Meeting of Shareholders to be held on May 17, 2001, and as filed with the Commission on or about March 30, 2001 (the "Company's 2001 Proxy Statement") under the captions "Election of Directors - Nominees for Director," "Executive Officers Who Are Not Directors," and "Security Ownership of Certain Beneficial Owners - Section 16(a) Beneficial Ownership Reporting Compliance" is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information contained in the Company's 2001 Proxy Statement under the captions "Executive Compensation," "Board of Directors Compensation" and "Comparison of Cumulative Total Return" is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information contained in the Company's 2001 Proxy Statement under the caption "Security Ownership of Certain Beneficial Owners - Beneficial Ownership of Common Stock" is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information contained in the Company's 2001 Proxy Statement under the caption "Certain Relationships and Related Transactions" is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) EXHIBITS.

2.1 Agreement of Merger dated as of July 25, 1999 among Ocwen Financial Corporation, Ocwen Asset Investment Corp. and Ocwen Acquisition Company (1)

3.1 Amended and Restated Articles of Incorporation (2)

3.2 Amended and Restated Bylaws (3)

4.0 Form of Certificate of Common Stock (2)

4.1 Form of Indenture between the Company and Bank One, Columbus, NA as Trustee (2)

4.2 Form of Note due 2003 (included in Exhibit 4.1) (2)

4.3 Certificate of Trust of Ocwen Capital Trust I (4)

4.4 Amended and Restated Declaration of Trust of Ocwen Capital Trust I (4)

4.5 Form of Capital Security of Ocwen Capital Trust I (included in Exhibit 4.4) (4)

4.6 Form of Indenture relating to 10.875% Junior Subordinated Debentures due 2027 of the Company (4)

4.7 Form of 10.875% Junior Subordinated Debentures due 2027 of the Company (included is Exhibit 4.6)(4)

4.8 Form of Guarantee of the Company relating to the Capital Securities of Ocwen Capital Trust I (4)

4.9 Form of Indenture between the Company and The Bank of New York as Trustee (5)

4.10 Form of Subordinated Debentures due 2005 (5)

4.11 Form of Indenture between OAC and Norwest Bank Minnesota, National Association, as Trustee thereunder for the 11.5% Redeemable Notes due 2005 (6)

4.12 Form of 11.5% Redeemable Note due 2005 (7)

4.13 Form of Second Supplemental Indenture between OAC and Wells Fargo Bank Minnesota, National Association as successor to Norwest Bank Minnesota, National Association, as trustee thereunder for the 11.5% Redeemable Notes due 2005 (8)

10.1 Ocwen Financial Corporation 1996 Stock Plan for Directors, as amended (9)

10.2 Ocwen Financial Corporation 1998 Annual Incentive Plan (10)

10.3	Amended and Restated Loan Agreement, dated as of June 10, 1998, by and among, inter alia, OAIC California Partnership, L.P., OAIC California Partnership II, L.P., Salomon Brothers Realty Corp. and LaSalle National Bank (11)
10.4	Compensation and Indemnification Agreement, dated as of May 6, 1999, between OAC and the independent committee of the Board of Directors (12)
10.5	Second Amendment to Guarantee of Payment, dated as of July 9, 1999, made by and between Salomon Brothers Realty Corp. and Ocwen Partnership, L.P. (12)
10.6	Indemnity agreement, dated August 24, 1999, among OCN, and OAC's directors (13)
10.7	Amended Ocwen Financial Corporation 1991 Non-Qualified Stock Option Plan, dated October 26, 1999 (13)
10.8	First Amendment to Agreement, dated March 30, 2000 between HCT Investments, Inc. and OAIC Partnership I, L.P. (13)
10.9	Form of Separation Agreement and Full Release, dated as of February 28, 2001, by and among Christine A. Reich, Ocwen Federal Bank FSB and Ocwen Financial Corporation (filed herewith)
11.1	Computation of earnings per share (14)
12.1	Ratio of earnings to fixed charges (filed herewith)
13.1	Excerpts from the Annual Report to Shareholders for the year ended December 31, 2000 (filed herewith)
21.0	Subsidiaries (filed herewith)
23.0	Consent of PricewaterhouseCoopers LLP (filed herewith)
99.1	Risk factors (filed herewith)

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

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

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

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

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

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

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

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

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

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

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

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

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

(14) Incorporated by reference from "Note 23: Basic and Diluted Earnings per Share" on pages 99 to 100 of the 2000 Annual Report to Shareholders.

FINANCIAL STATEMENTS AND SCHEDULES. The following Consolidated Financial Statements of Ocwen Financial Corporation and Report of PricewaterhouseCoopers LLP, Independent Certified Public Accountants, are incorporated herein by reference from pages 62 to 119 of the 2000 Annual Report to Shareholders:

Report of Independent Certified Public Accountants

Consolidated Statements of Financial Condition at December 31, 2000 and 1999

Consolidated Statements of Operations for each of the three years in the period ended December 31, 2000

Consolidated Statements of Changes in Shareholders' Equity for each of the three years in the period ended December 31, 2000

Consolidated statements of Comprehensive Income for each of the three years in the period ended December 31, 2000

Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2000

Notes to Consolidated Financial Statements

Financial statement schedules have been omitted because they are not applicable or the required information is shown in the Consolidated Financial Statements or notes thereto.

(b) REPORTS ON FORM 8-K FILED DURING THE QUARTER ENDED DECEMBER 31, 2000

(1) A Form 8-K was filed by the Company on November 9, 2000 which contained a news release announcing its 2000 third quarter results and certain other information.

SIGNATURES

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

OCWEN FINANCIAL CORPORATION

BY: /s/ WILLIAM C. ERBEY

William C. Erbey
Chairman of the Board and
Chief Executive Officer
(duly authorized representative)

Date: March 30, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

/s/ WILLIAM C. ERBEY William C. Erbey, Chairman of the Board and Chief Executive Officer (principal executive officer)	Date: March 30, 2001
/s/ BARRY N. WISH Barry N. Wish, Director	Date: March 30, 2001
/s/ W. C. MARTIN W.C. Martin, Director	Date: March 30, 2001
/s/ HOWARD H. SIMON Howard H. Simon, Director	Date: March 30, 2001
/s/ HON. THOMAS F. LEWIS Hon. Thomas F. Lewis, Director	Date: March 30, 2001
/s/ MARK S. ZEIDMAN Mark S. Zeidman, Senior Vice President and Chief Financial Officer (principal financial officer)	Date: March 30, 2001
/s/ ROBERT J. LEIST, JR. Robert J. Leist, Jr., Vice President and Chief Accounting Officer (principal accounting officer)	Date: March 30, 2001

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SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables present selected consolidated financial information of Ocwen Financial Corporation and its subsidiaries ("OCN" or the "Company") at the dates and for the periods indicated. The historical operations and balance sheet data at and for the years ended December 31, 2000, 1999, 1998, 1997 and 1996 have been derived from financial statements audited by PricewaterhouseCoopers LLP, independent certified public accountants. Certain amounts included in the 1999, 1998, 1997 and 1996 selected consolidated financial information have been reclassified to conform to the 2000 presentation. The selected consolidated financial information should be read in conjunction with, and is qualified in its entirety by reference to, the information contained in the Consolidated Financial Statements and the Notes to Consolidated Financial Statements on pages 70 to 119.

	For the Year Ended December 31,				
	2000	1999 (1)	1998	1997	1996
	(Dollars in thousands, except per share data)				
OPERATIONS DATA:					
Interest income	$ 184,816	$ 253,224	$ 307,694	$ 272,531	$ 193,894
Interest expense	169,090	155,542	184,893	156,289	116,160
Net interest income before provision for loan losses	15,726	97,682	122,801	116,242	77,734
Provision for loan losses (2)	15,177	6,710	18,509	32,218	22,450
Net interest income after provision for loan losses	549	90,972	104,292	84,024	55,284
Servicing and other fees	97,080	76,018	59,180	25,962	4,682
Gain on interest-earning assets, net (3)	18,580	44,298	129,988	82,212	21,682
Unrealized loss on trading securities, net (4)	(4,926)	--	--	--	--
Impairment charges on securities available for sale	(11,597)	(58,777)	(129,714)	--	--
(Loss) gain on real estate owned, net	(13,464)	(2,060)	14,033	7,276	3,827
Gain on other non-interest earning assets, net	45,517	58,693	17,702	6,052	4,861
Net operating gains (losses) on investments in real estate (5)	26,140	(1,077)	(1,715)	144	453
Amortization of excess of net assets acquired over purchase price (1)	14,112	3,201	--	--	--
Other income	6,083	24,346	21,993	2,446	2,252
Total non-interest income	177,525	144,642	111,467	124,092	37,757
Compensation and employee benefits	83,086	102,173	115,556	77,573	39,043
Occupancy and equipment	12,005	18,501	17,652	8,742	4,313
Technology and communication costs	22,515	19,647	17,560	9,492	4,907
Loan expenses	13,051	12,618	25,373	7,059	4,111
Net operating losses on investments in certain low-income housing tax credit interests	9,931	6,291	6,905	4,935	28
Amortization of excess of purchase price over net assets acquired	3,124	4,448	11,614	557	--
Professional services and regulatory fees	13,275	14,205	18,082	7,611	6,607
Other operating expenses	13,022	17,185	13,804	11,048	11,051
Total non-interest expense	170,009	195,068	226,546	127,017	70,060
Distributions on Company-obligated, mandatorily redeemable securities of subsidiary trust holding solely junior subordinated debentures	11,380	13,111	13,594	5,249	--
Equity in (losses) earnings of investments in unconsolidated entities (6)	(5,249)	(12,616)	(7,985)	23,688	38,320
Income tax (expense) benefit	(7,957)	(2,608)	30,699	(21,309)	(11,159)
Minority interest in net loss of consolidated subsidiary	--	638	467	703	--
(Loss) income before extraordinary gain	(16,521)	12,849	(1,200)	78,932	50,142
Extraordinary gain on repurchase of debt, net of taxes	18,713	6,983	--	--	--
Net income (loss)	$ 2,192	$ 19,832	$ (1,200)	$ 78,932	$ 50,142

(Loss) income before extraordinary gain per share (7):

Basic	$ (0.25)	$ 0.20	$ (0.02)	$ 1.40	$ 0.99
Diluted	$ (0.25)	$ 0.20	$ (0.02)	$ 1.39	$ 0.94
Net income (loss) per share (7):					
Basic	$ 0.03	$ 0.31	$ (0.02)	$ 1.40	$ 0.99
Diluted	$ 0.03	$ 0.31	$ (0.02)	$ 1.39	$ 0.94

	For the Year Ended December 31,				
	2000	1999 (1)	1998	1997	1996
	(Dollars in thousands)				
BALANCE SHEET DATA:					
Total assets	$ 2,249,420	$ 3,281,674	$ 3,301,083	$ 3,048,149	$ 2,468,499
Trading securities, at fair value (4)	390,242	--	--	--	--
Securities available for sale, at fair value	--	587,518	593,347	441,638	354,005
Loans available for sale, at lower of cost or market (8)	10,610	45,213	177,847	177,041	126,366
Real estate held for sale (9)	22,670	--	--	--	--
Low-income housing tax credits held for sale (10)	87,083	--	--	--	--
Loan portfolio, net (8)	93,414	157,408	230,312	266,299	402,582
Discount loan portfolio (8)	536,028	913,229	1,026,511	1,434,176	1,060,953
Match funded loans and securities, net (11)	116,987	157,794	--	--	--
Investments in low-income housing tax credit interests	55,729	150,989	144,164	128,614	93,309
Investment in unconsolidated entities	430	37,118	86,893	38,684	68,011
Real estate owned, net (12)	146,419	167,506	201,551	167,265	103,704
Investments in real estate (13)	122,761	268,241	36,860	76,340	41,034
Advances on loans and loans serviced for others	277,055	162,548	108,078	51,061	27,551
Mortgage servicing rights	51,426	11,683	7,060	5,739	2,418
Deposits	1,258,360	1,814,647	2,168,791	1,965,844	1,907,313
Borrowings and other interest-bearing obligations (14)	313,313	694,319	476,336	453,529	300,118
Company-obligated mandatory redeemable securities of subsidiary trust holding solely junior subordinate debentures of the Company	79,530	110,000	125,000	125,000	--
Stockholders' equity (15)	503,426	509,442	436,376	419,692	203,596
OTHER DATA:					
Average assets (16)	$ 3,092,227	$ 3,187,680	$ 3,574,780	$ 2,835,514	$ 2,013,283
Average equity	495,699	462,216	427,512	290,030	161,332
Return on average assets (16):					
(Loss) income before extraordinary gain	(0.53)%	0.40%	(0.03)%	2.78%	2.49%
Net income (loss)	0.07	0.62	(0.03)	2.78	2.49
Return on average equity:					
(Loss) income before extraordinary gain	(3.33)	2.78	(0.28)	27.22	31.08
Net income (loss)	0.44	4.29	(0.28)	27.22	31.08
Average equity to average assets	16.03	14.50	11.96	10.23	8.01
Net interest spread	2.07	4.65	3.90	4.81	5.46
Net interest margin	0.81	4.42	4.30	4.91	4.84
Efficiency ratio (17)	90.43	84.92	100.12	48.11	45.55
Bank regulatory capital ratios at end of period:					
Tangible	13.83	10.67	9.07	10.66	9.33
Core (Leverage)	13.83	10.67	9.07	10.66	9.33
Risk-based	21.83	19.12	17.26	14.83	12.85
Number of full-service offices at end of period	1	1	1	1	1

NOTES TO SELECTED CONSOLIDATED FINANCIAL INFORMATION

(1) Financial data for 1999 reflects the sale of the Company's wholly-owned UK subsidiary, Ocwen UK Limited, formerly known as Ocwen UK plc ("Ocwen UK"), on September 30, 1999 for a gain of $50,371. Ocwen UK was engaged in the subprime mortgage loan origination and servicing business and began operations on April 24, 1998. Financial data for 1999 also reflects the Company's acquisition of Ocwen Asset Investment Corp. ("OAC") on October 7, 1999 for a total purchase price of $101,271. The acquisition of OAC resulted in an excess of net assets acquired over the purchase price of $60,042, which is being amortized to earnings on a straight-line basis over a period of 39 months. Previously, the Company accounted for its investment in OAC and its operating partnership subsidiary, Ocwen Partnership L.P. ("OPLP"), under the equity method.

(2) The provision for loan losses in 2000, 1999, 1998, 1997 and 1996 consists primarily of $15,266, $5,434, $17,618, $31,894 and $20,578, respectively, related to the Company's discount loan portfolio.

(3) Includes $36,804, $109,601, $71,933 and $15,161 of net gains recognized in connection with the securitization of loans during 1999, 1998, 1997 and 1996, respectively. During the third quarter of 1999, the Company made a decision to structure future securitizations as financing transactions, thereby precluding the use of gain-on-sale accounting. The Company executed no securitizations of loans during the second half of 1999 or during 2000.

(4) On September 30, 2000 the Company changed its policy for securities available for sale and match funded securities to account for these securities as trading. For these securities, changes in fair value are reported in income in the period of change. Previously, the Company

accounted for its securities as available for sale, and the unrealized gains and losses for these securities were reported as a separate component of accumulated other comprehensive income in stockholders' equity.

(5) Results for 2000 included operating income from investments in real estate properties acquired as a result of the OAC acquisition and equity in earnings related to certain acquisition, development and construction loans that were acquired during the first quarter of 2000 and accounted for as investments in real estate using the equity method.

(6) Results for 2000 related primarily to the Company's investment in Kensington Group plc ("Kensington"), which was sold on November 22, 2000 for a pretax gain of $20,025. Results for 1999 and 1998 related primarily to the Company's investment in Kensington and the Company's equity investments in OAC and OPLP, prior to their acquisition on October 7, 1999. Results for 1997 and 1996 related to the Company's investment in BCBF, L.L.C. (the "LLC"), a joint venture formed to acquire loans from the Department of Housing and Urban Development in April 1996. The LLC distributed all of its assets on December 12, 1997.

(7) All per share amounts have been adjusted retroactively to reflect the 10-for-1 stock split in July 1996 and the 2-for-1 stock split in November 1997. In addition, all per share amounts have been adjusted for the adoption of Statement of Financial Accounting Standards No. 128, "Earnings per Share" in 1997. See Note 1 to the Consolidated Financial Statements (which is incorporated herein by reference).

(8) The discount loan portfolio consists of mortgage loans purchased at a discount to the unpaid debt, most of which were non-performing or subperforming at the date of acquisition. The loan portfolio, net, and loans available for sale consist of other loans that were originated or purchased by the Company for investment or for potential sale, respectively. Data related to discount loans does not include discount loans held by the LLC.

(9) Real estate held for sale consists of properties that the Company has engaged unaffiliated third parties to market and sell. These properties were previously held for investment and were acquired as a result of the OAC acquisition. See Note 12 to the Consolidated Financial Statements (which is incorporated herein by reference) for additional information.

(10) Low-income housing tax credits held for sale consists of low-income housing tax credit properties that the Company has entered into agreements to sell. Although these agreements resulted in the transfer of tax credits and operating results for these properties to the purchaser, they did not qualify as sales for accounting purposes. See Note 15 to the Consolidated Financial Statements (which is incorporated herein by reference) for additional information regarding these transactions.

(11) Match funded loans and securities, net, is primarily comprised of securitized loans and securities accounted for as financing transactions. The match funded loans were acquired as a result of the OAC acquisition.

(12) Real estate owned, net, consists of properties acquired by foreclosure or by deed-in-lieu thereof and is primarily attributable to the Company's discount loan business.

(13) Balance at December 31, 2000 was primarily comprised of investments in real estate properties acquired as a result of the OAC acquisition and certain acquisition, development and construction loans, which are accounted for as investments in real estate. Balance at December 31, 1999 was primarily comprised of properties that were acquired as a result of the OAC acquisition. See Note 13 to the Consolidated Financial Statements (which is incorporated herein by reference).

(14) Balances at December 31, 2000 and 1999 included notes and bonds-match funded agreements assumed as a result of the OAC acquisition. See Notes 21 and 19 to the Consolidated Financial Statements (which are incorporated herein by reference).

(15) Reflects the issuance of 12,371,750 shares of common stock in the amount of $96,809 in connection with the acquisition of OAC on October 7, 1999. Also reflects the Company's repurchase of 1,388,300 shares of common stock for an aggregate of $8,996 and 4,611,700 shares of common stock for an aggregate of $30,691 during 2000 and 1999, respectively. Includes a secondary stock offering to the public of 6,900,000 shares of common stock in 1997.

(16) Includes the Company's pro rata share of the average assets held by the LLC during 1997 and 1996.

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

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

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 Selected Consolidated Financial Information, Consolidated Financial Statements and the related notes, all included elsewhere herein.

RESULTS OF OPERATIONS

GENERAL. The Company recorded net income of $2,192 for 2000, as compared to net income of $19,832 for 1999 and a net loss of $(1,200) for 1998. Diluted earnings per share were $0.03 for 2000, as compared with diluted earnings per share of $0.31 for 1999 and loss per share of $(0.02) for 1998. There were a number of key factors that contributed to annual results for 2000 as compared to 1999, including: a gain of $50,371 earned from the sale of Ocwen UK on September 30, 1999; a reduction in the amount of impairment charges recorded on the securities portfolio from $58,777 in 1999 to $11,597 in 2000; a reduction in gain on sale of interest earning assets from $44,298 in 1999 to $18,580 in 2000, reflecting the Company's decision in the third quarter of 1999 to discontinue the practice of structuring securitizations as sales transactions, thus precluding recognition of gain-on-sale accounting; a gain of $20,025 from the sale of the Company's investment in Kensington on November 22, 2000; an increase in gains earned on the sale of investments in real estate from $1,753 in 1999 to $22,949 in 2000; unrealized losses on trading securities of $4,926 as a result of the Company's decision to change its policy for securities available for sale and match funded securities to account for them as trading securities effective September 30, 2000; an increase in net losses incurred by Ocwen Technology Xchange, Inc. ("OTX") from $11,372 in 1999 to $21,049 in 2000, reflecting the continuing investment in the development of the Company's technology businesses; an increase in extraordinary gains on debt repurchases from $6,983 in 1999 to $18,713 in 2000; and a $17,500 provision recorded in 2000 for a valuation allowance on the Company's deferred tax asset, as compared to a $2,500 provision in 1999.

SEGMENT PROFITABILITY. The following is a discussion of the contribution by business segment to the Company's net income (loss) for the years indicated.

- Single Family Residential Discount Loans. Net income (loss) for this segment amounted to $13,078, $(12,680) and $14,291 for 2000, 1999 and 1998, respectively. Results for 2000, 1999 and 1998 include impairment charges of $667, $27,342 and $14,180, respectively, on residential subordinate securities. Provision for loan losses was $(637), $8,435 and $8,784 in 2000, 1999 and 1998 respectively. Gains from the sale of loans amounted to $15,720 during 2000. This compares to securitization gains during 1999 and 1998 of $22,763 and $48,085, respectively. There were no securitizations of loans during 2000. See "Results of Operations - Non-Interest Income."

- Commercial Loans. Net income declined to $571 for 2000, as compared to $16,428 for 1999 and $48,319 for 1998. (Losses) gains from sales of loans were $(1,418), $4,208 and $12,247 during 2000, 1999 and 1998, respectively. Gains on the repayment of loans, which is reported as interest income, amounted to $9,369, $17,169 and $39,362 during 2000, 1999 and 1998, respectively. (Losses) gains from the sale and operation of commercial real estate owned amounted to $(1,754), $3,769 and $23,442 during 2000, 1999 and 1998, respectively. Equity in earnings related to certain loans, which were acquired in 2000 and are accounted for as investments in real estate, amounted to $12,427 in 2000. The provision for loan losses amounted to $9,195, $4,612 and $5,665, during 2000, 1999 and 1998, respectively. The increase in the provision in 2000 was principally related to discount loans.

- Domestic Residential Mortgage Loan Servicing. Net income from domestic residential mortgage loan servicing amounted to $11,909 in 2000, as compared to $12,067 in 1999 and $7,688 in 1988. Net interest income decreased by $11,386 during 2000 and by $974 during 1999. Total non-interest income for this segment increased by $24,177 during 2000 and by $13,210 during 1999. Included in non-interest income were domestic residential servicing fees amounting to $72,466, $57,262 and $46,222 during 2000, 1999 and 1998, respectively. Non-interest expense increased to $59,129 in 2000 as compared to $46,128 during 1999 and $40,955 during 1998. See "Results of Operations - Non-Interest Income."

- Investment in Low-Income Housing Tax Credits. A net loss of $(12,351) was incurred for 2000, as compared to net income of $7,802 in 1999 and $9,423 in 1998. Gains on the sale of tax credit interests were $497, $6,591 and $7,366 for 2000, 1999 and 1998, respectively. Low-income housing tax credits and benefits declined to $2,577 in 2000, as compared to $18,242 and $17,666 for 1999 and 1998, respectively. In 2000, tax credits and benefits were reduced by $6,875, representing the reversal of excess tax benefits recorded under the level-yield method on certain projects sold before their maturity for tax credit purposes. Net operating losses from tax credit properties in service amounted to $9,931, $6,291 and $6,905 during 2000, 1999 and 1998, respectively. Net operating losses for 2000 include a provision of $6,448 for expected losses on the sale of twenty-five properties. See "Changes in Financial Condition - Investment in Low-Income Housing Tax Credit Interests."

- OTX. Net losses incurred by OTX increased to $(21,049) in 2000, as compared to $(11,372) in 1999 and $(5,964) in 1998. The increase in net losses incurred by OTX, which was formed in 1998, is a result of the Company's continuing investment in the development of its technology businesses. Losses for 1999 also included a $3,367 charge reflecting the impact of a reduction in the estimated useful life of the goodwill associated with the acquisitions previously made by OTX. On June 2, 1999, OTX acquired substantially all of the assets of Synergy Software, LLC ("Synergy"), a developer of commercial and multi-family mortgage servicing systems. See Note 2 to the Consolidated Financial Statements (which is incorporated herein by reference).

- Commercial Real Estate. The results of this segment principally represent the activities of commercial real estate investments acquired in connection with the acquisition of OAC in October 1999. Net income improved to $10,285 in 2000 from a loss of $(1,566) in 1999 and net income of $9 in 1998. Net income for 2000 includes $2,768 of gains on the sale of securities held for sale, $21,025 of gains from the sale of real estate properties held for sale and $13,415 of net operating gains on investments in real estate. This compares to $732 of losses on the sale of securities available for sale and $1,881 of net operating gains on investments in real estate during 1999.

- UK Operations. Net income from UK operations amounted to $8,350, $36,859 and $12,247 during 2000, 1999 and 1998, respectively. On September 30, 1999, the Company sold all of the shares of its wholly-owned subsidiary, Ocwen UK, to Malvern House Acquisition Limited for a gain of $50,371. Ocwen UK commenced operations on April 24, 1998. Ocwen UK securitization gains during 1999 and 1998 totaled $10,207 and $27,000, respectively. On November 22, 2000 the Company sold its equity investment in Kensington for a gain of $20,025. Equity in (losses) earnings of Kensington of ($5,280), $(9,154) and $439 were recognized for 2000, 1999 and 1998, respectively.

- Domestic Subprime Single Family Residential Lending. Net losses for this segment were $(15,210), $(18,025) and $(19,993) for 2000, 1999 and 1998, respectively. Net losses during 2000, 1999 and 1998 included $10,930, $31,216 and $27,438, respectively, of impairment charges on subprime subordinate and residual securities. The net loss for 1998 also included a charge of $10,061 for the write-off of goodwill at Ocwen Financial Services, Inc. ("OFS"). In August 1999, the Company closed its domestic subprime origination business, which had been conducted primarily through OFS, which itself was formed in 1997. During 1999 and 1998, gains of $3,834 and $34,516 were recorded in connection with the securitization of loans.

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

- Unsecured Collections. This segment is primarily comprised of activities related to the Company's charged-off unsecured credit card receivables which were acquired at a discount. Collections of unsecured credit card receivables are accounted for under the cost recovery method. Net losses increased to $(8,927) in 2000 from $(4,185) in 1999 and $(1,041) in 1998. The increase in net losses between 2000 and 1999 is largely attributable to an increase in the provision for loan losses to $6,866 in 2000 from $870 in 1999.

- Ocwen Realty Advisors. Ocwen Realty Advisors provides property valuation services and real estate research for residential and commercial properties.

- Corporate Items and Other. This segment consists of extraordinary gains on repurchases of debt, individually insignificant business activities, amounts not allocated to the operating segments, distributions on the Capital Securities, transfer pricing mismatches, other general corporate expenses and the results of the securities portfolio excluding subprime residuals and subordinates. Net income of $15,589 in 2000 included $18,713 of extraordinary gains, net of taxes, on repurchases of debt. The $(5,496) loss in 1999 included $6,983 of extraordinary gains, net of taxes, on repurchases of debt. The $(66,179) loss in 1998 included $86,100 of pretax impairment charges on the Company's portfolio of AAA-rated agency interest-only securities, which were sold in 1998.

See Note 32 to the Consolidated Financial Statements (which is incorporated herein by reference) for additional information related to the Company's operating segments.

NET INTEREST INCOME: 2000 VERSUS 1999 AND 1999 VERSUS 1998. Net interest income is the difference between the interest income received from its interest-earning assets and the interest expense paid on its interest-bearing liabilities. Net interest income is determined by net interest spread (i.e., the difference between the yield earned on its interest-earning assets and the rates paid on its interest-bearing liabilities), the relative amount of interest-earning assets and interest-bearing liabilities and the degree of mismatch in the maturity and repricing characteristics of its interest-earning assets and interest-bearing liabilities.

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

	Year Ended December 31,					
	2000			1999		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
AVERAGE ASSETS:						
Federal funds sold and repurchase agreements	$ 128,079	$ 8,700	6.79%	$ 174,495	$ 8,847	5.07%
Securities available for sale (1)	541,654	42,507	7.85	593,291	62,698	10.57
Trading securities (1)	107,720	8,200	7.61	--	--	--
Loans available for sale (2)	31,050	2,474	7.97	238,747	25,724	10.77
Investment securities and other	20,892	1,501	7.18	29,340	2,181	7.43
Loan portfolio (2)	143,906	20,586	14.31	181,445	28,683	15.81
Discount loan portfolio (2)	819,262	89,826	10.96	959,992	121,854	12.69

Match funded loans and securities (2)	143,452	11,022	7.68	30,483	3,237	10.62
Total interest earning assets	1,936,015	184,816	9.55	2,207,793	253,224	11.47
Non-interest earning cash	44,393			95,758		
Allowance for loan losses	(27,695)			(26,597)		
Real estate held for sale	134,074			--		
Low-income housing tax credit interests	127,877			166,600		
Investment in unconsolidated entities	28,832			76,146		
Real estate owned, net	176,828			191,694		
Investment in real estate	204,288			90,494		
Advances on loans and loans serviced for others	191,642			133,408		
Other assets	275,973			252,384		
Total assets	$ 3,092,227			$ 3,187,680		
AVERAGE LIABILITIES AND STOCKHOLDERS' EQUITY:						
Interest-bearing demand deposits	$ 12,055	532	4.41%	$ 36,998	1,313	3.55%
Savings deposits	1,527	37	2.42	1,588	38	2.39
Certificates of deposit	1,520,493	97,655	6.42	1,590,553	97,019	6.10
Total interest-bearing deposits	1,534,075	98,224	6.40	1,629,139	98,370	6.04
Securities sold under agreements to repurchase	167,337	10,729	6.41	107,622	7,456	6.93
Bonds-match funded agreements	123,856	11,484	9.27	28,904	2,101	7.27
Obligations outstanding under lines of credit	151,672	13,881	9.15	256,300	16,318	6.37
Notes, debentures and other	284,634	34,772	12.22	257,219	31,297	12.16
Total interest-bearing liabilities	2,261,574	169,090	7.48	2,279,184	155,542	6.82
Non-interest bearing deposits	7,108			15,823		
Escrow deposits	114,261			218,607		
Excess of net assets acquired over purchase price	51,486			13,720		
Other liabilities	58,390			75,172		
Total liabilities	2,492,819			2,602,506		
Capital securities	103,709			122,958		
Stockholders' equity	495,699			462,216		
Total liabilities and stockholders' equity	$ 3,092,227			$ 3,187,680		
Net interest income		$ 15,726			$ 97,682	
Net interest spread			2.07%			4.65%
Net interest margin			0.81%			4.42%
Ratio of interest-earning assets to interest-bearing liabilities	86%			97%		

	Year Ended December 31, 1998		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate
AVERAGE ASSETS:			
Federal funds sold and repurchase agreements	$ 149,441	$ 7,930	5.31%
Securities available for sale (1)	590,367	40,320	6.83
Trading securities (1)	--	--	--
Loans available for sale (2)	523,017	56,791	10.86
Investment securities and other	30,732	3,197	10.40
Loan portfolio (2)	266,350	38,609	14.50
Discount loan portfolio (2)	1,295,927	160,847	12.41
Match funded loans and securities (2)	--	--	--
Total interest earning assets	2,855,834	307,694	10.77
Non-interest earning cash	4,887		
Allowance for loan losses	(25,655)		
Real estate held for sale	--		
Low-income housing tax credit interests	130,391		
Investment in unconsolidated entities	83,535		
Real estate owned, net	178,223		
Investment in real estate	55,587		
Advances on loans and loans serviced for others	66,186		
Other assets	225,792		
Total assets	$ 3,574,780		

AVERAGE LIABILITIES AND STOCKHOLDERS' EQUITY:

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Interest-bearing demand deposits	$ 29,873	1,434	4.80%
Savings deposits	1,652	38	2.30
Certificates of deposit	1,844,977	115,112	6.24
Total interest-bearing deposits	1,876,502	116,584	6.21
Securities sold under agreements to repurchase	104,980	6,514	6.20
Bonds-match funded agreements	--	--	--
Obligations outstanding under lines of credit	481,212	34,587	7.19
Notes, debentures and other	230,059	27,208	11.83
Total interest-bearing liabilities	2,692,753	184,893	6.87
Non-interest bearing deposits	5,667		
Escrow deposits	164,850		
Excess of net assets acquired over purchase price	--		
Other liabilities	158,998		
Total liabilities	3,022,268		
Capital securities	125,000		
Stockholders' equity	427,512		
Total liabilities and stockholders' equity	$ 3,574,780		
Net interest income		$ 122,801	
Net interest spread			3.90%
Net interest margin			4.30%
Ratio of interest-earning assets to interest-bearing liabilities	106%		

<FN>
(1) Excludes effect of unrealized gains or losses on securities.

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

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.

	Year Ended December 31,					
	2000 vs. 1999			1999 vs. 1998		
	Increase (Decrease) Due To			Increase (Decrease) Due To		
	Rate	Volume	Total	Rate	Volume	Total
INTEREST-EARNING ASSETS:						
Federal funds sold and repurchase agreements	$ 2,557	$ (2,704)	$ (147)	$ (366)	$ 1,283	$ 917
Securities available for sale	(15,088)	(5,102)	(20,190)	22,177	201	22,378
Trading securities	--	8,199	8,199	--	--	--
Loans available for sale	(5,358)	(17,892)	(23,250)	(435)	(30,632)	(31,067)
Investment securities and other	(71)	(609)	(680)	(877)	(139)	(1,016)
Loan portfolio	(2,549)	(5,548)	(8,097)	3,249	(13,175)	(9,926)
Discount loan portfolio	(15,426)	(16,602)	(32,028)	3,572	(42,565)	(38,993)
Match funded loans and securities	(1,125)	8,910	7,785	--	3,237	3,237
Total interest-earning assets	(37,060)	(31,348)	(68,408)	27,320	(81,790)	(54,470)
INTEREST-BEARING LIABILITIES:						
Interest-bearing demand deposits	263	(1,044)	(781)	(420)	299	(121)

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Savings deposits	1	(2)	(1)	2	(2)	--
Certificates of deposit	5,012	(4,376)	636	(2,524)	(15,569)	(18,093)
Total interest-bearing deposits	5,276	(5,422)	(146)	(2,942)	(15,272)	(18,214)
Securities sold under agreements to repurchase	(592)	3,865	3,273	775	167	942
Bonds-match funded agreements	726	8,657	9,383	--	2,101	2,101
Obligations outstanding under lines of credit	5,630	(8,067)	(2,437)	(3,587)	(14,682)	(18,269)
Notes, debentures and other interest-bearing obligations	127	3,348	3,475	802	3,287	4,089
Total interest-bearing liabilities	11,167	2,381	13,548	(4,952)	(24,399)	(29,351)
(Decrease) increase in net interest income	$(48,227)	$(33,729)	$(81,956)	$ 32,272	$(57,391)	$(25,119)

2000 versus 1999:

The Company's net interest income before provision for loan losses of $15,726 decreased $81,956 or 84% during 2000 as compared to the prior year. The decline was primarily due to a decrease in average interest-earning assets and a decrease in the net interest spread. Average interest-earning assets decreased by $271,778 or 12% during 2000 and reduced interest income by $31,348. The net impact of volume changes resulted in a $33,729 decrease in net interest income. The net interest spread decreased 258 basis points during 2000 as a result of a 192 basis-point decrease in the weighted average yield on interest-earning assets and a 66 basis-point increase in the weighted average rate on interest-bearing liabilities. The sale of Ocwen UK, which generated a high net interest spread in 1999, contributed to the overall decline in the net interest spread. Additionally, the average balance of non-interest earning assets, which are largely funded by interest bearing liabilities, has increased during 2000, primarily due to an increase in real estate assets resulting from the acquisition of OAC and an increase in advances resulting from the growth of the domestic loan servicing business. The impact of these rate changes resulted in a $48,227 decrease in net interest income.

For the Year Ended December 31,	Average Balance 2000	Average Balance 1999	Increase (Decrease) $	Average Yield 2000	Average Yield 1999	Increase (Decrease) Basis Points
Federal funds sold and repurchase agreements	$ 128,079	$ 174,495	$ (46,416)	6.79%	5.07%	172
Securities available for sale	541,654	593,291	(51,637)	7.85	10.57	(272)
Trading securities	107,720	--	107,720	7.61	--	761
Loans available for sale (1)	31,050	238,747	(207,697)	7.97	10.77	(280)
Investment securities and other	20,892	29,340	(8,448)	7.18	7.43	(25)
Loan portfolio	143,906	181,445	(37,539)	14.31	15.81	(150)
Discount loan portfolio	819,262	959,992	(140,730)	10.96	12.69	(173)
Match funded loans and securities	143,452	30,483	112,969	7.68	10.62	(294)
	$ 1,936,015	$ 2,207,793	$ (271,778)	9.55%	11.47%	(192)

<FN>
(1) Includes an average balance of $132,066 with an average yield earned of 12.28% for 1999 related to Ocwen UK.
</FN>

Interest income on securities available for sale decreased $20,191 or 32% during 2000 as compared to 1999 as a result of a 272 basis-point decrease in the weighted average yield earned and a 9% decrease in the average balance. On September 30, 2000 the Company changed its policy for securities available for sale and transferred those securities to the trading category. The Company believes that this treatment more appropriately reflects the impact on its results of operations arising from changes in the fair value of securities. This change in policy and resulting transfer contributed to the decline in interest income and the average balance during 2000. As indicated in the table below, the decrease in the overall weighted average yield during 2000 was largely due to changes in the composition of the portfolio to a greater concentration of collateralized mortgage obligations ("CMOs"). Because CMOs have less cash flow variability, their average lives and yields to maturity are more stable, and therefore, CMOs are priced to yield less than classes of mortgage-related securities such as subordinates and residuals that are less stable. The sale of Ocwen UK and its subprime residuals also contributed to the decline in the average balance and average yield.

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For the Year Ended December 31,	Average Balance				Average Yield	
	2000		1999		2000	1999
	Amount	Percent	Amount	Percent		
CMOs (AAA-rated)	$427,821	79%	$366,343	62%	6.47%	5.71%
Subordinates and residuals (1)	113,833	21	226,948	38	13.02	18.41
	$541,654	100%	$593,291	100%	7.85%	10.57%

<FN>
(1) Includes an average balance of $60,736 with an average yield earned of 24.45% for 1999 related to Ocwen UK.
</FN>

Interest income on trading securities amounted to $8,200 during 2000 as compared to $0 for 1999. As noted above, this resulted from the Company's change in its policy for securities available for sale to account for them as trading. The table below indicates the composition of the portfolio of trading securities during the period from September 30, 2000 through December 31, 2000:

	Average Balance		Annualized Average
	Amount	Percent	Yield
CMOs (AAA-rated)	$ 83,543	78%	6.67%
Subordinates and residuals	24,177	22	10.88
	$107,720	100%	7.61%

Interest income on loans available for sale decreased $23,250 or 90% during 2000 as compared to 1999 as a result of a $207,697 or 87% decrease in the average balance and a 280 basis-point decline in weighted average yield earned. The decrease in the average balance reflects the closure of the domestic subprime origination business and the sale of Ocwen UK. The decline in the average yield is also largely due to the sale of Ocwen UK. See "Changes in Financial Condition - Loans Available for Sale."

Interest income on the loan portfolio decreased by $8,097 or 28% in 2000 versus 1999 due to a $37,539 or 21% decrease in the average balance and a 150 basis-point decrease in the average yield. The decrease in the average yield is due in part to a decline in the amount of additional interest received in connection with the repayment of loans. Such additional interest amounted to $96 and $8,121 during 2000 and 1999, respectively. During 1999, the Company ceased origination of multi-family and commercial loans. See "Changes in Financial Condition - Loan Portfolio, Net."

Interest income on discount loans decreased by $32,028 or 26% during 2000 as a result of a $140,730 or 15% decrease in the average balance and a 173 basis-point decline in the average yield. A decline in acquisition volume has contributed significantly to the decline in the average balance. See "Changes in Financial Condition - Discount Loan Portfolio, Net." The yield on the discount loan portfolio is likely to fluctuate from period to period as a result of the timing of resolutions, particularly the resolution of large multi-family residential and commercial real estate loans, and the mix of the overall portfolio between performing and non-performing loans.

Interest income on match funded loans and securities is comprised of income earned on loans acquired in connection with the acquisition of OAC in October 1999 and on four unrated residual securities transferred by the Company in December 1999 to Ocwen NIMS Corp. in exchange for non-recourse notes. The loans were previously securitized by OAC under a securitization accounted for as a financing transaction. See "Changes in Financial Condition - Match Funded Loans and Securities."

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For the Year Ended December 31,	Average Balance 2000	Average Balance 1999	Increase (Decrease) $	Average Rate 2000	Average Rate 1999	Increase (Decrease) Basis Points
Interest-bearing deposits	$ 1,534,075	$ 1,629,139	$ (95,064)	6.40%	6.04%	36
Securities sold under agreements to repurchase (1)	167,337	107,622	59,715	6.41	6.93	(52)
Bonds-match funded agreements	123,856	28,904	94,952	9.27	7.27	200
Obligations outstanding under lines of credit (2).....	151,672	256,300	(104,628)	9.15	6.37	278
Notes, debentures and other	284,634	257,219	27,415	12.22	12.16	6
	$ 2,261,574	$ 2,279,184	$ (17,610)	7.48%	6.82%	66

<FN>

(1) Includes an average balance of $22,908 with an average yield of 7.64% for 1999 related to Ocwen UK.

(2) Includes an average balance of $130,437 with an average yield of 6.16% for 1999 related to Ocwen UK.

</FN>

Interest expense on securities sold under agreements to repurchase increased $3,273 or 44% primarily due to a $59,715 or 55% increase in the average balance.

Interest expense on bonds-match funded agreements is comprised of interest incurred on bonds-match funded agreements acquired as a result of the OAC acquisition in October 1999 and on non-recourse notes which resulted from the Company's transfer of four unrated residual securities in December 1999 to Ocwen NIM Corporation in exchange for non-recourse notes. See "Changes in Financial Condition - Bonds Match Funded Agreements."

Interest expense on obligations outstanding under lines of credit decreased $2,437 or 15% during 2000 as compared to 1999 due to a $104,628 or 41% decrease in the average balance, which was partially offset by a 278 basis-point increase in the weighted average interest rate. During 1999, lines of credit were used primarily to fund the acquisition and origination of subprime single family loans at OFS and Ocwen UK. The net decrease in the average balance reflects the closure of the domestic subprime origination business and the sale of Ocwen UK, offset by the assumption of lines as a result of the acquisition of OAC. The average balance of the OAC lines, which are collateralized by investments in real estate and commercial loans, declined during 2000 as a result of collateral sales. See "Changes in Financial Condition - Obligations Outstanding Under Lines of Credit."

Interest expense on notes, debentures and other increased $3,475 or 11% during 2000 primarily due to a $27,415 or 11% increase in the average balance. The increase in the average balance is primarily due to the assumption of $140,487 of 11.5% Redeemable Notes as a result of the OAC acquisition in October 1999 offset in part by the Company's repurchase of substantially all of this debt in December 2000. See "Changes in Financial Condition - Notes, Debentures and Other Interest-Bearing Deposits."

1999 versus 1998:

The Company's net interest income before provision for loan losses of $97,682 decreased $25,119 or 20% during 1999 as compared to 1998. The decrease was due to a decrease in average interest-earning assets, offset by a decrease in average interest-bearing liabilities and an increase in the net interest spread. Average interest-earning assets decreased by $648,041 or 23% during 1999 and reduced interest income by $81,790. Average interest-bearing liabilities decreased $413,569 or 15% and reduced interest expense by $24,399. The impact of these volume changes resulted in a $57,391 decrease in net interest income. The net interest spread increased 75 basis points during 1999 as a result of a 70 basis-point increase in the weighted average rate on interest-earning assets and a 5 basis-point decrease in the weighted average rate on interest-bearing liabilities. The impact of these rate changes resulted in a $32,272 increase in net interest income.

For the Year Ended December 31,	Average Balance 1999	Average Balance 1998	Increase (Decrease) $	Average Yield 1999	Average Yield 1998	Increase (Decrease) Basis Points

Federal funds sold and repurchase agreements......	$ 174,495	$ 149,441	$ 25,054	5.07%	5.31%	(24)
Securities available for sale	593,291	590,367	2,924	10.57	6.83	374
Loans available for sale (1)	238,747	523,017	(284,270)	10.77	10.86	(9)
Investment securities and other	29,340	30,732	(1,392)	7.43	10.40	(297)
Loan portfolio	181,445	266,350	(84,905)	15.81	14.50	131
Match funded loans and securities	30,483	--	30,483	10.62	--	1,062
Discount loan portfolio	959,992	1,295,927	(335,935)	12.69	12.41	28
	$ 2,207,793	$ 2,855,834	$ (648,041)	11.47%	10.77%	70

<FN>
(1) Includes an average balance of $132,066 and $177,839 with an average yield earned of 12.28% and 9.77% for 1999 and 1998, respectively, related to Ocwen UK.
</FN>

Interest income on securities available for sale increased $22,378 or 56% during 1999 as compared to 1998 primarily as a result of a 374 basis-point increase in the weighted average yield earned. As indicated in the table below, the increase in the weighted average yield during 1999 is due in large part to changes in the composition of the securities available for sale portfolio:

	Average Balance				Average Yield	
For the Year Ended December 31,	1999		1998		1999	1998
	Amount	Percent	Amount	Percent		
CMOs (AAA-rated)	$366,343	62%	$291,669	49%	5.71%	5.51%
Subordinates and residuals (1)......	226,948	38	180,673	31	18.40	13.96
IOs (AAA-rated agency)	--	--	113,347	19	--	(0.87)
Other	--	--	4,678	1	--	0.53
	$593,291	100%	$590,367	100%	10.57%	6.83%

<FN>
(1) Includes an average balance of $60,736 and $30,934 with an average yield earned of 24.45% and 19.45% for 1999 and 1998, respectively, related to Ocwen UK.
</FN>

During 1998, the Company discontinued its investment in AAA-rated agency IOs and sold its entire portfolio on July 27, 1998. CMOs are priced to yield less than a less stable class of mortgage-related securities, such as subordinates and residuals. See "Changes in Financial Condition - Securities Available for Sale."

Interest income on loans available for sale decreased $31,067 or 55% during 1999 as compared to 1998 primarily as a result of a $284,270 or 54% decrease in the average balance. The decrease in the average balance reflects securitizations of foreign and domestic subprime loans and a decline in originations due to the closure of the domestic subprime origination business, as well as the sale of Ocwen UK. See "Changes in Financial Condition - Loans Available for Sale."

Interest income on the loan portfolio decreased by $9,926 or 26% in 1999 versus 1998 due to an $84,905 or 32% decrease in the average balance, which was offset in part by a 131 basis-point increase in the average yield. The decrease in the average balance was due to the repayment of multi-family residential and commercial real estate loans. Interest income includes $8,121 and $12,385 of

additional interest received during 1999 and 1998, respectively, in connection with the repayment of such loans. As of June 30, 1999, the Company ceased origination of multi-family and commercial loans. See "Changes in Financial Condition - Loan Portfolio, Net."

Interest income on discount loans decreased by $38,993 or 24% during 1999 primarily as a result of a $335,935 or 26% decrease in the average balance. Securitizations, through June 30, 1999, as well as a decline in acquisition volume, contributed significantly to the decline in the average balance. See

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"Changes in Financial Condition - Discount Loan Portfolio, Net." The yield on the discount loan portfolio is likely to fluctuate from period to period as a result of the timing of resolutions, particularly the resolution of large multi-family residential and commercial real estate loans, and the mix of the overall portfolio between performing and non-performing loans.

For the Year Ended December 31,	Average Balance 1999	Average Balance 1998	Increase (Decrease) $	Average Rate 1999	Average Rate 1998	Increase (Decrease) Basis Points
Interest-bearing deposits.............	$ 1,629,139	$ 1,876,502	$ (247,363)	6.04%	6.21%	(17)
Securities sold under agreements to repurchase (1).....................	107,622	104,980	2,642	6.93	6.20	73
Bonds-match funded agreements..........	28,904	--	28,904	7.27	--	727
Obligations outstanding under lines of credit (2)..........................	256,300	481,212	(224,912)	6.37	7.19	(82)
Notes, debentures and other...........	257,219	230,059	27,160	12.16	11.83	33
	$ 2,279,184	$ 2,692,753	$ (413,569)	6.82%	6.87%	(5)

<FN>
(1) Includes an average balance of $22,908 and $5,410 with an average yield of 7.64% and 16.60% for 1999 and 1998, respectively, related to Ocwen UK.

(2) Includes an average balance of $130,437 and $159,640 with an average yield of 6.16% and 7.15% for 1999 and 1998, respectively, related to Ocwen UK.
</FN>

Interest expense on interest bearing deposits decreased $18,214 or 16% during 1999 due to a $247,363 or 13% decrease in the average balance. The decline in the average balance was primarily related to certificates of deposit.

Interest expense on bonds-match funded agreements is comprised of interest incurred on bonds-match funded agreements acquired as a result of the OAC acquisition and on non-recourse notes which resulted from the Company's transfer of four unrated residual securities in December 1999 to Ocwen NIM Corp. in exchange for non-recourse notes. See "Changes in Financial Condition - Bonds - Match Funded Agreements."

Interest expense on obligations outstanding under lines of credit decreased $18,269 or 53% during 1999 as compared to 1998 due to a $224,912 or 47% decrease in the average balance and an 82 basis-point decrease in the weighted average interest rate. Lines of credit have been used primarily to fund the acquisition and origination of subprime single family loans at OFS and Ocwen UK. The decrease in the average balance is consistent with the decline in the average balance of loans available for sale. The declines in the average rates are primarily due to declines in the United Kingdom London Interbank Offered Rate. See "Changes in Financial Condition - Obligations Outstanding Under Lines of Credit."

Interest expense on notes, debentures and other increased $4,089 or 15% during 1999 due to a $27,160 increase in the average balance and a 33 basis-point increase in the weighted average interest rate. The increase in the average balance is primarily due to the acquisition of $140,487 of 11.5% Redeemable Notes as a result of the OAC acquisition in October 1999, offset in part by declines resulting from the Company's repurchases of debt during 1999. See "Changes in Financial Condition - Notes, Debentures and Other Interest-Bearing Obligations."

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

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The following table presents the provisions for loan losses by the discount loan portfolio, loan portfolio and the match funded loans for the years indicated:

Provisions for loan losses:	2000	1999	1998
Discount loan portfolio	$ 15,266	$ 5,434	$ 17,618
Loan portfolio	4	1,636	891
Match funded loans	(93)	(360)	--
	$ 15,177	$ 6,710	$ 18,509

The increase in the discount loan portfolio loss provision during 2000 is primarily attributed to an increase in the allowance for losses on unsecured credit card receivables. The decline in the provision for losses on the discount loan portfolio during 1999 reflects declines in the balance of the portfolio. The decline in the loss provision on the loan portfolio during 2000 is due to a decline in the portfolio balance and a decline in non-performing loans. Despite declines in the loan portfolio balance during 1999, the provision for loan portfolio losses increased during that period primarily as a result of an increase in non-performing loans. The negative provisions for loan losses on match funded loans reflect a decline in the balance of the portfolio. See "Changes in Financial Condition - Loan Portfolio, Net," "Match Funded Loans and Securities" and "Discount Loan Portfolio, Net."

The following table sets forth the allowance for loan losses as a percentage of the respective loan balances at the dates indicated:

	Allowance	Loan Balance	Allowance as a %
DECEMBER 31, 2000:			
Discount loan portfolio	$ 20,871	$ 556,899	3.75%
Loan portfolio	2,408	95,822	2.51%
Match funded loans	285	80,834	0.35%
	$ 23,564	$ 733,555	3.21%
DECEMBER 31, 1999:			
Discount loan portfolio	$ 19,181	$ 932,410	2.06%
Loan portfolio	7,259	164,667	4.41%
Match funded loans	495	105,596	0.47%
	$ 26,935	$1,202,673	2.24%
DECEMBER 31, 1998:			
Discount loan portfolio	$ 21,402	$1,047,913	2.04%
Loan portfolio	4,928	235,240	2.09%
	$ 26,330	$1,283,153	2.05%

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

NON-INTEREST INCOME. Non-interest income increased $32,883 or 23% during 2000 and increased $33,175 or 30% during 1999. The following table sets forth the principal components of the Company's non-interest income during the years indicated:

	2000	1999	1998
Servicing and other fees	$ 97,080	$ 76,018	$ 59,180

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Gain on interest-earning assets, net	18,580	44,298	129,988
Unrealized loss on trading securities, net	(4,926)	--	--
Impairment charges on securities available for sale	(11,597)	(58,777)	(129,714)
(Loss) gain on real estate owned, net	(13,464)	(2,060)	14,033
Gain on other non-interest earning assets, net	45,517	58,693	17,702
Net operating gains (losses) on investments in real estate	26,140	(1,077)	(1,715)
Amortization of excess of net assets acquired over purchase price	14,112	3,201	--
Other income	6,083	24,346	21,993
	$ 177,525	$ 144,642	$ 111,467

Servicing and other fees are primarily comprised of fees from investors for servicing mortgage loans. Excluding Ocwen UK, servicing and other fees for 2000 and 1999 increased $30,752 and $15,507, respectively, largely due to growth in loans serviced for others. Excluding Ocwen UK, the average unpaid principal balance of loans serviced for others amounted to $10,798,857, $10,060,673 and $7,998,093 during 2000, 1999 and 1998, respectively. Interest earned on custodial accounts during the holding period between collection of borrower payments and remittance to investors, late charges on residential loans, property valuation fees earned by ORA and special servicing fees also contributed to the increases in servicing and other fees during 2000 and 1999. Servicing fees for 2000, 1999 and 1998 included $10,420, $12,164 and $1,356, respectively, of special servicing fees. The Company began entering into special servicing arrangements in 1998 wherein the Company acts as a special servicer for third parties, typically as part of a securitization. Under these arrangements, the Company services loans that become greater than 90 days past due and receives incentive fees to the extent certain loss mitigation parameters are achieved.

The following table sets forth the Company's loans serviced for others at the dates indicated:

	Discount Loans		Subprime Loans(2)		Other Loans		Total	
	Amount	No. of Loans	Amount	No. of Loans	Amount	No. of Loans	Amount	No. of Loans
DECEMBER 31, 2000 (1):								
Loans securitized:								
Residential loans	$ 858,549	14,232	$ 719,231	7,456	$ --	--	$ 1,577,780	21,688
Commercial loans	6,884	38	--	--	--	--	6,884	38
	$ 865,433	14,270	$ 719,231	7,456	$ --	--	$ 1,584,664	21,726
Loans serviced for third parties:								
Residential loans (3)	$ 668,736	13,397	$ 8,210,658	128,964	$ 37,510	402	$ 8,916,904	142,763
Commercial loans (3)	77,551	81	1,422	16	779,983	167	858,956	264
	$ 746,287	13,478	$ 8,212,080	128,980	$ 817,493	569	$ 9,775,860	143,027
Total loans serviced for others:								
Residential loans	$ 1,527,285	27,629	$ 8,929,889	136,420	$ 37,510	402	$10,494,684	164,451
Commercial loans	84,435	119	1,422	16	779,983	167	865,840	302
	$ 1,611,720	27,748	$ 8,931,311	136,436	$ 817,493	569	$11,360,524	164,753
DECEMBER 31, 1999:								
Loans securitized:								
Residential loans	$ 1,037,195	16,874	$ 1,100,800	10,878	$ --	--	$ 2,137,995	27,752
Commercial loans	9,145	53	--	--	--	--	9,145	53
	$ 1,046,340	16,927	$ 1,100,800	10,878	$ --	--	$ 2,147,140	27,805
Loans serviced for third parties:								
Residential loans (3)	$ 840,172	16,199	$ 7,070,594	87,881	$ 51,025	497	$ 7,961,791	104,577
Commercial loans (3)	127,821	144	3,832	42	864,699	102	996,352	288
	$ 967,993	16,343	$ 7,074,426	87,923	$ 915,724	599	$ 8,958,143	104,865
Total loans serviced for others:								
Residential loans	$ 1,877,367	33,073	$ 8,171,394	98,759	$ 51,025	497	$10,099,786	132,329
Commercial loans	136,966	197	3,832	42	864,699	102	1,005,497	341
	$ 2,014,333	33,270	$ 8,175,226	98,801	$ 915,724	599	$11,105,283	132,670
DECEMBER 31, 1998:								
Loans securitized:								
Residential loans	$ 1,006,014	16,793	$ 1,307,991	12,541	$ --	--	$ 2,314,005	29,334
Commercial loans	9,974	46	--	--	--	--	9,974	46
	$ 1,015,988	16,839	$ 1,307,991	12,541	$ --	--	$ 2,323,979	29,380
Loans serviced for third parties:								

Residential loans	$ 1,105,087	20,521	$ 4,967,028	64,146	$ 102,139	998	$ 6,174,254	85,665
Commercial loans	468,198	315	4,665	50	764,079	93	1,236,942	458
	$ 1,573,285	20,836	$ 4,971,693	64,196	$ 866,218	1,091	$ 7,411,196	86,123
Total loans serviced for others:								
Residential loans	$ 2,111,101	37,314	$ 6,275,019	76,687	$ 102,139	998	$ 8,488,259	114,999
Commercial loans	478,172	361	4,665	50	764,079	93	1,246,916	504
	$ 2,589,273	37,675	$ 6,279,684	76,737	$ 866,218	1,091	$ 9,735,175	115,503

<FN>

(1) Does not include approximately 38,500 loans with an unpaid principal balance of approximately $1,027,600 that were acquired on December 31, 2000 but were not boarded in the Company's loan servicing system until 2001. Also does not include approximately 41,700 loans with an unpaid principal balance of approximately $3,184,200 that were acquired by the Company under a subservicing agreement on January 11, 2001.

(2) At December 31, 1998, excludes 37,955 loans with an unpaid principal balance of $857,291 that were serviced by Ocwen UK.

(3) The following table presents loans serviced by the Company under special servicing agreements, which are included in the table above, and the total pool of loans for which the Company is designated as special servicer should those loans become greater than 90 days past due:

</FN>

	Loans Special Serviced by Ocwen		Designated Special Servicing Loan Pools	
	Amount	No. of Loans	Amount	No. of Loans
DECEMBER 31, 2000:				
Residential loans	$ 2,399,842	26,755	$12,795,282	126,065
Commercial loans	84,155	118	952,070	336
	$ 2,483,997	26,873	$13,747,352	126,401
DECEMBER 31, 1999				
Residential loans	$ 878,284	9,319	$ 8,057,768	82,630
Commercial loans	123,924	151	994,230	422
	$ 1,002,208	9,470	$ 9,051,998	83,052

Net gains on interest-earning assets for 2000 of $18,580 were primarily comprised of $16,264 of gains from sales of single family residential discount loans and a $2,768 gain on the sale of a commercial security. Net gains on interest-earning assets for 1999 of $44,298 were primarily comprised of $36,804 of net gains recognized in connection with the securitization of single family subprime loans and discount loans, as presented in the table below, $4,208 of gains on sales of commercial discount loans and $3,663 of gains on sales of commercial securities available for sale. Net gains on interest-earning assets for 1998 of $129,988 were primarily comprised of $109,601 of net gains recognized in connection with the securitization of single family subprime loans and discount loans, as presented in the table below, and $12,246 of gains on sales of commercial discount loans. During the third quarter of 1999, the Company made a strategic decision to structure future securitizations as financing transactions which will preclude the use of gain-on-sale accounting. There were no securitizations of loans executed by the Company during 2000 or the second half of 1999. See "Changes in Financial Condition - Match Funded Loans and Securities." The following table sets forth details of the Company's net gains recognized in connection with the securitization of loans during 1999 and 1998.

Loans Securitized		Book Value of Securities Retained	

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Types of Loans	Principal	No. of Loans	Net Gain	(Non-Cash Gain)	Cash Gain
1999:					
Single family discount...............	$ 227,303	3,137	$ 22,763	$ 4,040	$ 18,723
Single family subprime:					
Domestic........................	235,572	2,192	3,834	12,091	--
Foreign (Ocwen UK)..............	295,157	8,983	10,207	34,452	--
	530,729	11,175	14,041	46,543	--
	$ 758,032	14,312	$ 36,804	$ 50,583	$ 18,723
1998:					
Single family discount...............	$ 498,798	7,638	$ 48,085	$ 32,261	$ 15,824
Single family subprime:					
Domestic........................	1,045,174	5,905	34,516	81,742	--
Foreign (Ocwen UK)..............	581,108	25,330	27,000	57,852	--
	1,626,282	31,235	61,516	139,594	--
	$ 2,125,080	38,873	$ 109,601	$ 171,855	$ 15,824

The unrealized loss on trading securities of $(4,926) for 2000 resulted from the Company's change in its policy for securities available for sale and match-funded securities to account for them as trading securities effective September 30, 2000. See Notes 1 and 4 to the Consolidated Financial Statements (which are incorporated herein by reference).

Impairment charges on securities available for sale represent declines in fair value that were deemed to be other-than-temporary. See "Changes in Financial Condition - Securities Available for Sale" and the "Securities Available for Sale" section of Note 1 to the Consolidated Financial Statements (which is incorporated herein by reference).

The following table sets forth the results of the Company's real estate owned (which does not include investments in real estate, as discussed below) during the years indicated:

	Year Ended December 31,		
	2000	1999	1998
Gains on sales	$ 22,515	$ 36,265	$ 43,839
Provision for losses in fair value	(26,674)	(28,008)	(18,626)
Carrying costs, net	(9,305)	(10,317)	(11,180)
(Loss) gain on real estate owned, net	$(13,464)	$ (2,060)	$ 14,033

See "Changes in Financial Condition - Real Estate Owned, Net" for additional information regarding real estate owned and the related provision for losses in fair value.

Net gains on other non-interest earnings assets, net, for 2000 of $45,517 were principally comprised of $22,949 of gains from sales of investments in real estate, primarily those acquired as a result of the OAC acquisition in October 1999, and a $20,025 gain from the sale of Kensington. Net gains on other non-interest earnings assets, net, for 1999 of $58,693 were primarily comprised of a $50,371 gain from the sale of Ocwen UK and $6,591 of gains from sales of low-income housing tax credit interests. Net gains on other non-interest earnings assets, net, for 1998 of $17,702 were primarily comprised of $10,383 of gains on the sale of investment in real estate and $7,366 of gains on the sale of investments in low-income tax credit interests.

Net operating gains on investments in real estate of $26,140 during 2000 included $13,653 of operating income from investments in real estate acquired as a result of the OAC acquisition in October 1999, and $12,427 of equity in earnings related to certain loans acquired during the first quarter of 2000 which are accounted for as investments in real estate. See "Changes in Financial Condition - Investments in Real Estate" and Note 1 and Note 13 to the Consolidated Financial Statements (which are incorporated herein by reference).

Amortization of the excess of net assets acquired over purchase price resulted from the Company's acquisition of OAC on October 7, 1999. The acquisition resulted in an excess of net assets acquired over the purchase price in the amount of $60,042. Amortization is calculated on a straight-line basis. Amortization for the fourth quarter of 2000 includes an additional amount of $2,330 resulting from the reduction in the estimated life of the excess of net assets acquired over the purchase price from 60 months to 39 months, effective October 1, 2000. The unamortized balance of the excess of net assets acquired over the purchase price at December 31, 2000 and 1999 was $36,665 and $56,841, respectively. See Note 2 to the Consolidated Financial Statements (which is incorporated herein by reference).

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See Note 30 to the Consolidated Financial Statements (which is incorporated herein by reference) for a disclosure of the components of other income for 2000, 1999 and 1998.

NON-INTEREST EXPENSE. Non-interest expense decreased $25,059 or 12.8% during 2000 and $31,478 or 13.9% during 1999. The decreases in non-interest expense during 2000 and 1999 were due largely to the sale of Ocwen UK on September 30, 1999 and the closing of the domestic subprime lending operation at OFS.

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

	2000	1999	1998
Compensation and employee benefits	$ 83,086	$ 102,173	$ 115,556
Occupancy and equipment	12,005	18,501	17,652
Technology and communication costs	22,515	19,647	17,560
Loan expenses	13,051	12,618	25,373
Net operating losses on investment in certain low-income housing tax credit interests	9,931	6,291	6,905
Amortization and write-off of excess of purchase price over net assets acquired	3,124	4,448	11,614
Professional services and regulatory fees	13,275	14,205	18,082
Other operating expenses	13,022	17,185	13,804
	$ 170,009	$ 195,068	$ 226,546

The decline in compensation and employee benefits for 2000 as compared to 1999 was largely a result of the sale of Ocwen UK and the closing of the domestic subprime lending operations at OFS. Also contributing to the decline was the Company's reversal of accrued profit sharing expense in the amount of $6,012 during the first quarter of 2000 as a result of the Company's decision to suspend the long-term incentive plan. Excluding Ocwen UK, OFS and the $6,012 accrual reversal, compensation and employee benefits increased $9,581 during 2000. This increase reflects an increase in the average number of full-time equivalent employees (excluding Ocwen UK and OFS) from 1,155 to 1,288 between 1999 and 2000, respectively. Further contributing to the increase in compensation and employee benefits during 2000 was a reversal of $2,248 of profit sharing expense in the second quarter of 1999 resulting from the Company's decision at that time to grant stock options under its annual incentive plan at an exercise price equal to fair market value. Previously, options were granted at exercise prices below fair market value, resulting in the recognition of profit sharing expense. For 2000, options were granted at exercise prices below fair market value and accounted for $572 of profit sharing expense.

Excluding Ocwen UK and OFS, compensation and employee benefits decreased $2,797 during 1999 despite an increase in the average number of employees from 981 during 1998 to 1,155 during 1999. The decrease in compensation and employee benefits during 1999 reflects a reduction in profit sharing expense in connection with the Company's decision to grant options under its annual incentive plan at an exercise price equal to fair market value, as discussed above. Also contributing to the decline in compensation and employee benefits was a decrease in recruiting related expenses as a result of an increase in direct and local hiring. These declines were partially offset by an increase in profit sharing expense related to the Company's long-term incentive plan.

Occupancy and equipment costs consist principally of rents, depreciation, mail and delivery expense and other office operations costs. Excluding Ocwen UK and OFS, occupancy and equipment expense decreased $793 during 2000 and increased $2,287 during 1999.

Technology and communication costs consist primarily of depreciation expense on computer hardware and software, technology-related consulting fees (primarily OTX) and telephone expense. Excluding Ocwen UK and OFS, technology and communication costs increased by $4,907 in 2000 and by $4,740 in 1999. These increases were primarily due to increased consulting fees incurred at OTX. Additionally, OTX capitalized $2,645 and $1,333 of consulting fees as capitalized software development costs during 1999 and 1998, respectively.

Net operating losses on investments in certain low-income housing tax credits increased during 2000 principally because the Company recorded a charge to earnings of $6,448 for the expected loss on the pending sale of twenty-five low income housing tax credit properties. See "Changes in Financial Condition - Low-Income Housing Tax Credit Interests Held for Sale."

Goodwill amortization recognized during 2000 and 1999 related entirely to OTX. Amortization in 1999 included a charge of $3,367 reflecting the impact of a reduction in the estimated useful life of the goodwill associated with the acquisitions made by OTX. Of the $11,614 of goodwill amortization recorded during 1998, $10,773 related to OFS, including the $10,061 write-off of the remaining unamortized balance that was impaired.

Excluding Ocwen UK and OFS, loan expenses increased $5,110 during 2000 and $1,492 during 1999. The increase in loan expenses during 2000 was due primarily to an increase in appraisal fees in connection with property valuation services provided by ORA.

Professional services and regulatory fees are primarily comprised of non-technology related consulting fees, legal and audit fees and FDIC insurance. The declines in professional services and regulatory fees during 2000 and 1999 are principally related to Ocwen UK and OFS. Excluding Ocwen UK and OFS, professional services and regulatory fees increased by $254 in 2000 as compared to 1999 and decreased by $1,135 in 1999 as compared to 1998.

Other operating expenses include travel costs, acquisition expenses, marketing costs, and amortization of capitalized software costs. Excluding Ocwen UK and OFS, other operating expenses increased $4,328 during 2000 and $2,548 during 1999. The increase in 2000 was largely due to increased marketing costs at OTX and the recognition of $1,355 of deferred expenses related to the sale of twenty-five low-income tax housing tax credit properties. See Note 31 to the Consolidated Financial Statements (which is incorporated herein by reference) for a disclosure of the components of other operating expenses for 2000, 1999 and 1998.

DISTRIBUTIONS ON COMPANY OBLIGATED, MANDATORILY REDEEMABLE SECURITIES OF SUBSIDIARY TRUST HOLDING SOLELY JUNIOR SUBORDINATED DEBENTURES OF THE COMPANY. Cash distributions on the Capital Securities are payable semi-annually in arrears on February 1 and August 1 of each year at an annual rate of 10.875%. The Company recorded $11,380, $13,111, and $13,594 of distributions to holders of the Capital Securities during 2000, 1999 and 1998, respectively. The decline in distributions is the result of repurchases during 2000 and 1999. See Note 22 to the Consolidated Financial Statements (which is incorporated herein by reference) and "Changes in Financial Condition - Company-Obligated, Mandatorily Redeemable Securities of Subsidiary Trust Holding Solely Junior Subordinated Debentures of the Company."

EQUITY IN (LOSSES) EARNINGS OF INVESTMENTS IN UNCONSOLIDATED ENTITIES. Prior to the Company's sale of its equity investment in Kensington on November 22, 2000, the Company recorded equity in (losses) earnings of Kensington of $(5,280), $(9,154) and $439, net of goodwill amortization, during 2000, 1999 and 1998, respectively.

Equity in the losses of investments in unconsolidated entities for 1999 and 1998 also included the Company's equity in the losses of its investments in OAC and OPLP of $3,605 and $8,701, respectively. Prior to its acquisition of OAC in October 1999, the Company accounted for its investments in OAC and OPLP using the equity method.

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See "Changes in Financial Condition - Investment in Unconsolidated Entities" and Note 2 and Note 10 to the Consolidated Financial Statements (which are incorporated herein by reference).

INCOME TAX EXPENSE (BENEFIT). Income tax expense (benefit) amounted to $7,957, $2,608, and $(30,699) during 2000, 1999 and 1998, respectively. The Company's provision for income taxes reflects tax credits resulting from the Company's investment in low-income housing tax credit interests of $2,577, $18,242 and $17,666 during 2000, 1999 and 1998, respectively. The Company's provision in 1999 also reflects the lack of foreign tax payments, which would have generated foreign tax credits to reduce the U.S. tax liability resulting from the sale of Ocwen UK. The Company's provisions in 2000 and 1999 also reflect charges of $17,500 and $2,500, respectively, related to the deferred tax asset valuation allowance. See Note 25 to the Consolidated Financial Statements (which is incorporated herein by reference) and "Changes in Financial Condition - Investments in Low-Income Housing Tax Credit Interests."

EXTRAORDINARY GAIN ON REPURCHASE OF DEBT, NET OF TAXES. Extraordinary gain on repurchases of debt, net of taxes, for 2000 of $18,713 is comprised of $7,396 of gains recognized in connection with the repurchase of Capital Securities, $11,041 of gains recognized in connection with repurchases of the 11.5% Redeemable Notes and $276 of gains recognized in connection with the repurchase of 11.875% Notes. Extraordinary gain on repurchases of debt for 1999 amounted to $6,983 and was comprised of $4,570 of gains recognized in connection with the repurchases of Capital Securities, $1,323 from the Company's repurchase of 12% Subordinated Debentures and $1,090 of gains recognized from the repurchase of the 11.875% Notes. See "Changes in Financial Condition - Notes, Debentures and Other Interest-Bearing Obligations" and "Company Obligated, Mandatorily Redeemable Securities of Subsidiary Trust Holding Solely Junior Subordinated Debentures of the Company" and Note 21 and Note 22 to the Consolidated Financial Statements (which are incorporated herein by reference).

CHANGES IN FINANCIAL CONDITION

TRADING SECURITIES. The Company reclassified its portfolio of securities available for sale to trading on September 30, 2000. On that date, the Company transferred its portfolio of securities available for sale, which had a fair value of $496,295 to trading.

The following table sets forth the fair value of the Company's trading securities at the dates indicated:

	December 31, 2000	December 31, 1999
Mortgage-related securities:		
Collateralized mortgage obligations (AAA-rated)	$ 277,595	$ --
Subordinates, residuals and other securities:		
Single family residential:		
BB-rated subordinates	4,563	--
B-rated subordinates	2,911	--
Unrated subordinates	9,361	--
Unrated subprime residuals	93,176	--
	110,011	--
Multi-family residential and commercial:		
Unrated subordinates	2,636	--
	112,647	--

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Trading securities......................................	$ 390,242	$ --

During the three months ended December 31, 2000, after the transfer of securities available for sale to trading, trading securities declined $106,053. This decline was primarily due to $100,590 of maturities and principal repayments, $1,070 of sales, $1,605 of net premium amortization and a $3,280 decline in fair value.

Residual and subordinate securities at December 31, 2000 include retained interests with a fair value of $43,016 from securitizations of loans completed by the Company in prior years. The Company determines the present value of anticipated cash flows utilizing valuation assumptions appropriate for each particular transaction. The significant valuation assumptions have included the anticipated prepayment speeds and the anticipated credit losses related to the underlying mortgages. In order to determine the present value of this estimated excess cash flow, the Company currently applies a discount rate of 17% to 20% to the projected cash flows on the unrated classes of securities. The annual prepayment rate of the securitized loans is a function of full and partial prepayments and defaults. The Company makes assumptions as to the prepayment rates of the underlying loans, which the Company believes are reasonable, in estimating fair values of the subordinate securities and residual securities retained. During 2000, the Company utilized proprietary prepayment curves (reaching an approximate range of annualized rates of 11% - 36%). During 2000, the Company estimated annual losses of between 0.5% and 7% of the unpaid principal balance of the underlying loans. See Note 4 to the Consolidated Financial Statements (which is incorporated herein by reference) for additional disclosures regarding retained interests.

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

The Company periodically assesses the carrying value of its subordinate securities and residual securities retained. There can be no assurance that the Company's estimates used to determine the gain on securitized loan sales, subordinate securities and residual securities retained will remain appropriate for the life of each securitization. If actual loan prepayments or defaults exceed the Company's estimates, the carrying value of the Company's subordinate securities and residual securities retained may be decreased during the period management recognized the disparity. Other factors may also result in a write-down of the Company's subordinate securities and residual securities in subsequent months. During 2000, and prior to the transfer of securities available for sale to trading, the Company recorded

$11,597 of impairment charges on its portfolio of subordinate and residual securities as a result of declines in value that were deemed to be "other- than-temporary."

The following tables detail the Company's trading securities portfolio at December 31, 2000 and its estimates of expected yields on such securities, taking into consideration expected prepayment and loss rates together with other factors:

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SECURITIZATION (ISSUER)	SECURITY	ISSUE DATE	RATING	RATING AGENCIES	CLASS SIZE ISSUANCE	CLASS SIZE 12/31/00	INTEREST %	SUBORDI- NATION/OC LEVEL AT: 12/31/00	ANTICIPATED YIELD TO MATURITY AT PURCHASE	ANTICIPATED YIELD TO MATURITY AT 12/31/00	PROSPECTIVE YIELD AT YIELD AT 12/31/00
SINGLE-FAMILY RESIDENTIAL											
Subordinates:											
BCF 1996 R1(1)..........	B3	Oct-96	UR	(a), (b)	$ 70,773	$ 34,779	50.00%	None	15.70%	7.97%	38.27%
CSFB 1996-1R (ITT 94-P1) (2)..........	4B2,	Oct-96	UR	(b), (c)	1,046	114	100.00	None	N/A	N/A	(A)
BCF 1997 R2 (1)..........	B4	Jun-97	Ba2, BB	(b), (c)	6,358	5,544	73.54	7.05	9.58	9.51	50.78
	B5		B2,B		6,264	5,463	73.54	2.68	10.74	9.55	N/M
	B6		UR		13,883	3,356	73.54	None	15.98	2.35	(A)
SBMS 1997-HUD1 (3)	B5	Apr-97	B2, n.a.	(b), (d)	9,785	8,098	100.00	0.00	16.87	(4.89)	5.14
	B6	Apr-97	UR		16,998	--	100.00	None	22.86	(8.97)	(A)
ORMBS 1998 R1 (4)........	B4	Mar-98	UR	(b), (d)	101,774	48,113	82.48	None	20.50	(28.62)	19.36
ORMBS 1998 R2 (4)........	B4A	Jun-98	Ba2	(b)	1,056	951	100.00	5.97	13.22	5.73	N/M
	B4F		Ba2		937	857	100.00	5.20	19.23	3.12	72.87
	B5A		B2		880	779	100.00	4.03	23.78	9.30	N/M
	B5F		B2		937	857	100.00	2.48	11.78	(0.38)	N/M
	B6A		UR		3,696	1,625	100.00	None	16.72	26.44	N/M
	B6F		UR		3,345	780	100.00	None	19.50	(19.17)	(A)
ORMBS 1998 R3 (4)........	B4	Sep-98	Ba2, BB	(b), (d)	11,765	11,315	85.87	1.99	11.71	(45.33)	N/M
	B5		B2, B		9,151	3,656	85.87	None	16.54	(40.33)	N/M
	B6		UR		26,145	0	85.87		18.00	(26.24)	(A)
ORMBS 1999 R1 (4)........	B5A	Mar-99	B2, B	(b), (d)	1,630	1,495	100.00	4.05	17.73	33.39	45.64
	B5F		B2, B		1,843	1,559	100.00	3.76	17.74	38.65	N/M
	B6A		UR		3,586	1,658	100.00	None	18.00	54.82	29.78
	B6F		UR		4,299	2,196	100.00	None	18.00	97.89	(A)
ORMBS 1999 R2 (4)	B4	Jun-99	BB	(a),(c),(d)	10,530	10,132	100.00	6.12	13.45	17.06	83.71
	B5		B		4,680	4,511	100.00	1.17	18.45	32.33	(A)
	B6 (1B)		UR		7,020	1,060	100.00	None	18.00	57.61	(A)
Subprime residuals:											
SBMS 1996 3 (5)..........	R	Jun-96	UR	(a), (b)	130,062	23,763	100.00	25.47OC	15.52	2.52	24.78
MLM1 1996 1 (6)..........	R	Sep-96	UR	(a), (b)	81,142	12,764	100.00	42.46OC	15.16	4.10	25.79
MS 1997 1 (7)............	X1	Jun-97	UR	(a), (b)	17,727	8,337	100.00	6.06OC	21.47	16.30	24.16
	X2				87,118	13,217	100.00	25.45OC	20.38	1.28	14.81
1997 OFS 2 (8)...........	X	Sep-97	UR	(a), (b)	102,201	21,437	100.00	12.77OC	19.65	(0.33)	22.63
1997 OFS 3 (8)...........	X	Dec-97	UR	(a), (b)	208,784	56,724	100.00	15.48OC	19.59	6.20	19.16
1998 OFS 1 (8)...........	X	Mar-98	UR	(b), (d)	161,400	46,799	100.00	4.28OC	18.00	(2.17)	5.06
1998 OFS 2 (8)...........	X	Jun-98	UR	(a), (b)	382,715	118,570	100.00	3.91OC	19.46	(3.15)	10.88
1998 OFS 3 (8)...........	X	Sep-98	UR	(a), (d)	261,649	117,032	100.00	5.70OC	18.00	(3.14)	(0.55)
1998 OFS 4 (8)...........	X	Dec-98	UR	(a), (b), (c)	349,000	202,129	100.00	2.16OC	18.00	(6.49)	(2.89)
1999 OFS 1 (8)	X	Jun-99	UR	(a), (b)	148,628	110,566	100.00	5.81OC	18.00	(3.29)	(0.39)
PANAM 1997-1 (9).........	X	Dec-97	UR	(a), (b)	113,544	25,624	100.00	11.31OC	22.45	0.20	18.67
	Prepay Pen.		UR						25.69	5.98	(11.92)

SECURITIZATION (ISSUER)	SECURITY	ISSUE DATE	RATING	RATING AGENCIES	CLASS SIZE ISSUANCE	CLASS SIZE 12/31/00	INTEREST %	SUBORDI- NATION/OC LEVEL AT: 12/31/00	ANTICIPATED YIELD TO MATURITY AT PURCHASE	ANTICIPATED YIELD TO MATURITY AT 12/31/00	PROSPECTIVE YIELD AT YIELD AT 12/31/00
SINGLE-FAMILY RESIDENTIAL											
EQUICON 1994-2 (10)......	B Fix	Oct-94	UR	(a), (b), (c)	78,846	$ 14,168	100.00%	7.37%OC	18.00%	103.81%	29.00%
	B Var.		UR		32,306	1,798	100.00	45.09OC	18.00	29.29	20.42
EQUICON 1995-1 (10)......	B Fix,	May-95	UR	(a), (b), (c)	70,024	10,153	100.00	11.66OC	18.00	27.17	(A)
	B Var.		UR		40,519	4,614	100.00	11.38OC	18.00	104.57	(A)
EQUICON 1995-2 (10)......	B Fix	Oct-95	UR	(a), (b)	79,288	14,683	100.00	12.98OC	18.00	26.84	N/M
	B Var.		UR		39,667	3,412	100.00	16.60OC	18.00	108.66	(A)
ACCESS 1996-1 (11).......	B Fix,	Feb-96	UR	(a), (b)	120,015	25,465	100.00	6.84OC	18.00	29.24	N/M
	B Var.		UR		55,362	6,225	100.00	13.12OC	18.00	41.47	(A)
ACCESS 1996-2 (11).......	B-I,BI-S	May-96	UR	(a), (b)	142,259	30,825	100.00	10.12OC	18.00	29.66	(A)
	B-II BII-S		UR		68,345	6,992	100.00	15.01OC	18.00	15.66	N/M
ACCESS 1996-3 (11).......	B-I, BI-S	Aug-96	UR	(a), (b)	107,712	24,939	100.00	15.87OC	18.00	19.39	N/M
	B-II BII-S		UR		99,885	10,439	100.00	23.68OC	18.00	18.51	(A)
ACCESS 1996-4 (11).......	B, B-S	Nov-96	UR	(a), (b)	239,778	37,098	100.00	35.96OC	18.00	12.23	37.92
ACCESS 1997-1 (11).......	B, B-S	Feb-97	UR	(a), (b)	276,442	57,766	100.00	34.91OC	18.00	11.27	34.15
ACCESS 1997-2 (11).......	B, B-S	May-97	UR	(a), (b)	185,197	37,504	100.00	24.71OC	18.00	6.23	31.46
ACCESS 1997-3 (11).......	B, B-S	Oct-97	UR	(a), (b)	199,884	44,730	100.00	17.46OC	18.00	11.78	40.70
UK SUBPRIME											
Subordinates:											
CMR1 (12)................	Deferred Comp	Apr-96	UR	(a), (c)	48,450(B)	13,003(C)	100.00	14.60RF	18.69	22.83	24.59
CMR2 (12)................	Deferred Comp	Oct-96	UR	(a), (c)	97,627(B)	27,297(C)	100.00	15.50RF	18.69	34.13	38.46
CMR3 (12)................	Deferred Comp	Oct-96	UR	(a), (c)	176,047(B)	49,627(C)	100.00	22.70RF	18.69	61.31	95.01
CMR4 (12)................	Deferred Comp	Jan-97	UR	(a), (c)	103,031(B)	31,551(C)	100.00	11.30RF	18.69	35.36	41.23
CMR5 (12)................	Deferred Comp	Jan-97	UR	(a), (c)	54,686(B)	16,552(C)	100.00	55.40RF	0.00	N/A	(A)
CMR6 (12)................	Deferred Comp	Apr-97	UR	(a), (c)	90,498(B)	24,383(C)	100.00	12.80RF	18.69	46.15	69.77

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COMMERCIAL											
Subordinates:											
BT97-SI (13)............	Equity Cert.	Dec-97	UR	None	57,750	35,509	25.00	0.00	22.15	12.10	10.09

SECURITIZATION (ISSUER)	WEIGHTED AVERAGE COUPON AT 12/31/00	WEIGHTED AVERAGE LTV AT 12/31/00	TOTAL DELINQUENCY AT 12/31/00	ACTUAL LIFE TO DATE CPR AT 12/31/00	ACTUAL LIFE TO DATE LOSSES AT 12/31/00	PRODUCT TYPE AT 12/31/00	COLLATERAL BALANCE ISSUANCE	COLLATERAL BALANCE 12/31/00
SINGLE-FAMILY RESIDENTIAL								
Subordinates:								
BCF 1996 R1 (1)............	10.00%	75.96%	11.79%	13.68%	$ 31,934	98% Fixed, 2% ARM	$505,513	$244,365
CSFB 1996 1R								
(ITT 94-P1) (2)	8.57	N/A	3.39	N/A	157	100% 1-Year CMT	32,487	3,742
BCF 1997 R2 (1)............	8.65	73.90	18.23	14.16	9,389	25% Fixed, 75% ARM	251,790	125,036
SBMS 1997-HUD1 (3)..........	9.77	76.88	10.60	15.56	17,236	97% Fixed, 3% ARM	326,147	159,911
ORMBS 1998 R1 (4)..........	8.86	86.11	25.81	11.28	50,014	98% Fixed, 2% ARM	565,411	396,512
ORMBS 1998 R2 (4)..........	9.34	74.85	23.16	16.00	4,278	44% Fixed, 56% ARM	123,917	71,793
ORMBS 1998 R3 (4)..........	8.86	85.25	36.15	13.52	30,546	98% Fixed, 2% ARM	261,452	183,740
ORMBS 1999 R1 (4)..........	9.29	71.21	31.24	15.83	3,121	59% Fixed, 41% ARM	147,101	99,351
ORMBS 1999 R2 (4)..........	9.23	81.51	30.58	12.39	5,864	100% Fixed	117,004	91,009
Subprime residuals:								
SBMS 1996 3 (5)............	11.54	66.30	16.37	31.02	3,605	94% Fixed, 6% ARM	130,062	23,763
MLM1 1996 1 (6)............	12.32	70.46	24.32	34.89	2,419	38% Fixed, 62% ARM	81,142	12,764
MS 1997 1 (7) X1...........	11.95	73.38	18.62	35.98	2,885	100% Fixed,	17,727	8,337
MS 1997 1 (7) X2...........						100% ARM	87,118	13,217
1997 OFS 2 (8).............	11.96	75.54	21.80	37.78	3,369	28% Fixed, 72% ARM	102,201	21,437
1997 OFS 3 (8).............	11.72	76.55	27.62	34.84	6,893	25% Fixed, 75% ARM	208,784	56,724
1998 OFS 1 (8).............	11.90	77.31	28.50	35.76	6,028	21% Fixed, 79% ARM	161,400	46,799
1998 OFS 2 (8).............	11.75	73.54	20.13	36.92	11,201	50% Fixed, 50% ARM	382,715	118,570
1998 OFS 3 (8).............	11.25	77.10	26.47	29.63	8,196	41% Fixed, 59% ARM	261,649	117,032
1998 OFS 4 (8).............	10.75	77.27	27.69	23.10	13,682	45% Fixed, 55% ARM	349,000	202,129
1999 OFS 1 (8).............	9.78	76.57	18.04	17.29	2,312	69% Fixed, 31% ARM	148,628	110,566
PANAM 1997-1(9)............	12.33	85.01	24.52	39.03	6,102	58% Fixed, 42% ARM	113,544	25,624
EQUICON 1994-2 (10)........	10.18	81.61	18.34	31.51	1,893	100% Fixed	78,846	14,168
						100% ARM	32,306	1,798
EQUICON 1995-1 (10)........	12.24	106.92	32.73	28.24	3,424	100% Fixed	70,024	10,153
						100% ARM	40,519	4,614
EQUICON 1995-2 (10)........	11.15	80.32	33.60	32.34	2,737	100% Fixed	79,288	14,683
						100% ARM	39,667	3,412
ACCESS 1996-1 (11).........	11.14	74.97	26.71	29.60	4,411	100% Fixed	120,015	25,465
						100% ARM	55,362	6,225
ACCESS 1996-2 (11).........	11.26	72.71	29.60	31.99	5,746	100% Fixed	142,259	30,825
						100% ARM	68,345	6,992
ACCESS 1996-3 (11).........	11.94	76.32	40.36	34.51	4,697	100% Fixed	107,712	24,939
						100% ARM	99,885	10,439
ACCESS 1996-4 (11).........	12.39	77.84	36.05	37.71	7,218	56% Fixed, 44% ARM	239,778	37,098
ACCESS 1997-1 (11).........	12.01	78.29	39.57	35.56	11,314	64% Fixed, 36% ARM	276,442	57,766
ACCESS 1997-2 (11).........	11.99	78.99	34.30	38.37	6,188	64% Fixed, 36% ARM	185,197	37,504
ACCESS 1997-3 (11).........	12.05	83.85	39.34	38.60	5,130	57% Fixed, 43% ARM	199,884	42,780
UK SUBPRIME								
Subordinates:								
CMR1 (12)..................	13.36	N/A	40.27	22.89	959	N/A	48,450(B)	13,003(C)
CMR2 (12)..................	12.44	N/A	28.70	23.74	1,489	N/A	97,627(B)	27,927(C)
CMR3 (12)..................	13.47	N/A	16.98	21.07	3,835	N/A	176,047(B)	49,627(C)
CMR4 (12)..................	13.70	N/A	38.70	24.02	2,239	N/A	103,031(B)	31,551(C)
CMR5 (12)..................	15.76	N/A	63.79	23.69	7,664	N/A	54,686(B)	16,552(C)
CMR6 (12)..................	13.66	N/A	35.12	27.44	1,469	N/A	90,498(B)	24,383(C)
COMMERCIAL								
Subordinates:								
BT97-SI (13)...............	8.65	N/A	38.09	N/A	10,734	N/A	295,925	69,596

ISSUERS:
(1) BlackRock Capital Finance L.P.
(2) Credit Suisse First Boston (ITT Federal Bank, FSB)
(3) Salomon Brothers Mortgage Securities
(4) Ocwen Residential MBS Corporation
(5) Salomon Brothers Mortgage Securities VII
(6) Merrill Lynch Mortgage Investors, Inc.
(7) Morgan Stanley ABS Capital I, Inc.
(8) Ocwen Mortgage Loan Asset Backed Certificates
(9) Pan American Bank, FSB
(10) Equicon Mortgage Loan Trust
(11) Access Financial Mortgage Loan Trust
(12) City Mortgage Receivable
(13) Bankers Trust Corporation Mortgage Investors Trust

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

OTHER:
N/A - Not Available
N/M - As a result of impairment charge write-downs of the security while classified as available for sale, the prospective yield at 12/31/00 is not meaningful.
(A) - As a result of impairment charge write-downs of the security while classified as available for sale, the book value is zero, therefore, there is no prospective yield on the security.
(B) - Dollar equivalent of amounts in British pounds at the rate of exchange that prevailed at the time of issuance.
(C) - Dollar equivalent of amounts in British pounds at the rate of exchange

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at 12/31/00.

The following table sets forth the principal amount of mortgage loans by the geographic location of the property securing the mortgages that underlie the Company's trading subordinated and residual securities at December 31, 2000:

DESCRIPTION	CALIFORNIA	FLORIDA	TEXAS	U.K.	NEW YORK	OTHER (1)	TOTAL
Single family residential.......	$ 448,302	$ 209,809	$ 194,259	$ 163,043	$ 141,976	$1,454,210	$2,611,599
Commercial	21,736	122	1,872	--	489	47,745	71,964
Multi-family	460	81	--	--	5,376	4,441	10,358
Total	$ 470,498	$ 210,012	$ 196,131	$ 163,043	$ 147,841	$1,506,396	$2,693,921
Percentage (2)	17.74%	7.80%	7.28%	6.05%	5.48%	55.92%	100.00%

<FN>

(1) Consists of properties located in 46 other states, none of which aggregated over $118,710 in any one state.

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

</FN>

The following table presents information regarding trading subordinated and residual securities summarized by classification and rating at December 31, 2000:

RATING/DESCRIPTION	FAIR VALUE	PERCENT OWNED	ANTICIPATED YIELD TO MATURITY AT PURCHASE	ANTICIPATED YIELD TO MATURITY AT 12/31/00 (1)	COUPON	ANTICIPATED WEIGHTED AVERAGE REMAINING LIFE (2)	PROSPECTIVE YIELD AT 12/31/00
SINGLE-FAMILY RESIDENTIAL:							
BB-rated subordinates............	$ 4,563	89.35%	11.72%	(4.45)%	6.93%	2.77	29.05%
B-rated subordinates.............	2,911	92.57	15.99	4.44	7.31	2.05	60.35
Unrated subordinates.............	9,361	71.49	18.14	(9.54)	7.97	2.62	106.60
Unrated subprime residuals.......	93,176	100.00	18.42	7.93	N/A	6.42	31.11
	110,011						
COMMERCIAL:							
Unrated subordinates.............	2,636	25.00	22.15	12.10	N/A	2.32	10.09
	$ 112,647						

<FN>

(1) Changes in the December 31, 2000 anticipated yield to maturity from that originally anticipated are primarily the result of changes in prepayment assumptions and loss assumptions.

(2) Equals the weighted average life based on the December 31, 2000 book value.

</FN>

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

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

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

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

ANTICIPATED YIELD TO MATURITY AT DECEMBER 31, 2000- Effective yield based on the purchase price, actual cash flows received from inception until the respective date, and the then current estimate of future cash flows under the assumptions at the respective date.

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

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

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

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

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

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

PROSPECTIVE YIELD - Effective yield based on the book value of the investment and the then current estimate of the future cash flows under the assumptions at the respective date.

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

SECURITIZATION - Series description.

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

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

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

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

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

SECURITIES AVAILABLE FOR SALE. As discussed above, on September 30, 2000, the Company changed its policy for securities available for sale to account for them as trading securities. Securities available for sale were carried at fair value with unrealized gains or losses reported as a separate component of accumulated other comprehensive income in stockholders' equity, net of taxes. Unrealized losses on securities available for sale that reflected a decline in value, which was other-than-temporary, were charged to earnings. At December 31, 1999, securities available for sale included an aggregate of $1,036 of unrealized gain, ($6,967 of gross gains and $5,931 of gross losses). See "Changes in Financial Condition - Trading Securities."

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

	December 31, 2000	December 31, 1999
Mortgage-related securities:		
Collateralized mortgage obligations (AAA-rated)	$ --	$ 392,387
Subordinates, residuals and other securities:		
Single family residential:		
BB-rated subordinates	--	5,908
B-rated subordinates	--	6,098
Unrated subordinates	--	17,287
Unrated subprime residuals	--	124,087
	--	153,380
Multi-family residential and commercial:		
BB-rated subordinates	--	38,234
Unrated subordinates	--	3,503
Unrated interest only	--	14
	--	41,751
	--	195,131
	$ --	$ 587,518

During the nine months ended September 30, 2000, and prior to the transfer of securities available for sale to trading, securities available for sale declined $91,233 primarily due to $416,004 of maturities and principal repayments, $553,589 of sales, $11,597 of impairment charges and $7,568 of premium amortization, offset by $894,038 of purchases.

See Note 1 and Note 5 to the Consolidated Financial Statements (which is incorporated herein by reference).

LOANS AVAILABLE FOR SALE. Loans which the Company presently does not intend to hold to maturity are designated as available for sale and are carried at the lower of cost or aggregate market value. Loans available for sale, which are comprised primarily of subprime single family residential loans, decreased by $34,603 or 77% during 2000. The decline in loans available for sale during 2000 and 1999 reflects the closure of the domestic subprime origination business in 1999 and the sale of Ocwen UK, also in 1999.

Operations. (Dollars in thousands, except share data)

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

	December 31, 2000	1999	1998	1997	1996
Single family residential loans............	$ 10,559	$ 45,084	$ 177,578	$ 176,554	$ 111,980
Multi-family residential loans.............	--	--	--	--	13,657
Consumer loans.............................	51	129	269	487	729
	$ 10,610	$ 45,213	$ 177,847	$ 177,041	$ 126,366

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

	Year Ended December 31, 2000	1999	1998	1997	1996
Balance at beginning of period............	$ 45,213	$ 177,847	$ 177,041	$ 126,366	$ 251,790
Purchases (1).............................	--	47,129	795,053	278,081	295,054
Originations (2)..........................	--	728,509	959,105	316,101	9,447
Sales (3) (4).............................	(24,774)	(865,959)	(1,658,773)	(501,079)	(395,999)
Decrease (increase) in lower of cost or market valuation allowance.............	1,625	1,282	(4,064)	(1,034)	(2,455)
Loans transferred (to)/from loan portfolio.	--	--	--	(13,674)	45
Principal repayments, net of capitalized interest................................	(6,785)	(30,314)	(82,728)	(22,151)	(27,845)
Transfer to real estate owned.............	(4,669)	(13,281)	(7,787)	(5,569)	(3,671)
Net (decrease) increase in loans..........	(34,603)	(132,634)	806	50,675	(125,424)
Balance at end of period..................	$ 10,610	$ 45,213	$ 177,847	$ 177,041	$ 126,366

<FN>

(1) Includes $292,848 purchased during 1998 from the U.S. operations of Cityscape Financial Corp. and $421,188 purchased from the UK operations of Cityscape Financial Corp.

(2) Includes approximately $509,800 and $254,300 originated by Ocwen UK during 1999 and 1998, respectively.

(3) Includes $297,469 related to the sale of Ocwen UK on September 30, 1999.

(4) Includes securitizations of domestic and foreign subprime single family residential loans. See "Results of Operations - Non-interest Income."

</FN>

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

	December 31, 2000	1999	1998	1997	1996
Non-performing loans:					
Single family loans (1)...................	$ 2,404	$ 15,319	$ 39,415	$ 13,509	$ 14,409
Consumer loans............................	2	1	9	25	36
	$ 2,406	$ 15,320	$ 39,424	$ 13,534	$ 14,445
Non-performing loans as a percentage of:					
Total loans available for sale............	22.68%	33.88%	22.17%	7.64%	11.43%
Total assets..............................	0.11%	0.47%	1.19%	0.44%	0.58%

<FN>

(1) Includes $7,245 related to Ocwen UK at December 31, 1998.

</FN>

Non-performing loans available for sale consist primarily of subprime single family residential loans. See Note 6 to the Consolidated Financial Statements (which is incorporated herein by reference).

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LOAN PORTFOLIO, NET. Loans held for investment in the Company's loan portfolio are carried at amortized cost, less an allowance for loan losses, because the Company has the ability and presently intends to hold them to maturity. The Company's net loan portfolio decreased by $63,994 or 41% during 2000 reflecting the continuing payoff of multi-family and commercial loans and the Company's decision in 1999 to cease origination of such loans.

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

	December 31,				
	2000	1999	1998	1997	1996
Single family residential loans.............	$ 848	$ 4,334	$ 30,361	$ 46,226	$ 73,186
Multi-family residential loans:					
Permanent................................	6,083	23,430	53,311	38,105	31,252
Construction.............................	39,123	57,526	22,288	33,277	36,590
Total multi-family residential........	45,206	80,956	75,599	71,382	67,842
Commercial real estate:					
Hotels:					
Permanent.............................	--	--	29,735	64,040	173,947
Construction..........................	38,153	38,349	6,896	25,322	26,364
Office buildings........................	20,817	64,745	93,068	68,759	128,782
Land....................................	1	2,238	2,266	2,858	2,332
Other...................................	--	--	6,762	16,094	25,623
Total commercial real estate...........	58,971	105,332	138,727	177,073	357,048
Other.......................................	48	82	132	244	3,038
	105,073	190,704	244,819	294,925	501,114
Undisbursed loan funds......................	(8,879)	(24,654)	(7,099)	(22,210)	(89,840)
Unamortized deferred fees...................	(372)	(1,383)	(2,480)	(2,721)	(5,169)
Allowance for loan losses...................	(2,408)	(7,259)	(4,928)	(3,695)	(3,523)
	$ 93,414	$ 157,408	$ 230,312	$ 266,299	$ 402,582

Contractual Principal Repayments. The following table sets forth certain information at December 31, 2000 regarding the dollar amount of loans maturing in the Company's loan portfolio based on scheduled contractual amortization, as well as the dollar amount of loans which have fixed or adjustable interest rates. Demand loans (loans having no stated schedule of repayments and no stated maturity) and overdrafts are reported as due in one year or less. Loan balances have not been reduced for (i) undisbursed loan proceeds, unearned discounts and the allowance for loan losses or (ii) non-performing loans.

	Maturing in				
	One Year or Less	After One Year Through Five Years	After Five Years Through Ten Years	After Ten Years	Total
Single family residential loans..........	$ 137	$ --	$ 36	$ 675	$ 848
Multi-family residential loans...........	28,097	17,109	--	--	45,206
Commercial real estate and land loans....	35,831	20,983	1,579	578	58,971
Consumer and other loans.................	37	11	--	--	48
	$ 64,102	$ 38,103	$ 1,615	$ 1,253	$ 105,073
Interest rate terms on amounts due:					
Fixed................................	$ 22,988	$ 3,269	$ 1,519	$ 567	$ 28,343
Adjustable...........................	41,114	34,834	96	686	76,730
	$ 64,102	$ 38,103	$ 1,615	$ 1,253	$ 105,073

Scheduled contractual principal repayments may not reflect the actual maturities of loans because of prepayments and, in the case of conventional mortgage loans, due-on-sale clauses. The average life of mortgage loans, particularly fixed-rate loans, tends to

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increase when current mortgage loan rates are substantially higher than rates on existing mortgage loans and, conversely, to decrease when rates on existing mortgages are substantially higher than current mortgage loan rates.

Activity in the Loan Portfolio. The following table sets forth the activity in the Company's net loan portfolio during the periods indicated:

	Year Ended December 31,				
	2000	1999	1998	1997	1996
Balance at beginning of period	$ 157,408	$ 230,312	$ 266,299	$ 402,582	$ 295,605
Originations and funded commitments:					
Single family residential loans	--	--	--	1,987	10,681
Multi-family residential loans	36,165	3,692	56,657	16,799	68,076
Commercial real estate loans	3,627	17,258	116,452	69,948	199,017
Commercial non-mortgage and consumer loans	--	--	--	1,140	3,366
Total loans originated (1)	39,792	20,950	173,109	89,874	281,140
Purchases:					
Single family residential loans	--	6,209	--	78	305
Multi-family residential loans	--	45,285	--	--	--
Commercial real estate loans	--	69,619	--	--	--
Total loans purchased (2)	--	121,113	--	78	305
Sales	(32,959)	(53,197)	--	(2,346)	--
Loans transferred from available for sale	--	--	--	13,782	45
Principal repayments	(89,591)	(138,530)	(222,668)	(306,916)	(121,818)
Transfer to real estate owned	(2,872)	(4,451)	(547)	(661)	(1,207)
Decrease (increase) in undisbursed loan funds	15,774	(17,555)	15,111	67,630	(50,119)
Decrease in unamortized deferred fees	1,011	1,097	241	2,448	207
Decrease (increase) in allowance for loan losses	4,851	(2,331)	(1,233)	(172)	(1,576)
Net (decrease) increase in loans	(63,994)	(72,904)	(35,987)	(136,283)	106,977
Balance at end of period	$ 93,414	$ 157,408	$ 230,312	$ 266,299	$ 402,582

<FN>
(1) Originations in 2000 represent fundings of construction loans originated in prior years.

(2) Purchases during 1999 represent loans, including undisbursed loans, acquired as a result of the acquisition of OAC.
</FN>

The following table sets forth certain information relating to the Company's non-performing loans in its loan portfolio at the dates indicated:

	December 31,				
	2000	1999	1998	1997	1996
Non-performing loans:					
Single family residential loans	$ 316	$ 982	$ 1,169	$ 1,575	$ 2,123
Multi-family residential loans (1)	13,373	11,037	7,392	7,583	106
Commercial real estate and other (2)	4,581	19,360	488	--	55
Total	$ 18,270	$ 31,379	$ 9,049	$ 9,158	$ 2,284
Non-performing loans as a percentage of:					
Total loans (3)	19.07%	19.06%	3.85%	3.39%	0.56%
Total assets	0.81%	0.96%	0.27%	0.30%	0.09%
Allowance for loan losses as a percentage of:					
Total loans (3)	2.51%	4.41%	2.09%	1.37%	0.87%
Non-performing loans	13.18%	23.13%	54.46%	40.35%	154.25%

<FN>
(1) Non-performing multi-family residential loans at December 31, 2000 were

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comprised of 9 loans with an aggregate balance of $15,034, all of which management believes are adequately collateralized and reserved.

(2) Non-performing commercial real estate loans at December 31, 2000 were comprised of 6 loans with an aggregate balance of $6,258, all of which management believes are adequately collateralized and reserved.

(3) Total loans is net of undisbursed loan proceeds and unamortized deferred fees.
</FN>

See Note 7 to the Consolidated Financial Statements (which is incorporated herein for reference).

MATCH FUNDED LOANS AND SECURITIES. At December 31, 2000 and 1999, the Company held $80,549 and $105,101, respectively, of single family residential match funded loans acquired as a result of the OAC acquisition. These loans were previously securitized and transferred by OAC to a real estate mortgage investment conduit on November 13, 1998. The transfer did not qualify as a sale for accounting purposes. Accordingly, the proceeds received from the transfer are reported as a liability (bonds-match funded agreements). The $24,552 decline in the balance during 2000 was due to repayment of loan principal. Match funded loans at December 31, 2000 and 1999 include $2,831 and $1,127, respectively, of non-performing loans and are net of an allowance for loan losses of $285 and $495, respectively.

Additionally, at December 31, 2000 and 1999 the Company held $36,438 and $52,693, respectively, of match funded securities resulting from the Company's transfer of four unrated residual securities to a trust on December 16, 1999 in exchange for non-recourse notes. Upon the transfer, the Company received $40,094 of proceeds. The transfer did not qualify as a sale for accounting purposes. Accordingly, the amount of proceeds from the transfer are reported as a liability (bonds-match funded agreements). The decline of $16,255 in the balance during 2000 was due to principal repayments.

See "Bonds-Match Funded Agreements" and Note 9 to the Consolidated Financial Statements, (which is incorporated herein by reference). For a glossary of the terms included in the tables below, see "Trading Securities."

The following tables detail the Company's match funded securities at December 31, 2000, and its estimates of expected yields on such securities, taking into consideration expected prepayment and loss rates together with other factors:

SECURITIZATION (ISSUER)	SECURITY	ISSUE DATE	RATING	RATING AGENCIES	CLASS SIZE ISSUANCE	CLASS SIZE 12/31/00	INTEREST %	OVER COLLATERIZATION LEVEL AT: 12/31/00	ANTICIPATED YIELD TO MATURITY AT PURCHASE	ANTICIPATED YIELD TO MATURITY AT 12/31/00	PROSPECTIVE PROSPECTIVE 12/31/00
SASCO 1998-2 1.....	X	Jan-98	UR	S&P, Fitch	$600,052	$167,533	100.00%	2.69% OC	16.00%	(2.01)%	7.16%
SASCO 1998-31......	X	Mar-98	UR	S&P, Fitch	769,671	197,851	100.00	6.63% OC	17.04	(0.83)	7.55
MLMI 1998-FFI 2....	X	Jun-98	UR	S&P, Fitch	198,155	36,529	100.00	8.14% OC	18.57	3.75	(1.03)
LHELT 1998-2 3.....	X	Jun-98	UR	Moody's, Fitch	209,225	85,834	100.00	9.17% OC	18.55	11.06	56.38

SECURITIZATION	WEIGHTED AVERAGE COUPON AT 12/31/00	WEIGHTED AVERAGE LTV AT 12/31/00	TOTAL DELINQUENCY AT 12/31/00	ACTUAL LIFE TO DATE CPR AT 12/31/00	ACTUAL LIFE TO DATE LOSSES AT 12/31/00	PRODUCT TYPE AT 12/31/00	COLLATERAL BALANCE ISSUANCE	COLLATERAL BALANCE 12/31/00
SASCO 1998-2...........	11.55%	84.27%	22.46%	35.00%	$ 11,868	40% Fixed, 60% ARM	$ 600,052	$ 167,533
SASCO 1998-3...........	11.63	85.19	23.79	38.79	10,252	18% Fixed, 82% ARM	769,671	197,851
MLMI 1998-FFI..........	12.09	75.48	26.10	47.63	1,476	100% ARM	198,155	36,529
LHELT 1998-2	10.98	N/A	18.43	28.63	2,457	49% Fixed, 51% ARM	209,225	85,834

ISSUERS:

<FN>
1 Structured Asset Securities Corp.

2 Merrill Lynch Mortgage Investors, Inc.

3 Lehman Home Equity Loan Trust
</FN>

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The following table sets forth the principal amount of mortgage loans by the geographic location of the property securing the mortgages that underlie the Company's match-funded securities at December 31, 2000:

DESCRIPTION	CALIFORNIA	FLORIDA	WASHINGTON	ILLINOIS	OREGON	OTHER (1)	TOTAL
Single family residential	$ 81,471	$ 53,652	$ 22,879	$ 22,475	$ 20,487	$286,616	$487,580
Commercial	--	--	167	--	--	--	167
	$ 81,471	$ 53,652	$ 23,046	$ 22,475	$ 20,487	$286,616	$487,747

<FN>
(1) Consists of properties located in 43 other states, none of which aggregated over $19,634 in any one state.
</FN>

The following table presents information regarding match funded securities summarized by classification and rating:

SINGLE-FAMILY RESIDENTIAL:	FAIR VALUE	PERCENT OWNED	ORIGINAL ANTICIPATED YIELD TO MATURITY	ANTICIPATED YIELD TO MATURITY AT 12/31/00 (1)	COUPON	ANTICIPATED WEIGHTED AVERAGE REMAINING LIFE(2)
Unrated residuals...........................	$ 36,438	100.00%	17.24%	1.16%	N/A	4.15 years

<FN>
(1) Changes in the December 31, 2000 anticipated yield to maturity from that originally anticipated are primarily the result of changes in prepayment assumptions and, to a lesser extent, loss assumptions.

(2) Equals the weighted average duration based on the December 31, 2000 book value.
</FN>

DISCOUNT LOAN PORTFOLIO, NET. The discount loan portfolio decreased $377,201 or 41% during 2000. Resolutions and repayments, loans transferred to real estate owned and sales more than offset acquisitions during the year. Substantially all of the Company's discount loan portfolio is secured by first mortgage liens on real estate.

Composition of the 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:

	December 31,				
	2000	1999	1998	1997	1996
Principal balance:					
Single family residential loans....	$ 289,883	$ 597,719	$ 597,100	$ 900,817	$ 504,049
Multi-family residential loans.....	105,591	191,971	244,172	191,302	341,796
Commercial real estate loans:					
Office buildings.................	77,608	97,784	154,063	363,681	202,084
Hotels...........................	63,967	75,095	100,407	98,907	46,054
Retail properties................	85,924	105,247	21,230	106,755	138,590
Other properties.................	36,511	87,148	173,310	131,692	79,073
	264,010	365,274	449,010	701,035	465,801
Other loans (1)...................	17,188	21,615	10,144	1,865	2,753
	676,672	1,176,579	1,300,426	1,795,019	1,314,399
Unaccreted discount:					
Single family residential loans....	(74,184)	(147,630)	(161,650)	(170,743)	(92,167)
Multi-family residential loans....	(5,176)	(37,981)	(20,795)	(45,944)	(71,817)
Commercial real estate loans.......	(40,413)	(57,604)	(69,747)	(120,457)	(77,550)
Other loans.......................	--	(954)	(321)	(206)	(374)
	(119,773)	(244,169)	(252,513)	(337,350)	(241,908)
	556,899	932,410	1,047,913	1,457,669	1,072,491
Allowance for loan losses............	(20,871)	(19,181)	(21,402)	(23,493)	(11,538)
	$ 536,028	$ 913,229	$ 1,026,511	$ 1,434,176	$ 1,060,953

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<FN>
(1) Includes $17,188, $16,397 and $8,248 at December 31, 2000, 1999 and 1998, respectively, of charged-off unsecured credit card receivables which were acquired at a discount. Collections are accounted for under the cost recovery method.
</FN>

Activity in the Discount Loan Portfolio. The following table sets forth the activity in the Company's net discount loan portfolio during the periods indicated:

	Year Ended December 31,				
	2000	1999	1998	1997	1996
AMOUNT					
Balance at beginning of period..............	$ 913,229	$ 1,026,511	$ 1,434,176	$ 1,060,953	$ 669,771
Acquisitions (1)(2)(3):					
Single family residential loans...........	164,920	516,744	613,201	1,061,967	365,516
Multi-family residential loans............	21,378	78,244	231,130	57,707	310,423
Commercial real estate loans..............	25,612	157,258	264,697	656,904	433,492
Other (4).................................	10,030	17,414	14,699	195	1,456
	221,940	769,660	1,123,727	1,776,773	1,110,887
Resolutions and repayments (5)...............	(216,480)	(372,442)	(539,353)	(484,869)	(371,228)
Loans transferred to real estate owned.......	(193,469)	(203,043)	(382,904)	(292,412)	(138,543)
Sales (6)....................................	(311,897)	(318,022)	(696,063)	(518,872)	(230,246)
Decrease (increase) in discount..............	124,395	8,344	84,837	(95,442)	31,850
(Increase) decrease in allowance............	(1,690)	2,221	2,091	(11,955)	(11,538)
Balance at end of period.....................	$ 536,028	$ 913,229	$ 1,026,511	$ 1,434,176	$ 1,060,953

	Year Ended December 31,				
	2000	1999	1998	1997	1996
NUMBER OF LOANS					
Balance at beginning of period..............	8,064	8,100	12,980	5,460	4,543
Acquisitions (2)(3):					
Single family residential loans............	2,208	6,606	7,779	17,154	4,086
Multi-family residential loans..............	9	34	92	173	221
Commercial real estate loans................	12	202	205	354	496
Other.......................................	2	6	8	22	9
	2,231	6,848	8,084	17,703	4,812
Resolutions and repayments (5)..............	(1,467)	(1,241)	(1,918)	(1,978)	(2,355)
Loans transferred to real estate owned.......	(2,400)	(2,367)	(3,193)	(1,596)	(860)
Sales (6)....................................	(2,407)	(3,276)	(7,853)	(6,609)	(680)
Balance at end of period.....................	4,021	8,064	8,100	12,980	5,460

<FN>
(1) Acquisitions exclude certain commercial and multi-family loans which are accounted for as investments in real estate. See "Changes in Financial Condition - Investments in Real Estate."

(2) The decline in acquisitions during 2000, 1999 and 1998 is due not only to a decline in the volume of non-performing loans brought to the market as a result of the strength of the domestic economy but also to the Company's strategic decision to move from reliance on capital-intensive businesses toward more fee-based businesses.

(3) The 1996 data do not include the Company's pro rata share of the $741,176 of discount loans acquired by the LLC.

(4) Acquisitions of other discount loans during 2000, 1999 and 1998 consisted primarily of charged-off unsecured credit card receivables acquired at a discount.

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

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(6) Includes securitizations of performing single family discount loans in 1999, 1998, 1997 and 1996. See "Results of Operations - Non-interest Income."
</FN>

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

	December 31,				
	2000	1999	1998	1997	1996
PRINCIPAL BALANCE					
Loans without Forbearance Agreements:					
Current..................................	$ 295,616	$ 509,845	$ 578,269	$ 670,115	$ 572,043
Past due 31 days to 89 days..............	6,295	23,438	35,555	21,098	19,458
Past due 90 days or more.................	295,226	448,312	509,838	638,319	506,113
Acquired and servicing not yet transferred	--	87,538	57,048	28,053	149,564
	597,137	1,069,133	1,180,710	1,357,585	1,247,178
Loans with Forbearance Agreements:					
Current..................................	3,888	2,958	1,180	3,140	7,554
Past due 31 days to 89 days..............	2,090	8,904	4,046	1,688	2,703
Past due 90 days or more (1).............	73,557	95,584	114,490	432,606	56,964
	79,535	107,446	119,716	437,434	67,221
	$ 676,672	$ 1,176,579	$ 1,300,426	$ 1,795,019	$ 1,314,399

<FN>
(1) For loans with forbearance agreements that are contractually past due 90 days or more, the following table indicates the payment status of the loans under the terms of their forbearance agreements:
</FN>

	December 31,				
	2000	1999	1998	1997	1996
Current....................................	$ 50,719	$ 67,897	$ 77,893	$ 184,526	$ 17,808
Past due 31 to 89 days.....................	2,278	27,321	32,179	131,821	15,025
Past due 90 days or more...................	20,560	366	4,418	116,259	24,131
	$ 73,557	$ 95,584	$ 114,490	$ 432,606	$ 56,964

	December 31,				
	2000	1999	1998	1997	1996
PERCENTAGE OF LOANS					
Loans without Forbearance Agreements:					
Current.................................	43.69%	43.33%	44.47%	37.33%	43.52%
Past due 31 days to 89 days..............	0.93	1.99	2.73	1.18	1.48
Past due 90 days or more.................	43.63	38.10	39.21	35.56	38.51
Acquired and servicing not yet transferred	--	7.44	4.39	1.56	11.38
	88.25	90.86	90.80	75.63	94.89
Loans with Forbearance Agreements:					
Current..................................	0.57	0.25	0.09	0.18	0.57
Past due 31 days to 89 days..............	0.31	0.76	0.31	0.09	0.21
Past due 90 days or more.................	10.87	8.13	8.80	24.10	4.33
	11.75	9.14	9.20	24.37	5.11
	100.00%	100.00%	100.00%	100.00%	100.00%

The following table sets forth certain information relating to the

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Company's allowance for loan losses on discount loans at the dates indicated:

	December 31,				
	2000	1999	1998	1997	1996
Allowance for loan losses as a percentage of:					
Total loans (1)..........................	3.75%	2.06%	2.04%	1.61%	1.08%
Total assets.............................	0.93%	0.58%	0.65%	0.77%	0.46%

<FN>
(1) Total loans are net of unaccreted discount.
</FN>

See Note 8 to the Consolidated Financial Statements (which is incorporated herein by reference).

ALLOWANCES FOR LOAN LOSSES. The Company maintains an allowance for loan losses for each of its loan, discount loan and match funded loan portfolios at a level which management considers adequate to provide for probable losses in each portfolio based upon an evaluation of known and inherent risks in such portfolios. The following tables set forth (a) the breakdown of the allowance for loan losses on the Company's loan portfolio, discount loan portfolio and match funded loan portfolios by loan category and (b) the percentage of loans in each category to total loans in the respective portfolios at the dates indicated:

	December 31,				
	2000	1999	1998	1997	1996
AMOUNT					
Loan portfolio:					
Single family residential loans..........	$ 10	$ 87	$ 215	$ 512	$ 520
Multi-family residential loans...........	993	1,722	2,714	2,163	673
Commercial real estate loans.............	1,405	5,450	1,999	1,009	2,299
Other....................................	--	--	--	11	31
	$ 2,408	$ 7,259	$ 4,928	$ 3,695	$ 3,523
Discount loan portfolio:					
Single family residential loans..........	$ 3,483	$ 11,081	$ 10,307	$ 15,017	$ 3,528
Multi-family residential loans...........	1,805	1,681	2,457	2,616	3,124
Commercial real estate loans.............	6,813	5,152	8,607	5,860	4,886
Other loans (1)..........................	8,770	1,267	31	--	--
	$ 20,871	$ 19,181	$ 21,402	$ 23,493	$ 11,538
Match funded loans:					
Single family residential loans..........	$ 285	$ 495	$ --	$ --	$ --

<FN>
(1) Allowance for loan losses on other discount loans pertains to the Company's charged-off unsecured credit card receivables acquired at a discount.
</FN>

	December 31,				
	2000	1999	1998	1997	1996
PERCENTAGE OF LOANS TO TOTAL LOANS					
Loan portfolio:					
Single family residential loans..........	0.8%	2.3%	12.4%	15.7%	14.6%
Multi-family residential loans...........	42.5	42.5	30.9	24.2	13.5
Commercial real estate loans.............	56.7	55.2	56.7	60.0	71.3
Other....................................	--	--	--	0.1	0.6
	100.0%	100.0%	100.0%	100.0%	100.0%

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Discount loan portfolio:					
Single family residential loans	42.8%	48.3%	41.6%	50.1%	38.4%
Multi-family residential loans	15.6	16.5	21.3	10.0	25.2
Commercial real estate loans	39.0	33.0	36.2	39.8	36.2
Other loans	2.6	2.2	0.9	0.1	0.2
	100.0%	100.0%	100.0%	100.0%	100.0%
Match funded loans:					
Single family residential loans	100.0%	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 sets forth an analysis of activity in the allowance for loan losses relating to the Company's loan portfolio during the periods indicated:

	Year Ended December 31,				
	2000	1999	1998	1997	1996
Balance at beginning of period	$ 7,259	$ 4,928	$ 3,695	$ 3,523	$ 1,947
Provision for loan losses	4	1,636	891	325	1,872
Charge-offs:					
Single family residential loans	--	(8)	(212)	(100)	(261)
Multi-family residential loans	(1,662)	--	--	--	(7)
Commercial real estate loans	(3,193)	--	--	--	--
Consumer loans	--	--	(7)	(53)	(28)
Total charge-offs	(4,855)	(8)	(219)	(153)	(296)
Recoveries:					
Commercial real estate loans	--	--	561	--	--
Net (charge-offs) recoveries	(4,855)	(8)	342	(153)	(296)
Acquired allowance (OAC acquisition)	--	703	--	--	--
Balance at end of period	$ 2,408	$ 7,259	$ 4,928	$ 3,695	$ 3,523
Net (charge-offs) recoveries as a percentage of average loan portfolio	(3.37%)	(--%)	0.13%	(0.04%)	(0.09%)

The following table sets forth an analysis of activity in the allowance for loan losses relating to the Company's discount loan portfolio during the periods indicated:

	Year Ended December 31,				
	2000	1999	1998	1997	1996
Balance at beginning of period	$ 19,181	$ 21,402	$ 23,493	$ 11,538	$ --
Provision for loan losses	15,266	5,434	17,618	31,894	20,578
Charge-offs:					
Single family residential loans	(7,132)	(4,409)	(14,574)	(13,281)	(7,009)
Multi-family residential loans	(888)	(912)	(2,648)	(2,056)	(704)
Commercial real estate loans	(6,193)	(2,687)	(2,888)	(5,012)	(1,503)
Other loans	--	(44)	(20)	--	--
Total charge-offs	(14,213)	(8,052)	(20,130)	(20,349)	(9,216)
Recoveries:					
Single family residential loans	616	397	421	410	176
Commercial real estate loans	21	--	--	--	--
Total recoveries	637	397	421	410	176
Net charge-offs	(13,576)	(7,655)	(19,709)	(19,939)	(9,040)
Balance at end of period	$ 20,871	$ 19,181	$ 21,402	$ 23,493	$ 11,538
Net charge-offs as a percentage of average discount loan portfolio	(1.66%)	(0.80%)	(1.52%)	(1.55%)	(1.34%)

INVESTMENTS IN LOW-INCOME HOUSING TAX CREDIT INTERESTS. The Company has invested in multi-family residential projects which have been allocated low-income housing tax credits under Section 42 of the Internal Revenue Code of 1986, as amended, by a state tax credit allocating agency. At December 31, 2000, the Company had $55,729 of such investments, as compared to $150,989 at December 31, 1999. The $95,230 decrease during 2000 is due to the Company's sale of its investment in ten projects with an aggregate carrying value of $27,402 and the transfer of twenty-five projects with a carrying value of $81,097 to held for sale, offset by additional investments in existing projects. See "Low-Income Housing Tax Credit Interests Held for Sale" below and Note 16 to the Consolidated Financial Statements (which is incorporated herein by reference).

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LOW-INCOME HOUSING TAX CREDIT INTERESTS HELD FOR SALE. At December 31, 2000, the Company's investments in low-income housing tax credit interests held for sale amounted to $87,083 as compared to $0 at December 31, 1999. During 2000, the Company

entered into agreements to sell twenty-five of its low-income housing tax credit properties, together with the related tax credits. Although these agreements resulted in the transfer of tax credits and operating results for these properties to the purchaser, they did not qualify as sales for accounting purposes primarily due to insufficient cash received at signing, as well as to certain contingencies with respect to potential repurchase requirements. As a result, the Company has reclassified these properties as held for sale and has valued them at the lower of cost or fair value less disposal costs. The Company recorded a charge to earnings during 2000 of $6,448 reflecting the expected net loss to be incurred upon completion of these transactions. See Note 15 to the Consolidated Financial Statements (which is incorporated herein by reference).

INVESTMENTS IN UNCONSOLIDATED ENTITIES. Investments in unconsolidated entities amounted to $430 and $37,118 at December 31, 2000 and 1999, respectively. The decrease of $36,688 during 2000 was primarily the result of the Company's sale of its investment in Kensington. Prior to the sale in November, the Company recorded equity in the losses of its investment in Kensington of $5,280.

See Note 2 and Note 10 to the Consolidated Financial Statements (which are incorporated herein by reference).

REAL ESTATE OWNED, NET. Real estate owned, net, decreased by $21,087 or 13% during 2000. Sales of real estate owned more than offset loan foreclosures during the year. Real estate owned consists almost entirely of properties acquired by foreclosure or deed-in-lieu thereof on loans in the Company's discount loan portfolio.

The following table sets forth the composition of real estate owned by loan portfolio at the dates indicated:

	December 31,				
	2000	1999	1998	1997	1996
Discount loan portfolio:					
Single family residential	$ 55,751	$ 72,193	$ 94,641	$ 76,409	$ 49,728
Multi-family residential	149	2,601	20,130	16,741	14,046
Commercial real estate	88,214	85,233	82,591	71,339	36,264
Total	144,114	160,027	197,362	164,489	100,038
Loan portfolio	1,384	2,183	227	357	592
Loans available for sale	921	5,296	3,962	2,419	3,074
	$ 146,419	$ 167,506	$ 201,551	$ 167,265	$ 103,704

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

	Year Ended December 31,				
	2000	1999	1998	1997	1996

AMOUNT					
Balance at beginning of period........................	$ 167,506	$ 201,551	$ 167,265	$ 103,704	$ 166,556
Properties acquired through foreclosure or deed-in-lieu thereof:					
Discount loans......................................	193,469	203,043	382,904	292,412	138,543
Loans available for sale............................	4,669	13,281	7,787	5,569	3,671
Loan portfolio......................................	2,872	4,451	547	661	1,207
Less discount transferred...........................	(60,246)	(63,664)	(110,716)	(93,021)	(41,323)
	140,764	157,111	280,522	205,621	102,098
Acquired in connection with acquisitions of discount loans..	9,059	47,808	19,949	38,486	2,529
Sales...	(169,949)	(237,108)	(263,206)	(179,693)	(160,592)
Increase in valuation allowance........................	(961)	(1,856)	(2,979)	(853)	(6,887)
Balance at end of period..............................	$ 146,419	$ 167,506	$ 201,551	$ 167,265	$ 103,704

	Year Ended December 31,				
	2000	1999	1998	1997	1996
NUMBER OF PROPERTIES					
Balance at beginning of period........................	1,672	1,999	1,505	825	1,070
Properties acquired through foreclosure or deed-in-lieu thereof:					
Discount loans......................................	2,400	2,367	3,193	1,596	860
Loans available for sale............................	47	157	82	54	51
Loan portfolio......................................	8	10	3	6	7
	2,455	2,534	3,278	1,656	918
Acquired in connection with acquisitions of discount loans..	171	931	303	545	12
Sales...	(3,000)	(3,792)	(3,087)	(1,521)	(1,175)
Balance at end of period..............................	1,298	1,672	1,999	1,505	825

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

	December 31,				
	2000	1999	1998	1997	1996
One to two months....................	$ 17,832	$ 30,695	$ 38,444	$ 83,144	$ 17,695
Three to four months..................	11,450	26,532	79,264	28,912	15,291
Five to six months....................	9,494	11,263	27,115	20,929	14,348
Seven to 12 months....................	18,426	28,606	26,122	23,621	13,004
Over 12 months........................	89,217	70,410	30,606	10,659	43,366
	$ 146,419	$ 167,506	$ 201,551	$ 167,265	$ 103,704

The Company actively manages its real estate owned. Sales of real estate owned resulted in (losses) gains, net of the provision for loss, of $(4,159), $8,257 and $25,213 during 2000, 1999 and 1998, respectively, which are included in determining the Company's gain (loss) on real estate owned. Real estate owned that the Company has held in excess of one year as of December 31, 2000 includes a large retail property with a carrying value of $46,911. As anticipated, this property migrated into the over 12 month category in 1999, because it was being repositioned for sale. Also included in the balance of real estate owned held in excess of one year at December 31, 2000 is an office building with a carrying value of $12,386 which was subsequently sold in January 2001. The average period during which the Company held the real estate owned, which was sold during the years ended December 31, 2000, 1999 and 1998, was 7 months, 6 months and 6 months, respectively.

Properties acquired through foreclosure or by deed-in-lieu thereof are valued at the lower of amortized cost or fair value after foreclosure. Properties included in the Company's real estate owned portfolio are periodically re-evaluated to determine that they are being carried at the lower of cost or fair value less estimated costs to sell. Holding and maintenance costs related to properties are recorded as expenses in the period incurred. Decreases in value resulting from valuation adjustments to real estate owned subsequent to acquisition are recognized as a valuation allowance. Subsequent increases related to the valuation of real estate owned are reflected as a reduction in the valuation allowance, but not below zero. Increases and decreases in the valuation allowance are charged or credited to income, respectively.

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

	Year Ended December 31,				
	2000	1999	1998	1997	1996
Balance at beginning of year	$ 17,181	$ 15,325	$ 12,346	$ 11,493	$ 4,606
Provisions for losses	26,674	28,008	18,626	13,450	18,360
Charge-offs and sales	(25,713)	(26,152)	(15,647)	(12,597)	(11,473)
Balance at end of year	$ 18,142	$ 17,181	$ 15,325	$ 12,346	$ 11,493
Valuation allowance as a percentage of total gross real estate owned (1)	11.02%	9.30%	7.07%	6.87%	9.98%

<FN>
(1) The higher percentages at December 31, 2000 and 1999 reflect increases in the amount of real estate owned which the Company has held in excess of one year, as discussed above.
</FN>

From time to time, the Company makes loans to finance the sale of real estate owned. At December 31, 2000, such loans amounted to $2,960 of commercial loans. All of the Company's loans to finance the sale of real estate owned were performing in accordance with their terms at December 31, 2000.

See Note 11 to the Consolidated Financial Statements (which is incorporated herein by reference).

INVESTMENT IN REAL ESTATE. The Company's investments in real estate amounted to $122,761 and $268,241 at December 31, 2000 and 1999, respectively. The $145,480 decline during 2000 was primarily due to the transfer of 6 properties with an aggregate carrying value of $174,480 to held for sale, offset in part by the purchase of certain acquisition, development and construction loans which are accounted for as investments in real estate. Under the terms of these loans, which had a carrying value of $45,786 at December 31, 2000, the Company participates in the expected residual profits of the underlying real estate and the borrower has not contributed substantial equity to the project. As such, the Company accounts for these loans under the equity method as though it had an investment in a real estate limited partnership.

The Company's properties held for investment at December 31, 2000 are comprised of the following:

Date Acquired	Property	Location	Square Feet	Property Type	% Leased	Carrying Value
07/22/98 (1)	841 Prudential Drive	Jacksonville, FL	550,000	Office Bldg.	99.78%	$ 34,121
04/09/98 (1)	7075 Bayers Road	Halifax, Nova Scotia	402,529	Shopping Ctr.	66.23	20,648
			Accumulated depreciation			(2,359)
						$ 52,410

<FN>
(1) Acquired by the Company through the acquisition of OAC in October 1999.
</FN>

Prudential Building. In July 1998, OAC purchased the Prudential Building, a 515,000 square foot, 22-story office building located in the central business district of Jacksonville, Florida for an aggregate purchase price of $36.0 million, plus closing costs. The purchase price was funded with cash on hand and advances from a line of credit. Simultaneously with this closing, OAC also leased 98% of the building back to the Prudential Insurance Co. of America for a term expiring July 31, 2002 and sold two adjacent parking areas to a neighboring hospital for approximately $4.1 million. Aetna U.S. Healthcare has executed a 7-year lease, commencing on August 1, 2002, for approximately 297,000 square feet. This lease is contingent upon, among other factors, the construction and completion of an 1,100 space parking garage prior to the commencement date.

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Bayer's Road Shopping Centre. In April 1998, OAC acquired the Bayers Road Shopping Centre, which is located at 7075 Bayers Road in Halifax, Nova Scotia. The property was acquired by foreclosure on the loans secured by the property, which were acquired by OAC at a discount in September 1997. The property contains 408,183 square feet of space, which consists primarily of retail space but also includes some office space and storage space. The original buildings were built in 1956 and were enclosed and expanded in several phases between 1971 and 1987. The property was approximately 66.23% leased at December 31, 2000. The Company currently is implementing a renovation plan to establish the second level as a community shopping center anchored by value-oriented retailers while filling the lower level with service providers, discount retailers and entertainment uses. The third level will remain office space.

The following table sets forth various information for each investment in real estate through December 31, 2000:

Property	Initial Cost to OAC	Fair Value Adjustments	Gross Book Value at 12/31/00	Accumulated Depreciation	Rents due and accrued at end	2000 Total Rental Income
Prudential....................	$ 32,827	$ (716)	$ 34,121	$ 1,323	$ 2,561	$ 8,303
Bayers Road...................	15,219	(1,866)	20,648	1,036	170	3,010
Total......................	$ 48,046	$ (2,582)	$ 54,769	$ 2,359	$ 2,731	$ 11,313

The following table sets forth a summary schedule of the total lease expirations for the Company's investments in real estate for leases in place as of December 31, 2000, assuming that none of the tenants exercise renewal options or termination rights, if any, at or prior to the scheduled expirations.

Year of Lease Expiration(1)	Number of Leases Expiring	Square Footage of Expiring Leases	Percentage of Aggregate Portfolio Leased Square Feet	Annualized Base Rent of Expiring Leases (2)	Average Base Rent per Square Foot of Expiring Leases (3)	Percentage of Aggregate Portfolio Annualized Base Rent
2001	10	26,560	3.72%	$ 90	3.39	1.70%
2002	7	495,204	69.41	4,487	9.06	84.65
2003	6	10,700	1.50	43	3.99	0.80
2004	5	9,782	1.37	33	3.36	0.62
2005	12	39,772	5.57	133	3.36	2.52
2006	3	96,601	13.54	334	3.46	6.31
2007	--	--	--	--	--	--
2008	1	14,123	1.98	53	3.72	0.99
2009	1	4,409	0.62	42	9.57	0.80
2010	1	16,348	2.29	86	5.24	1.61
Thereafter	--	--	--	--	--	--
	46	713,499	100.00%	$ 5,301		100.00%

<FN>

(1) Lease year runs from January 1 to December 31 for all years.

(2) Annualized base rent is calculated based on the amount of rent scheduled from January 1 of the listed year to the lease expiration.

(3) Average base rent per square foot is calculated using the annualized base rent divided by the square footage.

</FN>

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The Company regularly engages in negotiations with existing tenants to extend leases due to expire as well as to enter into new leases with other interested parties. Square footage involved in such negotiations may vary from a small sub-tenancy to substantially all the available space at any given property.

Non-cancellable operating leases with tenants expire on various dates through 2010. The future minimum rental income (base rent) to be received under leases existing as of December 31, 2000, are as follows:

2001	$ 8,582
2002	5,354
2003	869
2004	791
2005	547
Thereafter	1,381
	$ 17,524

See "Real Estate Held for Sale" below and Note 13 to the Consolidated Financial Statements (which is incorporated herein by reference).

REAL ESTATE HELD FOR SALE. The Company's real estate held for sale amounted to $22,670 at December 31, 2000 as compared to $0 at December 31, 1999, and was comprised of the following properties:

Date Acquired	Property	Location	Square Feet	Property Type	% Leased	Carrying Value
11/10/97 (1)	Cortez Plaza	Bradenton, FL	290,673	Shopping Ctr.	94.34	$ 21,636
10/01/98 (1)	Holiday Village	Havre, MT	195,285	Shopping Ctr.	54.32	1,034
						$ 22,670

<FN>
(1) Acquired by the Company through the acquisition of OAC in October 1999.
</FN>

Set forth below is a brief description of each of the above properties:

Cortez Plaza. In November 1997, OAC purchased Cortez Plaza, a 289,686 square foot shopping center located in Bradenton, Florida, a suburb of Tampa. OAC purchased this property, which was built in 1956 and renovated in 1988, for $18.4 million. In a separate transaction, the fee simple title to a large portion of the shopping center that had been subject to a ground lease was purchased simultaneously for $0.9 million, which resulted in a total investment in this property of $19.3 million.

Holiday Village Shopping Centre. In October 1998, OAC acquired the Holiday Village Shopping Centre, which is located at 1753 Highway 2 West in Havre, Montana. The property was acquired by foreclosure on the loan secured by the property, which was acquired by OAC at a discount in November 1997. The property contains 223,355 square feet of retail space. The original building was built in 1978. An impairment charge of $704 was recorded in 2000, and the property was sold in January 2001.

During 2000, the Company transferred the two properties discussed above, as well as the four properties discussed below, with an aggregate carrying value of $174,480 from the held for investment category to held for sale. The Company engaged unaffiliated third parties to market and sell these properties.

During the second quarter of 2000, the Company sold its office building located at 690 Market Street in San Francisco, which had a book value of $23,273, for $28,000, less commissions and closing costs for a gain of $3,897. The net proceeds consisted of cash of approximately $7,100 and a note receivable of $19,000. The Note has subsequently been paid off.

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During the third quarter of 2000, the Company sold its office building located at 10 United Nations Plaza in San Francisco for $15,500, less commissions and closing costs, for a gain of $2,722. Also during the third quarter of 2000, the Company sold its office building located at 450 Sansome Street in San Francisco for $44,350, less commission and closing costs, for a gain of $14,054.

During the fourth quarter of 2000, the Company sold its office building located at 225 Bush Street in San Francisco for $143.5 million, realizing net proceeds of approximately $60,300 and a gain of $133.

See Note 12 to the Consolidated Financial Statements (which is incorporated herein by reference).

DEFERRED TAX ASSET. At December 31, 2000, the deferred tax asset, net of deferred tax liabilities and valuation allowance, amounted to $95,991, as compared to $136,920 at December 31, 1999. The $40,929 decrease during 2000 was due in large part to an increase in the valuation allowance of $17,500 resulting from the Company's evaluation of the future realizability of the deferred tax asset. Depending on the results of operations in future periods, additional allowances may be required or the valuation allowance may be reversed to income to the extent the deferred tax assets are realized as a reduction of taxes otherwise payable. See Note 25 to the Consolidated Financial Statements (which is incorporated herein by reference) for a disclosure of the components of gross deferred tax assets and liabilities, as well as valuation allowances.

ADVANCES ON LOANS AND LOANS SERVICED FOR OTHERS. Escrow advances related to loan portfolios and loans serviced for others consisted of the following at the dates indicated:

	December 31, 2000	December 31, 1999
Loan Portfolios:		
Taxes and insurance	$ 11,168	$ 19,967
Other	11,840	11,594
	23,008	31,561
Loans Serviced for Others:		
Principal and interest	95,191	58,497
Taxes and insurance	64,159	41,569
Other	44,697	30,921
	204,047	130,987
	$ 227,055	$ 162,548

See Note 14 to the Consolidated Financial Statements (which is incorporated herein by reference).

MORTGAGE SERVICING RIGHTS. The unamortized balance of mortgage servicing rights amounted to $51,426 and $11,683 at December 31, 2000 and 1999, respectively. The $39,743 increase during 2000 is due to $49,779 of purchases, offset by $10,036 of amortization. See Note 14 to the Consolidated Financial Statements (which is incorporated herein by reference).

DEPOSITS. Deposits decreased $556,287 or 31% during 2000 primarily as a result of a $357,732 decrease in certificates of deposit, primarily brokered, and a $182,794 decrease in non-interest bearing checking. The decrease in non-interest bearing checking deposits is primarily due to the transfer of custodial deposit balances, primarily representing collections of principal and interest from borrowers which have yet to be remitted to investors, to a correspondent bank. See Note 18 to the Consolidated Financial Statements (which is incorporated herein by reference).

The following table sets forth information related to the Company's deposits at the dates indicated:

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	Year Ended December 31,								
	2000			1999			1998		
	Amount	Weighted Average Rate	% of Total Deposits	Amount	Weighted Average Rate	% of Total Deposits	Amount	Weighted Average Rate	% of Total Deposits
Non-interest bearing checking accounts	$ 69,840	--%	5.5%	$ 252,634	--%	13.9%	$ 225,404	--%	10.4%
NOW and money market checking accounts	14,669	5.33%	1.2	30,343	3.95%	1.7	35,070	3.40%	1.6
Savings accounts	1,274	2.38%	0.1	1,361	2.38%	0.1	1,326	2.30%	0.1
	85,783		6.8	284,338		15.7	261,800		12.1
Certificates of deposit (1)(2) ...	1,176,566			1,536,997			1,916,548		
Unamortized deferred fees	(3,989)			(6,688)			(9,557)		
Total certificates of deposit	1,172,577	6.33%	93.2	1,530,309	5.92%	84.3	1,906,991	5.78%	87.9
	1,258,360		100.0%	$1,814,647		100.0%	$2,168,791		100.0%

<FN>

(1) Included $964,443, $1,379,262 and $1,718,346 at December 31, 2000, 1999 and 1998, respectively, of brokered deposits originated through national, regional and local investment banking firms which solicit deposits from their customers, all of which are non-cancellable.

(2) At December 31, 2000, 1999 and 1998, certificates of deposit issued on an uninsured basis (greater than $100) amounted to $75,417, $155,205 and $122,329, respectively. Of the $75,417 of uninsured deposits at December 31, 2000, $24,781 were from political subdivisions in New Jersey and were secured or collateralized as required under state law.

</FN>

The following table sets forth remaining maturities for the Company's term deposits in amounts of $100 or more at December 31, 2000:

Three months or less..	$ 35,938
Over three months through six months...........................	15,608
Over six months through twelve months..........................	46,756
Thereafter..	27,518
	$125,820

BONDS-MATCH FUNDED AGREEMENTS. At December 31, 2000 and 1999, the Company held $107,050 and $141,515, respectively, of bonds-match funded agreements which arose in connection with a previous securitization of loans by OAC accounted for as a financing transaction, and which were acquired as a result of the acquisition of OAC. In addition, on December 16, 1999, the Company transferred four unrated residual securities to a trust in exchange for non-recourse notes. The transfer did not qualify as a sale under FAS 125. Accordingly, the amount of proceeds from the transfers are reported as a liability. The $34,465 decline in the balance of bonds-match funded agreements outstanding during 2000 was due to principal repayments offset by amortization of discount. See Notes 9 and 19 to the Consolidated Financial Statements (which are incorporated herein by reference).

NOTES, DEBENTURES AND OTHER INTEREST-BEARING OBLIGATIONS. Notes, debentures and other interest-bearing obligations amounted to $173,330 and $317,573 at December 31, 2000 and 1999, respectively. The $144,243 or 45% decrease during 2000 is primarily due to repurchases. These repurchases resulted in extraordinary gains of $17,964 ($11,317 after tax). See Note 21 to the Consolidated Financial Statements (which is incorporated herein by reference) for a disclosure of the Company's notes, debentures and other interest-bearing obligations by maturity at December 31, 2000 and 1999.

OBLIGATIONS OUTSTANDING UNDER LINES OF CREDIT. At December 31, 2000, the Company had $32,933 of obligations outstanding under lines of credit as compared to $187,866 at December 31, 1999. The $154,933 or 82% decrease is primarily the result of repayments of lines previously secured by loans and real estate properties held for sale which were sold during 2000. See Note 20 to the Consolidated Financial Statements (which is incorporated herein by reference).

COMPANY OBLIGATED, MANDATORILY REDEEMABLE SECURITIES OF SUBSIDIARY TRUST HOLDING SOLELY JUNIOR SUBORDINATED DEBENTURES OF THE COMPANY ("CAPITAL SECURITIES"). The outstanding balance of the 10.875% Capital Securities amounted to $79,530 and $110,000 at December 31, 2000 and 1999, respectively. During 2000, the Company repurchased $30,470 of its Capital Securities in the open market, resulting in extraordinary gains of $11,470 ($7,396 net of taxes). See Note 22 to the Consolidated Financial Statements (which is incorporated herein by reference).

STOCKHOLDERS' EQUITY. Stockholders' equity amounted to $503,426 at December 31, 2000 as compared to $509,442 at December 31, 1999, a decrease of $6,016. The decrease was primarily due to the repurchase of 1,388,300 shares of common stock in the aggregate amount of $8,996 during the first quarter of 2000, offset in part by net income of $2,192. On September 30, 2000, the Company changed its policy for securities available for sale and match funded securities to account for these securities as trading. As a result, net unrealized holding gains and losses on trading securities are now included in earnings. Previously, unrealized holding gains and losses for these securities were reported as a separate component of accumulated other comprehensive income in stockholders' equity. See Consolidated Statements of Changes in Stockholders' Equity and Notes 1 and 27 to the Consolidated Financial Statements (which are incorporated herein by reference).

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

The Committee's methods for evaluating interest rate risk include an analysis of 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 December 31, 2000. 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) NOW and money market checking deposits and savings deposits, which do not have contractual maturities, reflect estimated levels of attrition, which are based on detailed studies of each such category of deposit by the Company and (v) escrow deposits and other non-interest bearing checking accounts, which amounted to $69,840 at December 31, 2000, 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.

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	December 31, 2000				
	Within Three Months	Four to Twelve Months	More Than One Year to Three Years	Three Years and Over	Total
RATE-SENSITIVE ASSETS:					
Interest-earning deposits	$ 134,987	$ --	$ --	$ --	$ 134,987
Trading securities	91,444	166,704	58,091	74,003	390,242
Loans available for sale (1)	574	5,239	2,376	2,421	10,610
Investment securities, net	13,257	--	--	--	13,257
Loan portfolio, net (1)	47,338	12,102	31,692	2,282	93,414
Discount loan portfolio, net (1)	61,555	228,553	142,064	103,856	536,028
Match funded loans and securities, net (1)	2,786	36,521	41,968	35,712	116,987
Total rate-sensitive assets	351,941	449,119	276,191	218,274	1,295,525
RATE-SENSITIVE LIABILITIES:					
NOW and money market checking deposits	12,849	209	447	1,164	14,669
Savings deposits	145	174	344	611	1,274
Certificates of deposit	147,050	495,292	431,183	99,052	1,172,577
Total interest-bearing deposits	160,044	495,675	431,974	100,827	1,188,520
Bonds-match funded agreements	73,144	17,024	8,002	8,880	107,050
Obligations outstanding under lines of credit	32,933	--	--	--	32,933
Notes, debentures and other	6,235	--	100,050	67,045	173,330
Total rate-sensitive liabilities	272,356	512,699	540,026	176,752	1,501,833
Interest rate sensitivity gap excluding financial instruments	79,585	(63,580)	(263,835)	41,522	(206,308)
FINANCIAL INSTRUMENTS:					
Interest rate swap	33,000	(33,000)	--	--	--
Interest rate caps	--	--	345	--	345
Interest rate floors	--	--	154	--	154
Total rate-sensitive financial instruments	33,000	(33,000)	499	--	499
Interest rate sensitivity gap including financial instruments	$ 112,585	$ (96,580)	$ (263,336)	$ 41,522	$ (205,809)
Cumulative interest rate sensitivity gap	$ 112,585	$ 16,005	$ (247,331)	$ (205,809)	
Cumulative interest rate sensitivity gap as a percentage of total rate-sensitive assets	8.69%	1.24%	(19.09)%	(15.89)%	

<FN>
(1) Balances have not been reduced for non-performing loans.
</FN>

The OTS has established specific minimum guidelines for thrift institutions to observe in the area of interest rate risk as described in Thrift Bulletin No. 13a, "Management of Interest Rate Risk, Investment Securities, and Derivative Activities" ("TB 13a"). Under TB 13a, institutions are required to establish and demonstrate quarterly compliance with board-approved limits on interest rate risk that are defined in terms of net portfolio value ("NPV"), which is defined as the net present value of an institution's existing assets, liabilities and off-balance sheet instruments. These limits specify the minimum net portfolio value ratio ("NPV Ratio") allowable under current interest rates and hypothetical interest rate scenarios. An institution's NPV Ratio for a given interest rate scenario is calculated by dividing the NPV that would result in that scenario by the present value of the institution's assets in that same scenario. The hypothetical scenarios are represented by immediate, permanent, parallel movements (shocks) in the term structure of interest rates of plus and minus 100, 200 and 300 basis points from the actual term structure observed at quarter end. The current NPV Ratio for each of the seven rate scenarios and the corresponding limits approved by the Board of Directors, and as applied to OCN, are as follows at December 31, 2000:

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Rate Shock in basis points	Board Limits (minimum NPV Ratios)	Current NPV Ratios
+300	5.00%	26.59%
+200	6.00%	26.53%
+100	7.00%	26.45%
0	8.00%	26.36%
-100	7.00%	26.30%
-200	6.00%	26.31%
-300	5.00%	26.43%

The Committee also regularly reviews interest rate risk by forecasting the impact of alternative interest rate environments on net interest income and NPV and evaluating such impacts against the maximum potential changes in net interest income and NPV that is authorized by the Board of Directors, and as applied to OCN. The following table quantifies the potential changes in net interest income and net portfolio value should interest rates go up or down (shocked) 300 basis points, assuming the yield curves of the rate shocks will be parallel to each other. The cash flows associated with the loan portfolios and securities available for sale are calculated based on prepayment and default rates that vary by asset. Projected losses, as well as prepayments, are generated based upon the actual experience with the subject pool, as well as similar, more seasoned pools. To the extent available, loan characteristics such as loan-to-value ratio, interest rate, credit history, prepayment penalty terms and product types are used to produce the projected loss and prepayment assumptions that are included in the cash flow projections of the securities. When interest rates are shocked, these projected loss and prepayment assumptions are further adjusted. The base interest rate scenario assumes interest rates at December 31, 2000. Actual results could differ significantly from the OCN results estimated in the following table:

	Estimated Changes in	
Rate Shock in basis points	Net Interest	NPV
+300	21.96%	(2.05)%
+200	14.64%	(1.31)%
+100	7.32%	(0.63)%
0	0.00%	0.00%
-100	(7.32)%	0.77%
-200	(14.64)%	1.94%
-300	(21.96)%	3.69%

The following table shows the Company's financial instruments that are sensitive to changes in interest rates, categorized by expected maturity or repricing characteristics, and the instruments' fair values at December 31, 2000:

	Expected Maturity Date At December 31, 2000 (1)							
	2001	2002	2003	2004	2005	Thereafter	Total Balance	Fair Value
Rate-Sensitive Assets:								
Interest-earning deposits........	$ 134,987	$ --	$ --	$ --	$ --	$ --	$ 134,987	$ 134,987
Average interest rate..........	4.78%	--	--	--	--	--	4.78%	
Trading securities..............	258,148	42,485	15,606	15,780	10,928	47,295	390,242	390,242
Average interest rate..........	7.43%	10.36%	20.12%	21.79%	22.76%	15.80%	10.28%	
Loans available for sale (2).....	5,813	1,732	644	389	339	1,693	10,610	10,610

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

Average interest rate..........	9.52%	8.96%	9.22%	9.63%	9.73%	10.23%	9.53%	
Investment securities............	13,257	--	--	--	--	--	13,257	13,257
Average interest rate..........	--	--	--	--	--	--	--	
Loan portfolio, (2)..............	59,440	30,689	1,003	828	590	864	93,414	93,408
Average interest rate..........	10.07%	9.79%	9.84%	10.01%	10.41%	11.63%	9.99%	
Discount loan portfolio (2)......	290,108	102,478	39,586	25,475	10,890	67,491	536,028	579,909
Average interest rate..........	8.43%	8.39%	8.49%	8.43%	8.83%	9.13%	8.52%	
Match funded loans and securities (2).................	39,307	28,766	13,202	4,382	3,416	27,914	116,987	109,635
Average interest rate..........	11.10%	10.87%	10.01%	9.85%	9.78%	9.29%	10.40%	
Total rate-sensitive assets..	$ 801,060	$ 206,150	$ 70,041	$ 46,854	$ 26,163	$ 145,257	$ 1,295,525	$ 1,332,048
Rate-Sensitive Liabilities:								
NOW and money market checking deposits.....................	$ 13,058	$ 242	$ 205	$ 175	$ 148	$ 841	$ 14,669	$ 14,356
Average interest rate..........	3.55%	0.47%	0.47%	0.47%	0.47%	0.47%	3.21%	
Savings deposits.................	319	191	153	122	98	391	1,274	1,216
Average interest rate..........	2.35%	2.35%	2.35%	2.35%	2.35%	2.35%	2.35%	
Certificates of deposit..........	642,342	327,125	104,058	53,634	25,377	20,041	1,172,577	1,190,856
Average interest rate..........	6.30%	6.38%	6.17%	6.70%	6.93%	5.94%	6.34%	
Total interest-bearing deposits...................	655,719	327,558	104,416	53,931	25,623	21,273	1,188,520	1,206,428
Bonds-match funded agreements....	90,168	4,568	3,434	3,204	3,024	2,652	107,050	108,783
Average interest rate..........	7.36%	9.50%	9.50%	9.50%	9.50%	9.50%	7.70%	
Obligations outstanding under lines of credit.............	32,933	--	--	--	--	--	32,933	32,933
Average interest rate..........	8.96%	--	--	--	--	--	8.96%	
Notes, debentures and other......	6,235	--	100,050	--	67,045	--	173,330	152,277
Average interest rate..........	9.06%	--	11.88%	--	12.00%	--	11.82%	
Total rate-sensitive liabilities................	$ 785,055	$ 332,126	$ 207,900	$ 57,135	$ 95,692	$ 23,925	$ 1,501,833	$ 1,500,421

<FN>

(1) Expected maturities are contractual maturities adjusted for prepayments of principal. The Company uses certain assumptions to estimate fair values and expected maturities. For assets, expected maturities are based upon contractual maturity, projected repayments and prepayments of principal. The prepayment experience reflected herein is based on the Company's historical experience. The Company's average Constant Prepayment Rate ("CPR") is 16.51% and 13.90% on its fixed-rate and adjustable-rate portfolios, respectively, for interest-earning assets (excluding investment securities, which do not have prepayment features). The actual maturities of these instruments could vary substantially if future prepayments differ from the Company's historical experience.

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

</FN>

(3) The expected maturity or repricing dates of interest rate-sensitive assets and liabilities as of December 31, 2000 and 1999 compare as follows:

	1st Year	2nd Year	3rd Year	4th Year	5th Year	Thereafter	Total
Total rate-sensitive assets:							
2000:							
Amount..........................	$ 801,060	$ 206,150	$ 70,041	$ 46,854	$ 26,163	$ 145,257	$1,295,525
% of total....................	61.83%	15.91%	5.41%	3.62%	2.02%	11.21%	100.00%
1999:							
Amount..........................	$1,345,649	$ 290,464	$ 114,899	$ 99,897	$ 49,757	$ 199,860	$2,100,526
% of total....................	64.06%	13.83%	5.47%	4.76%	2.37%	9.51%	100.00%
Total rate-sensitive liabilities:							
2000:							
Amount..........................	$ 785,055	$ 332,126	$ 207,900	$ 57,135	$ 95,692	$ 23,925	$1,501,833
% of total....................	52.27%	22.12%	13.84%	3.81%	6.37%	1.59%	100.00%
1999:							
Amount..........................	$1,148,256	$ 425,506	$ 234,488	$ 177,796	$ 37,547	$ 232,744	$2,256,332
% of total....................	50.89%	18.86%	10.39%	7.88%	1.66%	10.32%	100.00%

The Company believes that the broad geographic distribution of its loans available for sale, loan portfolio, discount loan portfolio and match-funded loans reduces the risks that would otherwise result from concentrating such loans in limited geographic areas. See Notes 6, 7, 8 and 9 to the Consolidated Financial Statements (which are incorporated herein by reference).

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

INTEREST RATE RISK MANAGEMENT. In managing its interest rate risk, the Company enters into interest rate swaps. Under interest rate swaps, the Company agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional amount. The Company utilizes interest rate swaps 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 securities sold under agreements to repurchase, in an increasing interest-rate environment. The Company had entered into interest rate swaps with an aggregate notional amount of $33,000 and $200,780 at December 31, 2000 and, 1999, respectively.

During 1999, the Company entered into swaption and put option contracts to mitigate its interest rate exposure on anticipated future funding related to certain of its investments in low-income housing tax credit interests. Swaption contracts are options to enter into an interest rate swap agreement at a future date at a specific interest rate. A European put option allows the Company to sell a specified quantity of an asset at a specified price at a specific date. At December 31, 2000, the Company had no swaption or put option contracts outstanding. The Company had entered into swaptions and put options with an aggregate notional amount of $20,900 at December 31, 1999.

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 December 31, 2000 the Company had no futures contracts outstanding. At December 31, 1999, the Company had entered into futures contracts with an aggregate notional amount of $19,000.

In addition, the Company purchased amortizing caps and floors to hedge its interest rate exposure relating to its match funded loans and securities. An interest rate cap or interest rate floor is designed to provide protection against the interest rate on a floating-rate instrument rising above some level (cap) or falling below some level (floor). The Company had entered into caps and floors with an aggregate notional amount of $141,674 and $37,787, respectively, at December 31, 2000, and caps and floors with an aggregate notional amount of $159,211 and $41,899, respectively, at December 31, 1999.

To hedge the economic risk associated with mortgage servicing assets, subsequent to December 31, 2000 the Company entered into a floor contract based on the CMT 10-year index and a strike rate of 5.60% with a notional amount of $11,600. The fair values of the mortgage servicing assets and the floor contract are subject to variability as interest rates change. Given the current interest rate environment, including changes since December 31, 2000, the Company continues to assess the fair value of the servicing assets and related floor contract.

See the "Derivative Financial Instruments" section of Note 1 and the "Interest Rate Management" section of Note 24 to the Consolidated Financial Statements (which are incorporated herein by reference).

FOREIGN CURRENCY EXCHANGE RATE RISK MANAGEMENT. The Company has entered into foreign currency derivatives to hedge its net investment in a foreign subsidiary which owns securities backed by residential loans originated in the UK ("UK residuals") and its net investment in a foreign subsidiary which owns a shopping center located in Halifax, Nova Scotia ("the Nova Scotia shopping center"). The Company's exposure to foreign currency exchange rates exists with the British Pound versus the U.S. dollar and the Canadian Dollar ("C$") versus the U.S. dollar. It is the Company's policy to periodically adjust the amount of foreign currency derivative contracts it has entered into in response to changes in its recorded investment in these foreign entities, as well as assets denominated in a foreign currency.

Prior to the sale of its equity investment in Kensington, the Company had entered into a currency forward contract with a AAA-rated counterparty and bought short foreign currency futures contracts to hedge its equity investment in Kensington. These derivative instruments were closed in November 2000.

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

The Company's hedges, the related investments in foreign subsidiaries, the previously owned foreign currency equity investment and the net exposures as of December 31, 2000 and December 31, 1999 were as follows:

	Investment	Hedge	Net Exposure
DECEMBER 31, 2000:			
UK residuals.....................	$ 23,239	$ 22,236	$ (1,003)
Nova Scotia shopping center.......	$ 21,913	$ 22,423	$ 510
DECEMBER 31, 1999:			
Kensington.......................	$ 36,215	$ 38,632	$ 2,417
UK residuals.....................	$ 28,098	$ 25,689	$ (2,409)
Nova Scotia shopping center.......	$ 14,844	$ 16,389	$ 1,545

The net exposures are subject to gain or loss if foreign currency exchange rates fluctuate. See the "Derivatives Financial Instruments" section of Note 1 and the "Foreign Currency Management" section of Note 24 to the Consolidated Financial Statements (which are incorporated herein by reference).

LIQUIDITY, COMMITMENTS AND OFF-BALANCE SHEET RISKS

The primary sources of funds for liquidity consist of deposits, FHLB advances, reverse repurchase agreements, lines of credit and maturities and payments of principal and interest on loans and securities and proceeds from sales and securitizations thereof.

Sources of liquidity include certificates of deposit obtained primarily from wholesale sources. At December 31, 2000, the Company had $1,172,577 of certificates of deposit, net of deferred fees, including $964,443 of brokered certificates of deposit obtained through national investment banking firms, all of which are non-cancellable. At the same date, scheduled maturities of certificates of deposit during the 12 months ending December 31, 2001 and 2002, and thereafter amounted to $642,342, $327,125 and $203,110, respectively.

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 December 31, 2000, the Company was eligible to borrow up to an aggregate of $41,275 from the FHLB of New York (subject to the availability of acceptable collateral) and had $30,640 of residential loans and $17,702 of short duration CMOs (all of which were held by the Bank) pledged as security for any such advances. At December 31, 2000, the Company had contractual relationships with twelve brokerage firms and the FHLB of New York pursuant to which it could obtain funds from reverse repurchase agreements. At December 31, 2000, the Company had $136,526 of unrestricted cash and cash

equivalents and $256,439 of short duration CMOs which could be used to secure additional borrowings. At December 31, 2000, the Company had no outstanding FHLB advances.

The Company believes that its existing sources of liquidity, including internally generated funds, will be adequate to fund planned activities for the foreseeable future, although there can be no assurances in this regard. Moreover, the Company continues to evaluate other sources of liquidity, such as lines of credit from unaffiliated parties, which will enhance the management of its liquidity and the costs thereof. Please also see the "Short-Term Highly Liquid Investments," "Securities Sold Under Agreements to Repurchase," and "Derivative Financial Instruments" sections of Note 1 and Notes 18 and 20 to the Consolidated Financial Statements (which are incorporated herein by reference).

The Company's operating activities provided (used) $5,614, $(248,383) and $286,252 of cash flows during 2000, 1999 and 1998, respectively. During the foregoing years, cash resources were provided primarily by net income 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 provided (used) cash flows totaling $741,762, $518,767 and $(218,245) during 2000, 1999 and 1998, respectively. During the foregoing years, cash flows from investing activities were provided primarily by principal payments on discount loans and loans held for investment, maturities of and principal payments received on securities available for sale and proceeds from sales of discount loans, securities available for sale, real estate held for sale and real estate owned. Cash flows from investing activities were primarily utilized to purchase discount loans and securities available for sale. Cash flows from investing activities for 1999 included $122,101 of proceeds from the sale of Ocwen UK. Cash flows used for investing activities in 1998 included $426,096 for the acquisitions of subsidiaries, primarily Ocwen UK. The source of funds for this purchase included a loan facility from Greenwich International, LTD, which provided $375,120.

The Company's financing activities (used) provided cash flows of $(947,859), $(335,319) and $219,466 during 2000, 1999 and 1998, respectively. Cash flows from financing activities were primarily related to changes in the Company's deposits and the issuance of obligations outstanding under lines of credit. Cash flows from financing activities were primarily utilized to repay reverse repurchase agreements and obligations outstanding under lines of credit, as well as the repurchase of debt and common stock.

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 (currently not less than 4% of its average daily balance of net withdrawable deposit accounts and borrowings payable in one year or less.) The Bank's liquidity, as measured for regulatory purposes, averaged 7.49%, 11.73%, 8.34%, 5.6% and 8.8% during the years ended December 31, 2000, 1999, 1998, 1997 and 1996, respectively, and amounted to 8.58% at December 31, 2000.

At December 31, 2000, the Company had $11,259 of commitments related to the funding of construction loans (including loans accounted for as investments in real estate). Management believes that the Company has adequate resources to fund all such unfunded commitments to the extent required and that substantially all of such unfunded commitments will be funded during 2001. See Note 33 to the Consolidated Financial Statements (which is incorporated herein by reference).

In addition to commitments to extend credit, the Company is party to various off-balance sheet financial instruments in the normal course of the Company's business in order to manage its interest rate risk and foreign currency exchange rate risk. See Note 24 to the Consolidated Financial Statements (which is incorporated herein by reference) and "Asset and Liability Management" above.

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 AND OTHER REQUIREMENTS

See Note 28 to the Consolidated Financial Statements (which is incorporated herein by reference).

RECENT ACCOUNTING DEVELOPMENTS

For information relating to the effects on the Company of the adoption of recent accounting standards, see Note 1 to the Consolidated Financial Statements (which is incorporated herein by reference).

FORWARD-LOOKING STATEMENTS

Certain statements contained herein are not, and certain statements contained in future filings by the Company with the Securities and Exchange Commission (the

"Commission"), in the Company's press releases or in the Company's other public or shareholder communications may not be, based on historical facts and are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements, which are based on various assumptions (some of which are beyond the Company's control), may be identified by reference to a future period(s) or by the use of forward-looking terminology such as "anticipate," "believe," "commitment," "consider," "continue," "could," "estimate," "expect," "foresee," "intend," "in the event of," "may," "plan," "propose," "prospect," "whether," "will," "would," future or conditional verb tenses, similar terms, variations on such terms or negatives of such terms. Although the Company believes the anticipated results or other expectations reflected in such forward-looking statements are based on reasonable assumptions, it can give no assurance that those results or expectations will be attained. Actual results could differ materially from those indicated in such statements due to risks, uncertainties and changes with respect to a variety of factors, including, but not limited to, international, national, regional or local economic environments (particularly in the market areas where the Company operates), government fiscal and monetary policies (particularly in the market areas where the Company operates), prevailing interest or currency exchange rates, effectiveness of interest rate, currency and other hedging strategies, laws and regulations affecting financial institutions, investment companies and real estate (including regulatory fees, capital requirements, access for disabled persons and environmental compliance), uncertainty of foreign laws, competitive products, pricing and conditions (including from competitors that have significantly greater resources than the Company), credit, prepayment, basis, default, subordination and asset/liability risks, loan servicing effectiveness, ability to identify acquisitions and investment opportunities meeting the Company's investment strategy, the course of negotiations and the ability to reach agreement with respect to the material terms of any particular transaction, satisfactory due diligence results, satisfaction or fulfillment of agreed upon terms and conditions of closing or performance, the timing of transaction closings, software integration, development and licensing, damage to the company's computer equipment and the information stored its data centers, availability of and costs associated with obtaining adequate and timely sources of liquidity, ability to repay or refinance indebtedness (at maturity or upon acceleration), to meet collateral calls by lenders (upon re-valuation of the underlying assets or otherwise), to generate revenues sufficient to meet debt service payments and other operating expenses, availability of discount loans and servicing rights for purchase, size of, nature of and yields available with respect to the secondary market for mortgage loans, financial, securities and securitization markets in general, adequacy of allowances for loan losses, changes in real estate conditions (including liquidity, valuation, revenues, rental rates, occupancy levels and competing properties), adequacy of insurance coverage in the event of a loss, other factors generally understood to affect the real estate acquisition, mortgage, servicing and leasing markets, securities investments and the software and technology industry, and other risks detailed from time to time in the Company's reports and filings with the Commission, including its periodic reports on Forms 10-Q, 8-K and 10-K and Exhibit 99.1, titled Risk Factors, to the Company's Form 10-K for the year ended December 31, 2000. Given these uncertainties, readers are cautioned not to place undue reliance on such statements. The Company does not undertake, and specifically disclaims any obligation, to release publicly the results of any revisions that may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

REPORT OF MANAGEMENT

The management of Ocwen Financial Corporation is responsible for the accompanying consolidated financial statements, which have been prepared in conformity with accounting principles generally accepted in the United States of America applied on a consistent basis. In preparing the financial statements, it is necessary for management to make informed judgments and best estimates giving due consideration to materiality. In the opinion of management, the consolidated financial statements fairly reflect the Company's financial position and results of operations. Information, both financial and non-financial, presented elsewhere in this annual report is consistent with that in the consolidated financial statements.

To ensure that the financial statements are reliable, the Company established and maintains an effective system of internal accounting controls and procedures that provide reasonable assurance that assets are safeguarded and transactions are properly recorded and executed in accordance with corporate policy and management authorization. The Company believes its accounting controls provide reasonable assurance that errors or irregularities which could be material to the financial statements are prevented or would be detected within a timely period and corrected in the normal course of business.

PricewaterhouseCoopers LLP was engaged to perform an audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America. Such standards include the evaluation of the Company's accounting policies and procedures and the effectiveness of the related internal control system. In addition to the use of independent certified public accountants, the Company maintains a professional staff of internal auditors who conduct financial, procedural and special audits and makes recommendations on both administrative and accounting controls.

The Audit Committee of the Board of Directors is comprised solely of independent directors and is responsible for overseeing and monitoring the quality of the Company's accounting and auditing practices. The independent accountants and internal auditors have direct access to the Audit Committee and meet periodically with the committee to discuss the scope and results of their work, the adequacy of internal accounting controls and financial reporting matters.

William C. Erbey	Mark S. Zeidman
Chairman and Chief Executive Officer	Senior Vice President and Chief Financial Officer

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of Ocwen Financial Corporation

In our opinion, the accompanying consolidated statements of financial condition and the related consolidated statements of operations, of comprehensive income, of changes in stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Ocwen Financial Corporation (the "Company") and its subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PRICEWATERHOUSECOOPERS LLP
Fort Lauderdale, Florida
February 7, 2001

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

	December 31, 2000	December 31, 1999

ASSETS:		
Cash and amounts due from depository institutions	$ 18,749	$ 125,799
Interest earning deposits	134,987	116,420
Federal funds sold	--	112,000
Trading securities, at fair value:		
Collateralized mortgage obligations (AAA-rated)	277,595	--
Subordinates, residuals and other securities	112,647	--
Securities available for sale, at fair value:		
Collateralized mortgage obligations (AAA-rated)	--	392,387
Subordinates, residuals and other securities	--	195,131
Loans available for sale, at lower of cost or market	10,610	45,213
Real estate held for sale	22,670	--
Low-income housing tax credit interests held for sale	87,083	--
Investment securities, at cost	13,257	10,965
Loan portfolio, net	93,414	157,408
Discount loan portfolio, net	536,028	913,229
Match funded loans and securities, net	116,987	157,794
Investments in low-income housing tax credit interests	55,729	150,989
Investments in unconsolidated entities	430	37,118
Real estate owned, net	146,419	167,506
Investment in real estate	122,761	268,241
Premises and equipment, net	43,152	49,038
Income taxes receivable	30,261	--
Deferred tax asset, net	95,991	136,920
Advances on loans and loans serviced for others	227,055	162,548
Mortgage servicing rights	51,426	11,683
Other assets	52,169	71,285
	$ 2,249,420	$ 3,281,674
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Deposits	$ 1,258,360	$ 1,814,647
Securities sold under agreements to repurchase	--	47,365
Bonds - match funded agreements	107,050	141,515
Obligations outstanding under lines of credit	32,933	187,866
Notes, debentures and other interest bearing obligations	173,330	317,573
Accrued interest payable	22,096	32,569
Excess of net assets acquired over purchase price	36,665	56,841
Income taxes payable	--	6,369
Accrued expenses, payables and other liabilities	36,030	57,487
Total liabilities	1,666,464	2,662,232
Company obligated, mandatorily redeemable securities of subsidiary trust holding solely junior subordinated debentures of the Company	79,530	110,000
COMMITMENTS AND CONTINGENCIES (NOTE 33)		
STOCKHOLDERS' EQUITY:		
Preferred stock, $.01 par value; 20,000,000 shares authorized; 0 shares issued and outstanding	--	--
Common stock, $.01 par value; 200,000,000 shares authorized; 67,152,363 and 68,571,575 shares issued and outstanding at December 31, 2000 and December 31, 1999, respectively	672	686
Additional paid-in capital	223,163	232,340
Retained earnings	279,194	277,002
Accumulated other comprehensive income, net of taxes:		
Net unrealized gain on securities available for sale	--	163
Net unrealized foreign currency translation gain (loss)	397	(749)
Total stockholders' equity	503,426	509,442
	$ 2,249,420	$ 3,281,674

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 Years Ended December 31,		
	2000	1999	1998
NET INTEREST INCOME:			
Income	$ 184,816	$ 253,224	$ 307,694
Expense	169,090	155,542	184,893
Net interest income before provision for loan losses	15,726	97,682	122,801
Provision for loan losses	15,177	6,710	18,509
Net interest income after provision for loan losses	549	90,972	104,292
NON-INTEREST INCOME:			
Servicing and other fees	97,080	76,018	59,180
Gain on interest earning assets, net	18,580	44,298	129,988
Unrealized loss on trading and match funded securities, net	(4,926)	--	--

Impairment charges on securities available for sale	(11,597)	(58,777)	(129,714)
(Loss) gain on real estate owned, net	(13,464)	(2,060)	14,033
Gain on other non-interest earning assets, net	45,517	58,693	17,702
Net operating gains (losses) on investments in real estate	26,140	(1,077)	(1,715)
Amortization of excess of net assets acquired over purchase price	14,112	3,201	--
Other income	6,083	24,346	21,993
	177,525	144,642	111,467
NON-INTEREST EXPENSE:			
Compensation and employee benefits	83,086	102,173	115,556
Occupancy and equipment	12,005	18,501	17,652
Technology and communication costs	22,515	19,647	17,560
Loan expenses	13,051	12,618	25,373
Net operating losses on investments in certain low-income housing tax credit interests	9,931	6,291	6,905
Amortization and write-off of excess of purchase price over net assets acquired	3,124	4,448	11,614
Professional services and regulatory fees	13,275	14,205	18,082
Other operating expenses	13,022	17,185	13,804
	170,009	195,068	226,546
Distributions on Company-obligated, mandatory redeemable securities of subsidiary trust holding solely junior subordinated debentures of the Company	11,380	13,111	13,594
Equity in losses of investments in unconsolidated entities	(5,249)	(12,616)	(7,985)
(Loss) income before income taxes and extraordinary gain	(8,564)	14,819	(32,366)
Income tax (expense) benefit	(7,957)	(2,608)	30,699
Minority interest in net loss of consolidated subsidiary	--	638	467
(Loss) income before extraordinary gain	(16,521)	12,849	(1,200)
Extraordinary gain on repurchase of debt, net of taxes	18,713	6,983	--
Net income (loss)	$ 2,192	$ 19,832	$ (1,200)
EARNINGS (LOSS) PER SHARE:			
Basic:			
Net (loss) income before extraordinary gain	$ (0.25)	$ 0.20	$ (0.02)
Extraordinary gain	0.28	0.11	--
Net income (loss)	$ 0.03	$ 0.31	$ (0.02)
Diluted:			
Net (loss) income before extraordinary gain	$ (0.25)	$ 0.20	$ (0.02)
Extraordinary gain	0.28	0.11	--
Net income (loss)	$ 0.03	$ 0.31	$ (0.02)
Weighted average common shares outstanding:			
Basic	67,427,662	63,051,015	60,736,950
Diluted	67,464,043	63,090,282	60,736,950

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

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

	For the Years Ended December 31,		
	2000	1999	1998
Net income (loss)	$ 2,192	$ 19,832	$ (1,200)
Other comprehensive income (loss), net of taxes:			
Change in unrealized loss (gain) on securities available for sale arising during the year	--	(9,338)	1,493
Less: Reclassification adjustment	(163)	(4,556)	17,578
Net change in unrealized (gain) loss on securities available for sale (net of a tax benefit of $122 and $7,771 for 2000 and 1999, respectively)	(163)	(13,894)	19,071
Change in unrealized foreign currency translation adjustment arising during the year	389	463	(1,693)
Less: Reclassification adjustment for losses on foreign currency translation adjustment included in net income	757	481	--
Net change in unrealized foreign currency translation loss (net of tax expense of $627 and $514 for 2000 and 1999, respectively)	1,146	944	(1,693)
Other comprehensive income (loss)	983	(12,950)	17,378

Comprehensive income	$ 3,175	$ 6,882	$ 16,178
Disclosure of reclassification adjustment:			
Unrealized holding losses (gains) arising during the year on securities sold or impaired	$ (7,068)	$ (36,671)	$ (37,390)
Add: Adjustment for realized losses and impairment charges on securities available for sale included in net income (loss)	7,231	32,115	54,968
Net reclassification adjustment for (gains) losses recognized in other comprehensive income (loss) in prior years (net of tax benefit of $122 and $2,558 for 2000 and 1999, respectively) (1)	$ (163)	$ (4,556)	$ 17,578
Unrealized foreign currency translation adjustment arising during the year	$ (131)	$ (703)	$ --
Add: Adjustment for realized foreign currency losses on the sale of the equity investment in a foreign entity and foreign subsidiary in 2000 and 1999, respectively	888	1,184	--
Net reclassification adjustment for foreign currency losses recognized in other comprehensive income (loss) in prior years (net of tax benefit of $408 and $259 for 2000 and 1999, respectively)	$ 757	$ 481	$ --

<FN>
(1) In 2000, includes the adjustment related to the reclassification of securities available for sale to trading securities.
</FN>

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

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

	Common Stock		Additional		Accumulated Other Comprehensive	
	Shares	Amount	Paid-in Capital	Retained Earnings	Income, Net of Taxes	Total
Balances at December 31, 1997	60,565,835	$ 606	$ 164,751	$ 259,349	$ (5,014)	$ 419,692
Net loss	--	--	--	(1,200)	--	(1,200)
Conversion of investment in an unconsolidated entity to the equity method	--	--	--	(979)	--	(979)
Repurchase and retirement of common stock	(318,311)	(3)	(7,769)	--	--	(7,772)
Issuance of common stock	320,550	3	7,825	--	--	7,828
Repurchase of common stock options	--	--	(6,502)	--	--	(6,502)
Exercise of common stock options	232,283	2	7,929	--	--	7,931
Other comprehensive income, net of taxes:						
Change in unrealized gain (loss) on securities available for sale	--	--	--	--	19,071	19,071
Change in unrealized foreign currency translation loss	--	--	--	--	(1,693)	(1,693)
Balances at December 31, 1998	60,800,357	608	166,234	257,170	12,364	436,376
Net income	--	--	--	19,832	--	19,832
Repurchase and retirement of common stock	(4,611,700)	(46)	(30,645)	--	--	(30,691)
Exercise of common stock options	5,069	--	23	--	--	23
Directors' compensation	6,099	--	43	--	--	43
Issuance of common stock for acquisition of Ocwen Asset Investment Corp.	12,371,750	124	96,685	--	--	96,809
Other comprehensive income, net of taxes:						
Change in unrealized gain (loss) on securities available for sale	--	--	--	--	(13,894)	(13,894)
Change in unrealized foreign currency translation loss	--	--	--	--	944	944
Balances at December 31, 1999	68,571,575	686	232,340	277,002	(586)	509,442
Net income	--	--	--	2,192	--	2,192
Repurchase and retirement of common stock	(1,427,747)	(14)	(9,233)	--	--	(9,247)
Directors' compensation	8,535	--	56	--	--	56
Other comprehensive income, net of taxes:						
Change in unrealized gain on securities available for sale	--	--	--	--	(163)	(163)
Change in unrealized foreign currency translation loss	--	--	--	--	1,146	1,146
Balances at December 31, 2000	67,152,363	$ 672	$ 223,163	$ 279,194	$ 397	$ 503,426

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

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

	For the Years Ended December 31,		
	2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 2,192	$ 19,832	$ (1,200)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:			
Net cash provided by trading activities	102,091	18,723	15,824
Proceeds from sales of loans available for sale	22,598	568,490	1,659,368
Purchases of loans available for sale	--	(47,129)	(370,865)
Origination of loans available for sale	--	(728,509)	(959,105)
Principal payments received on loans available for sale	6,827	25,949	82,728
Premium amortization on securities, net	8,493	11,074	56,487
Depreciation and amortization	20,360	13,339	47,437
Provision for loan losses	15,177	6,710	18,509
Provision for real estate owned	26,674	28,008	18,626
Gain on sale of Ocwen UK	--	(50,371)	--
Gain on sale of investment in Kensington Group plc	(20,025)	--	--
Gain on interest-earning assets, net	(18,580)	(44,298)	(129,988)
Unrealized loss on trading securities	4,926	--	--
Impairment charges on securities available for sale	11,597	58,777	129,714
Extraordinary gain on repurchase of debt	(29,704)	(8,475)	--
Gain on sale of low-income housing tax credit interests	(497)	(6,591)	(7,366)
Provision for loss on low-income housing tax credits held for sale	6,448	700	--
Gain on real estate owned, net	(22,515)	(36,265)	(43,839)
Gain on sale of investment in real estate	(1,155)	(1,753)	(10,383)
Gain on sale of real estate held for sale	(21,794)	--	--
Impairment loss on investment in real estate	704	2,817	1,867
Equity in losses of unconsolidated entities	5,249	12,616	7,985
Decrease (increase) in principal, interest and dividends receivable	3,127	7,762	(1,713)
(Increase) decrease in income taxes receivable	(30,261)	34,333	(34,333)
(Decrease) increase in income taxes payable	(6,369)	6,369	(3,132)
Decrease (increase) in deferred tax asset	40,929	(53,273)	(21,827)
Increase in advances on loans and loans serviced for others	(64,507)	(54,313)	(57,016)
Increase in other assets, net	(17,359)	(19,565)	(95,493)
Decrease in accrued expenses, interest payable and other liabilities	(39,012)	(13,340)	(16,033)
Net cash provided (used) by operating activities	5,614	(248,383)	286,252

(Continued on next page)

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

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

	For the Years Ended December 31,		
	2000	1999	1998
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales of securities available for sale	553,589	43,923	269,828
Purchase of securities available for sale	(894,038)	(589,845)	(820,455)
Maturities of and principal payments received on securities available for sale	416,004	553,136	359,525
Proceeds from the sale of Ocwen UK	--	122,101	--
Proceeds from sale of investment in Kensington Group plc	48,556	--	--
Purchase of securities held for investment	(2,432)	(140)	--
Acquisition of subsidiaries	--	64,450	(426,096)
Principal payments received on match funded loans	26,595	11,868	--
Purchase of low-income housing tax credit interests	(27,213)	(56,874)	(49,063)
Proceeds from sales of low-income housing tax credit interests	27,587	44,233	37,918
Purchase of mortgage servicing rights	(49,779)	(9,218)	(1,321)
Proceeds from sales of discount loans, net	252,598	275,732	626,423
Principal payments received on discount loans, net	180,048	301,826	446,566
Purchase of discount loans, net	(175,708)	(584,328)	(938,859)
Proceeds from sale of real estate held for investment	4,135	23,436	47,644
Purchase of and capital improvements to real estate held for investment	(34,057)	(19,115)	--
Proceeds from sale of real estate held for sale	232,811	--	--
Increase in real estate held for sale	(57,737)	--	--
Proceeds from sales of loans held for investment	30,709	51,691	--
Principal payments received on loans held for investment	90,387	137,199	227,349
Purchases, originations and funded commitments of loans held for investment, net	(55,567)	(36,991)	(188,716)
Decrease (increase) in investment in unconsolidated entities	7,286	10,687	(70,190)
Proceeds from sale of real estate owned	180,473	251,621	301,485
Purchase of real estate owned in connection with discount loan purchase	(9,059)	(47,340)	(19,949)

Additions to premises and equipment	(3,426)	(29,285)	(20,334)
Net cash provided (used) by investing activities	741,762	518,767	(218,245)

(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 Years Ended December 31,		
	2000	1999	1998
CASH FLOWS FROM FINANCING ACTIVITIES:			
(Decrease) increase in deposits	(556,287)	(354,144)	202,947
Decrease in securities sold under agreements to repurchase	(47,365)	(34,059)	(36,199)
(Repayment of) proceeds from obligations under lines of credit, net	(155,805)	110,413	60,993
Repayments of bonds - match funded agreements	(33,002)	(12,559)	--
Proceeds from issuance of bonds - match funded agreements	--	40,094	--
Proceeds from issuance of other interest bearing obligations	--	6,236	--
Repayments and repurchases of notes, debentures and other, net	(127,649)	(51,223)	(1,988)
Exercise of common stock options	--	23	7,931
Issuance of shares of common stock	56	43	56
Repurchase of Capital Securities	(18,811)	(9,452)	--
Repurchase of common stock options	--	--	(6,502)
Repurchase of common stock	(8,996)	(30,691)	(7,772)
Net cash (used) provided by financing activities	(947,859)	(335,319)	219,466
Net (decrease) increase in cash and cash equivalents	(200,483)	(64,935)	287,473
Cash and cash equivalents at beginning of period	354,219	419,154	131,681
Cash and cash equivalents at end of period	$ 153,736	$ 354,219	$ 419,154
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT END OF PERIOD:			
Cash and amounts due from depository institutions	$ 18,749	$ 125,799	$ 94,779
Interest-earning deposits	134,987	116,420	49,372
Federal funds sold and repurchase agreements	--	112,000	275,000
	$ 153,736	$ 354,219	$ 419,151
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest	$ 179,564	$ 153,891	$ 183,424
Income taxes	$ 18,829	$ 633	$ 36,754
Supplemental schedule of non-cash investing and financing activities:			
Real estate owned acquired through foreclosure	$ 140,764	$ 157,111	$ 280,522
Exchange of discount loans and loans available for sale for securities	--	$ 758,032	$ 2,125,080
Transfer of investment in OAC from securities available for sale to investment in unconsolidated entities	--	$ --	$ 35,158
Reclassification of properties from investment in real estate to real estate held for sale	$ 174,480	$ --	$ --
Exchange of note receivable for real estate held for sale	$ 19,000	$ --	$ --
Reclassification of securities available for sale to trading securities	$ 496,295	$ --	$ --
Reclassification of investments in low-income housing tax credit interests to low-income housing tax credit interests held for sale	$ 90,496	$ --	$ --
Acquisition of businesses:			
Fair value of assets acquired	$ --	$ (706,329)	$ (449,420)
Liabilities assumed	--	599,855	15,069
Stock issued	--	96,809	7,772
Cash paid	--	(9,665)	(426,579)
Less cash acquired	--	74,115	483
Net cash acquired (paid) for assets acquired	$ --	$ 64,450	$ (426,096)
Sale of subsidiary:			
Fair value of assets sold	$ --	$ 413,121	$ --
Liabilities sold	--	(345,327)	--
Cash sold	--	3,936	--
Gain on sale	--	50,371	--
Net cash received for assets sold	$ --	$ 122,101	$ --

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

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2000, 1999, AND 1998
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

Ocwen Financial Corporation ("OCN" or the "Company") is a financial services company whose primary business activities consist of the servicing and resolution of subperforming and nonperforming residential and commercial mortgage loans. The Company also specializes in the related development of loan servicing technology and software for the mortgage and real estate industries. The Company's consolidated financial statements include the accounts of OCN and its subsidiaries. The Company owns directly and indirectly all of the outstanding common and preferred stock of its primary subsidiaries, Ocwen Federal Bank FSB (the "Bank"), Investors Mortgage Insurance Holding Company ("IMI"), Ocwen Technology Xchange, Inc. ("OTX") and Ocwen Asset Investment Corp. ("OAC"). The Company acquired OAC on October 7, 1999. The Company's consolidated financial statements include OAC and its subsidiaries as of that date. The Company also owns 99.6% of Ocwen Financial Services, Inc. ("OFS"), with the remaining 0.4% owned by the shareholders of Admiral Home Loan. The Company sold its investment in its foreign subsidiary, Ocwen UK, on September 30, 1999. Ocwen UK's results of operations for 1999 have been included in the consolidated statements of operations through that date. All significant intercompany transactions and balances have been eliminated in consolidation.

The Bank is a federally chartered savings bank regulated by the Office of Thrift Supervision ("OTS").

RECLASSIFICATION

Certain amounts included in the 1999 and 1998 consolidated financial statements have been reclassified in order to conform to the 2000 presentation.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, interest-bearing and non-interest-bearing deposits and all highly liquid debt instruments purchased with an original maturity of three months or less. Cash flows associated with items intended as hedges of identifiable transactions or events are classified in the same category as the cash flows from the items being hedged.

SHORT-TERM HIGHLY LIQUID INVESTMENTS

The Company's short-term highly liquid investments generally consist of federal funds sold and assets purchased under agreements to resell. The Company invests in these assets to maximize its return on liquid funds. At December 31, 2000, the Company had no such investments outstanding. At December 31, 1999, such investments amounted to $112,000 of federal funds sold which had an overnight maturity. The average investment in federal funds sold and assets purchased under agreements to resell amounted to $128,079 and $174,494 during 2000 and 1999, respectively.

The Bank is required by the Federal Reserve System to maintain non-interest-earning cash reserves against certain of its transaction accounts and time deposit accounts. Such reserves totaled $5,153 and $32,189 at December 31, 2000 and 1999, respectively.

SECURITIES

Securities are reported on the Statement of Financial Condition at fair value. Fair value is determined within a range based on third party dealer quotations, where available, and internal values, subject to an internal review process.

Securities acquired and sold shortly thereafter resulting from the securitization of loans available for sale are accounted for as the sale of loans and the purchase and sale of trading securities.

On September 30, 2000 the Company changed its policy for securities available for sale and match funded securities to account for these securities as trading. The Company believes that this treatment more appropriately reflects the impact on its results of operations arising from changes in the fair value of securities. For these securities, changes in fair value are reported in income in the period of change. Previously, the Company accounted for its securities as available for sale, for which the unrealized gains and losses for these securities were reported as a separate component of accumulated other comprehensive income in stockholders' equity, subject to an evaluation for other-than-temporary impairment. For each security where the Company concluded that all or part of the decrease in value was other-than-temporary, such amount was charged to earnings, thereby establishing a new cost basis for the security.

LOANS AVAILABLE FOR SALE AND HELD FOR INVESTMENT

Loans originated or purchased by the Company that the Company presently does not intend to hold to maturity are designated as loans available for sale upon origination or purchase and are stated at the lower of cost, after considering deferred loan fees and costs, or aggregate market value. Unrealized losses are recorded as a reduction in earnings and are included under the caption "Gain on interest-earning assets, net" in the consolidated statements of operations. Loan origination fees and certain direct loan origination costs are deferred and included in the carrying value. Upon the sale of a loan, any unamortized deferred loan fees, net of costs, are included in the gain or loss on sale of interest earning assets. Gains and losses on disposal of such loans are computed on a specific identification basis.

Loans held for investment are stated at amortized cost, less an allowance for loan losses, discount, deferred loan fees and undisbursed loan funds. To qualify for this treatment, upon origination or purchase the Company must have both the ability and the intent to hold such loans to maturity. Loan origination fees and certain direct loan origination costs are deferred and recognized over the lives of the related loans as a yield adjustment and included in interest income using the interest method applied on a loan-by-loan basis.

Interest income is accrued as it is earned. Loans are placed on non-accrual status after being delinquent greater than 89 days or earlier if the borrower is deemed by management to be unable to continue performance. When a loan is placed on non-accrual status, interest accrued but not received is reversed. In addition, the amortization of deferred loan fees is suspended when a loan is placed on nonaccrual status. Loans are returned to accrual status only when the loan is reinstated and ultimate collectibility is no longer in doubt.

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is maintained at a level that management, based upon an evaluation of known and inherent risks in the portfolio, considers adequate to provide for losses. Specific valuation allowances are established for impaired loans in the amount by which the carrying value, before allowance for estimated losses, exceeds the fair value of collateral less costs to dispose on an individual loan basis, except for single family residential mortgage loans and consumer loans which are generally evaluated for impairment as homogeneous pools of loans. The Company considers a loan to be impaired when, based upon current information and events, it believes that it is probable that the Company will be unable to collect on a timely basis all amounts due according to the contractual terms of the loan agreement. The Company measures these impaired loans at the fair value of the loans' underlying collateral less estimated disposal costs. Impaired loans may be left on accrual status during the period the Company is pursuing repayment of the loan. These loans are placed on non-accrual status at such time that either: (i) the loans become 90 days delinquent; or (ii) the Company determines the borrower is incapable of, or has ceased efforts toward, curing the cause of the impairment. Impairment losses are recognized through an increase in the allowance for loan losses and a corresponding charge to the provision for loan losses. When an impaired loan is either sold, transferred to real estate owned ("REO") or charged off, any related valuation allowance is removed from the allowance for loan losses. Charge-offs occur when loans, or a portion thereof, are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. Management's periodic evaluation of the allowance for loan losses is based upon an analysis of the portfolio, historical loss experience, economic conditions and trends, collateral values and other relevant factors. Future adjustments to the allowance may be necessary if economic conditions and trends, collateral values and other relevant factors differ substantially from the assumptions used in making the evaluation.

DISCOUNT LOAN PORTFOLIO

The Company acquires at a discount certain mortgage loans, for which the borrower is not current as to principal and interest payments or for which there is a reason to believe the borrower will be unable to continue to make its scheduled principal and interest payments. The Company accounts for its initial investment in a pool of loans based upon the pricing methodologies used to bid on the pool. The acquisition cost is allocated to each loan within the pool when the bid price was determined based upon an analysis of the expected future cash flows of each individual loan. The acquisition cost is accounted for in the aggregate when the bid price was determined using assumptions concerning the expected future cash flows from groups of loans within the pool. For those single family residential mortgage loans which are brought current by the borrower and certain multi-family and commercial real estate loans which are current and which the Company believes will remain current, the remaining unamortized discount is accreted into interest income as a yield adjustment using the interest method over the contractual maturity of the loan. For all other loans, interest is reported as cash is received. Gains on the repayment and discharging of loans are reported as interest income. In situations where the collateral is foreclosed upon, the loans are transferred to real estate owned upon receipt of title to the property.

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 after the date of foreclosure. Properties held are periodically re-evaluated to determine that they are being carried at the lower of cost or fair value less estimated costs to dispose. Sales proceeds and related costs are recognized with passage of title to the buyer and, in cases where the Company finances the sale, receipt of sufficient down payment. Rental income related to properties is reported as income as earned. Holding and maintenance costs related to properties are reported as period costs as incurred. No depreciation expense related to the properties has been recorded. Decreases in the market value of foreclosed real estate subsequent to foreclosure are recognized as a valuation allowance on a property specific basis. Subsequent increases in 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.

MORTGAGE SERVICING RIGHTS

In connection with the securitization and sale of loans, the Company generally retains the rights to service such loans for investors. A servicing asset or liability and other retained interests are recognized as an allocation of the carrying amount of the assets sold between the asset sold and the servicing obligation and other retained interests based on the relative fair value of the assets sold to the interests retained. The Company also acquires mortgage servicing rights which are recorded at cost. Mortgage servicing assets are amortized in proportion to and over the period of estimated net servicing income. Estimated net servicing income is determined using the estimated future balance of the underlying mortgage loan portfolio which, absent new purchases, declines over time from prepayments and scheduled loan amortization. The Company adjusts amortization prospectively in response to changes in estimated projections of future cash flows. The Company evaluates the mortgage servicing assets for impairment based on the fair value of the servicing assets by strata. The Company stratifies the servicing assets based on legal loan-to-value, seasoning, coupon rate and delinquency rate. The Company estimates fair value by discounting servicing assets cash flows using discount and prepayment rates that it believes market participants would use. To the extent the carrying value of the servicing assets exceed fair value by strata, a valuation allowance is established, which may be adjusted in the future, as the value of the servicing assets increase or decrease.

To date, the Company has not been required to record any servicing liability for any of its servicing contracts based on the servicing fees in the contracts.

MORTGAGE SERVICING FEES AND ADVANCES ON LOANS SERVICED FOR OTHERS

The Company receives fees from investors for servicing mortgage loans. Servicing fees, generally expressed as a percent of the unpaid principal balance, are collected from the borrowers' payments. Late charge income and other ancillary fees, net of amortization of servicing assets, are also included in servicing income. During any period in which the borrower is not making payments, the Company is required under certain servicing agreements to advance its own funds to meet contractual principal and interest remittance requirements for certain investors, maintain property taxes and insurance, and process foreclosures. The Company generally recovers such advances from borrowers for reinstated and performing loans and from investors for foreclosed loans. A charge to servicing income is recorded to the extent the advances are estimated to be uncollectible under provisions of the servicing contracts, taking into consideration historical loss and delinquency experience, length of delinquency and the amount of the advance.

INVESTMENT IN REAL ESTATE

Investment in real estate is recorded at cost less accumulated depreciation. The Company reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	39 - 40 years
Tenant improvements	Lesser of lease term or useful life
Land improvements	20 years
Furniture, fixtures and equipment	5 - 10 years

In addition, in conjunction with its commercial loan acquisition and resolution activities, the Company acquired certain acquisition, development and construction loans in which the Company participated in the residual profits of the underlying real estate and the borrower had not contributed substantial equity to the project. As such, the Company accounted for these loans under the equity method of accounting as though it had made an investment in a real estate limited partnership.

The Company's investments in real estate partnerships are accounted for under the equity method of accounting. Under the equity method of accounting, an investment in the shares or other interests of an investee is recorded at cost of the shares or interests acquired and thereafter is periodically increased (decreased) by the investors proportionate share of earnings (losses) of the investee and decreased by the dividends or distributions received by the investor from the investee.

Expenditures for repairs and maintenance are charged to operations as incurred. Significant improvements are capitalized. The leases are classified as operating. Fees and costs incurred in the successful negotiation of leases are deferred and amortized on a straight-line basis over the terms of the respective leases. Rental income is reported on a straight-line basis over the terms of the respective leases.

REAL ESTATE HELD FOR SALE

Real estate held for sale is reported at the lower of the carrying amount or fair value less cost to sell. Real estate is classified as held for sale when the Company has committed to a plan to sell the assets, and depreciation is discontinued. Gains and losses on the sale of real estate held for sale are included in gain on other non-interest earning assets, net, in the consolidated statement of operations.

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

LOW-INCOME HOUSING TAX CREDIT INTERESTS HELD FOR SALE

Low-income housing tax credit interests held for sale are reported at the lower of cost or fair value less costs to sell. Investments in low-income housing tax credit interests are classified as held for sale when the Company has agreements to sell the interests. Gains and losses on the sale of investments in low-income housing tax credit interests are included in gain on other non-interest earning assets, net, in the consolidated statement of operations.

INVESTMENTS IN LOW-INCOME HOUSING TAX CREDIT INTERESTS

Low-income housing tax credit partnerships own multi-family residential properties which have been allocated tax credits under the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). The obligations of the partnership to sustain qualifying status of the properties covers a 15-year period; however, tax credits accrue over a 10-year period on a straight-line basis. Investments by the Company in low-income housing tax credit partnerships made on or after May 18, 1995, in which the Company invests solely as a limited partner, are accounted for using the equity method. For the Company's limited partnership investments made prior to this date, the Company records its receipt of income tax credits and other tax benefits on a level yield basis over the 15-year obligation period and reports the tax credits and tax benefits net of amortization of its investment in the limited partnership as a reduction of income tax expense. Low-income housing tax credit partnerships in which the Company has invested as a limited partner, and through which a subsidiary acts as the general partner, are consolidated and included in the Company's consolidated financial statements. For all investments in low-income housing tax credit partnerships made after May 18, 1995, the Company capitalizes interest expense and certain direct costs incurred during the pre-operating period.

EXCESS OF COST OVER NET ASSETS ACQUIRED

The excess of purchase price over net assets of acquired businesses is stated at cost and is amortized on a straight-line basis over the estimated future periods to be benefited, not to exceed 15 years. The carrying value of cost in excess of net assets acquired is

reviewed for impairment whenever events or changes in circumstances indicate that it may not be recoverable. Additionally, the Company evaluates the amortization periods to determine whether events or circumstances warrant revised amortization periods. The results of operations of acquired companies are included in the consolidated statements of operations beginning with the acquisition date.

PREMISES AND EQUIPMENT

Premises and equipment are carried at cost and, except for land, are depreciated over their estimated useful lives on the straight-line method as follows:

Buildings	39 years
Land improvements	15 years
Furniture and fixtures	5 years
Computer hardware and software	3 years
Leasehold improvements	Life of the lease, with maximum lease term of 10 years.

CAPITALIZED SOFTWARE COSTS

Certain costs attributable to developing, modifying and enhancing its software revenue products are capitalized. Costs incurred up to the establishment of technological feasibility are expensed as research and development costs. Once the products are made available for general release to customers, the capitalized costs are amortized using the straight-line method over the estimated economic lives of the individual products. The unamortized costs by product are reduced to an amount not to exceed the future net realizable value by product at each financial statement date.

SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

The Company periodically enters into sales of securities under agreements to repurchase the same securities ("reverse repurchase agreements"). Reverse repurchase agreements are treated as financings, and the obligations to repurchase securities sold are reflected as a liability in the accompanying consolidated statements of financial condition. All securities underlying reverse repurchase agreements are reflected as assets in the accompanying consolidated statements of financial condition and are held in safekeeping by custodians.

EXCESS OF NET ASSETS ACQUIRED OVER PURCHASE PRICE

The effects of the acquisition of OAC resulted in a new basis of accounting reflecting fair values of assets and liabilities at the date of acquisition. The excess of assets over the purchase price of acquired net assets resulting from the acquisition is stated at cost and is being amortized on a straight-line basis over the estimated future periods to be benefited. Management evaluates the estimate of the period to be benefited, which is currently 39 months from the date of acquisition.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments for the purpose of managing its exposure to adverse fluctuations in interest and foreign currency exchange rates. While these instruments are subject to fluctuations in value, such fluctuations are generally offset by the change in value of the underlying exposures being hedged. The Company does not enter into any derivative financial instruments for trading purposes. To qualify for hedge accounting, the asset or liability to be hedged must be specifically identified and expose the Company to interest rate or currency risk, and the hedging instrument must substantially reduce or alter the risk of loss from the asset or liability being hedged. If the derivative financial instrument fails or ceases to qualify for hedge accounting, it is accounted for at fair value with changes in fair value recorded in earnings in the consolidated statements of operations.

The Company manages its exposure to interest rate movements by seeking to match asset and liability balances within maturity categories, both directly and through the use of derivative financial instruments. These derivative instruments include interest rate swaps ("swaps"), interest rate futures contracts and caps and floors that are designated and effective as hedges, as well as swaps that are designated and effective in modifying the interest rate and/or maturity characteristics of specified assets or liabilities. Gains and losses on swaps are accounted for on the accrual basis.

The net interest received or paid on swaps is reflected as interest income or expense of the related hedged position. Gains and losses resulting from the termination of swaps are recognized over the shorter of the remaining contract lives of the swaps or the lives of the related hedged positions or, if the hedged positions are sold, are recognized in the current period as gains on sales of interest-earning assets, net. Gains and losses on futures contracts are deferred as an adjustment of the carrying value of the related asset or liability and amortized over the terms of the related assets or liabilities and reflected as interest income or expense of the related hedged positions. If the hedged positions are sold, any unamortized deferred gains or losses on futures contracts are recognized in the current period as gains on sales of interest-earning assets, net. Interest rate contracts are measured at fair value.

The Company enters into foreign currency futures contracts and foreign currency forward contracts to hedge its investments in foreign entities. The Company periodically adjusts the amount of foreign currency derivative contracts it has entered into in response to changes in its recorded investment. The discount on the currency forward contracts, representing the difference between the contracted forward rate and the spot rate at the date of inception, is amortized over the life of the currency forward contracts on a straight-line basis. The value of the currency forward contracts is calculated as the notional amount of the currency forward contracts multiplied by the difference between the spot rate at the date of inception and the spot rate at the financial statement date. The unamortized discount related to foreign currency forward contracts and the values of financial hedge instruments are reported as translation adjustments and are included as a component of accumulated other comprehensive income in stockholders' equity.

FOREIGN CURRENCY TRANSLATION

Assets and liabilities of foreign entities where the functional currency is not the U.S. dollar are translated into U.S. dollars at the current rate of exchange existing at the statement of financial condition date, and revenues and expenses are translated at average monthly rates. The resulting translation adjustments are included as a component of accumulated other comprehensive income in stockholders' equity.

INCOME TAXES

The Company files consolidated Federal income tax returns with its subsidiaries. Consolidated income tax is allocated among the subsidiaries participating in the consolidated returns as if each subsidiary of the Company, which has one or more subsidiaries, filed its own consolidated return, and those with no subsidiaries filed separate returns.

The Company accounts for income taxes using the asset and liability method which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Additionally, deferred taxes are adjusted for subsequent tax rate changes. Management conducts periodic evaluations to determine whether it is more likely than not that some or all of the deferred tax asset will not be realized. Among the factors considered in this evaluation are estimates of future earnings, the future reversal of temporary differences and the impact of tax planning strategies that can be implemented if warranted.

INVESTMENT IN UNCONSOLIDATED ENTITIES

The Company's investments in unconsolidated entities are accounted for under the equity method of accounting. Under the equity method of accounting, an investment in the shares or other interests of an investee is initially recorded at the cost of the shares or interests acquired and thereafter is periodically increased (decreased) by the investor's proportionate share of the earnings (losses) of the investee and decreased by the dividends or distributions received by the investor from the investee.

BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated based upon the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share is calculated based upon the weighted average number of shares of common stock outstanding and all dilutive potential common shares outstanding during the year. The computation of diluted earnings per share includes the impact of the exercise of the outstanding options to purchase common stock and assumes that the proceeds from such issuance are used to repurchase common shares at fair value. Common stock equivalents would be excluded from the diluted calculation if a net loss was incurred for the period as they would be antidilutive.

COMPREHENSIVE INCOME

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances excluding those resulting from investments by and distributions to owners. Comprehensive income is presented beginning with net income and adding the elements of comprehensive income not included in the determination of net income to arrive at comprehensive income. Accumulated other comprehensive income is presented net of income taxes and is comprised of unrealized gains and losses on securities available for sale, and unrealized foreign currency translation gains and losses.

RISKS AND UNCERTAINTIES

In the normal course of business, the Company encounters two significant types of risk: economic and regulatory. There are three main components of economic risk: credit risk, market risk and concentration of credit risk. Credit risk is the risk of default on the Company's loan portfolios and derivative financial instruments that results from a borrowers' inability or unwillingness to make contractually required payments. Market risk includes interest rate risk, foreign currency exchange rate risk, and equity price risk. The Company is exposed to interest rate risk to the degree that its interest-bearing liabilities mature or reprice at different speeds, or different bases, than its interest-earning assets. The Company is exposed to foreign currency exchange rate risk in connection with its investment in non-U.S. dollar functional currency operations and to the extent its foreign exchange positions remain unhedged. The Company is exposed to equity price risk as a result of its investments in the equity securities of other entities. Market risk also reflects the risk of declines in the valuation of loans held for sale and trading securities, and in the value of the collateral underlying loans and the value of real estate held by the Company. Concentration of credit risk refers to the risk that, if the Company extends a significant portion of its total outstanding credit to borrowers in a specific geographical area or industry or on the security of a specific form of collateral, the Company may experience disproportionately high levels of default and losses if those borrowers, or the value of such type of collateral, is adversely affected by economic or other factors that are particularly applicable to such borrowers or collateral.

The Bank is subject to the regulations of various government agencies. These regulations can and do change significantly from period to period. The Bank also undergoes periodic examinations by the regulatory agencies, which may subject it to further changes with respect to asset valuations, amounts of required loss allowances and operating restrictions resulting from the regulators' judgments based on information available to them at the time of their examination.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near or medium term relate to the determination of the allowance for loan losses and valuation of securities.

CURRENT ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board (FASB) has issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended by FAS 137 and FAS 138 (collectively, "FAS 133"). FAS 133 is effective for all fiscal quarters of all fiscal years beginning after June 15, 2000; accordingly, the Company adopted FAS 133 on January 1, 2001.

FAS 133 requires that all derivative instruments be recorded on the balance sheet at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, depending on the type of hedge transaction.

- For fair-value hedge transactions in which the Company is hedging changes in fair value of an asset, liability, or firm commitment, changes in the fair value of the derivative instrument are generally offset in the income statement by changes in the hedged item's fair value.

- For cash-flow hedge transactions in which the Company is hedging the variability of cash flows related to a variable-rate asset, liability or a forecasted transaction, changes in the fair value of the derivative instrument are reported in other comprehensive income. The gains and losses on the derivative instrument that are reported in other comprehensive income are reclassified to earnings in the periods in which earnings are impacted by the variability of the cash flows of the hedged item.

o For hedge transactions of net investments in foreign operations, changes in fair value of the derivative instrument are recorded in the cumulative translation adjustment account within equity.

The ineffective portion of all hedges is recognized in current period earnings.

For other derivative instruments used by the Company for risk management purposes that do not meet the hedge accounting criteria and, therefore, do not qualify for hedge accounting, the derivative instruments are accounted for at fair value with changes in fair value recorded in the income statement.

On January 1, 2001, the Company recorded a net of tax, cumulative effect adjustment of $58 (gain) in accumulated other comprehensive income to recognize at fair value the interest rate swap that is designated as a cash-flow hedging of an outstanding line of credit. The Company expects to reclassify to earnings during the next twelve months all of this transition adjustment.

Adoption of FAS 133 did not have a material impact on the Company's use of futures contracts to hedge the net investments in its foreign subsidiaries, as the FAS 133 accounting is similar to the pre-existing accounting. In addition, adoption of FAS 133 did not have an impact on the Company's other risk management instruments that do not meet the hedge criteria as these derivatives were already accounted for at fair value with changes in fair value recognized currently in earnings.

The FASB has also issued Statement of Financial Accounting Standards No. 140 ("FAS 140"), Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, as a replacement for the similarly titled FAS 125. FAS 140 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. However, it is effective for recognition and reclassification of collateral and for disclosures relating to securitization transactions, mortgage servicing rights and collateral for fiscal years ending after December 15, 2000.

FAS 140 provides accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities. The standards are based on consistent application of a financial-components approach that focuses on control. FAS 140 provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings.

This Statement requires an entity that has securitized financial assets to disclose information about accounting policies, volume, cash flows, key assumptions made in determining fair values of retained interests and sensitivity of those fair values to changes in key assumptions. It also requires that entities that securitize assets disclose certain information about the securitized assets and any other financial assets it manages together with them, including: (a) the total principal amount outstanding, the portion that has been derecognized and the portion that continues to be recognized in each category reported in the statement of financial position, at the end of the period; (b) delinquencies at the end of the period; and (c) credit losses during the period.

As of December 31, 2000, the Company has adopted the disclosure provisions of FAS 140.

NOTE 2: ACQUISITION AND DISPOSITION TRANSACTIONS

On November 22, 2000, the Company sold its minority investment in Kensington Group plc ("Kensington") for proceeds, net of stamp duty and other fees, of approximately (pound)34,500 or $48,600. As a result of the transaction, the Company recorded a pretax gain on sale of $20,025.

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

On October 7, 1999, Ocwen Acquisition Company ("Acquisition Sub"), a Virginia corporation and an indirect wholly-owned subsidiary of OCN, merged (the "Merger") with and into OAC, a Virginia corporation, in accordance with the Agreement of Merger (the "Merger Agreement") dated as of July 25, 1999 among OAC, OCN and Acquisition Sub. In accordance with the Merger Agreement, OAC shareholders (except for OCN or its subsidiaries) received 0.71 shares of OCN stock for each outstanding share of OAC common stock. A total of 12,371,750 shares of OCN stock at a value of $96,809 were issued to OAC shareholders. Prior to the Merger, the Company, through IMI, owned 1,540,000 or 8.12% of the outstanding common stock of OAC and 1,808,733 units or 8.71% of the outstanding partnership units of Ocwen Partnership L.P. ("OPLP"). OPLP is the operating partnership subsidiary of OAC.

The Merger, which resulted in OCN acquiring the remaining interest in OAC, reflected an aggregate purchase price of $101,271, including direct costs of the acquisition. The Merger was accounted for as a purchase, and the purchase price was allocated to OAC's assets and liabilities based on their fair market values as follows:

Purchase price	$ 101,271
Fair value of net assets	161,313
Excess of net assets acquired over purchase price	$ 60,042

Amortization of the excess of net assets acquired over the purchase price is calculated on a straight-line basis. Amortization in 2000 includes an additional of $2,330 resulting from the reduction in the estimated life of the excess of net assets acquired over the purchase price from 60 months to 39 months, effective October 1, 2000. Results of operations from OAC from the date of merger are included in OCN's consolidated statement of operations for 2000 and 1999.

On September 30, 1999, the Company sold all the shares of its wholly-owned subsidiary, Ocwen UK, to Malvern House Acquisition Limited for the pound sterling equivalent of $122,101 in cash. Ocwen UK was originally formed to acquire substantially all of the assets, and certain of the liabilities, of the United Kingdom operations of Cityscape Financial Corp., and commenced operations on April 24, 1998. As a result of the transaction, the Company recorded a pretax gain on sale of $50,371.

On June 2, 1999, OTX acquired substantially all of the assets of Synergy Software, LLC ("Synergy"), a developer of commercial and multi-family mortgage servicing systems, for $10,000 of which $5,000 has been paid and $5,000 is a holdback which will be released over time if certain performance objectives are attained. The acquisition was accounted for as a purchase. The excess of purchase price over net assets acquired related to this transaction amounted to $4,948 and is being amortized on a straight-line basis over a period of seven years. Synergy is a wholly-owned subsidiary of OTX.

NOTE 3: FAIR VALUE OF FINANCIAL INSTRUMENTS

A majority of the Company's assets, liabilities and off-balance sheet instruments and commitments are considered financial instruments. For the majority of the Company's financial instruments, principally loans and deposits, fair values are not readily available since there are no available trading markets as characterized by current exchanges between willing parties. Accordingly, fair values can only be derived or estimated using various valuation techniques, such as computing the present value of estimated future cash flows using discount rates commensurate with the risks involved. However, the determination of estimated future cash flows is inherently subjective and imprecise. In addition, for those financial instruments with option-related features, prepayment assumptions are incorporated into the valuation techniques.

It should be noted that minor changes in assumptions or estimation methodologies can have a material effect on these derived or estimated fair values.

The fair values reflected below are indicative of the interest rate environments as of December 31, 2000 and 1999, and do not take into consideration the effects of interest rate fluctuations. In different interest rate environments, fair value results can differ significantly, especially for certain fixed-rate financial instruments and non-accrual assets. In addition, the fair values presented do not attempt to estimate the value of the Company's fee generating businesses and anticipated future business activities. In other words, they do not represent the Company's value as a going concern. Furthermore, the differences between the carrying amounts and the fair values presented may not be realized.

Reasonable comparability of fair values among financial institutions is difficult due to the wide range of permitted valuation techniques and numerous estimates that must be made in the absence of secondary market prices. This lack of objective pricing standards introduces a degree of subjectivity to these derived or estimated fair values. Therefore, while disclosure of estimated fair values of financial instruments is required, readers are cautioned in using this data for purposes of evaluating the financial condition of the Company.

The methodologies used and key assumptions made to estimate fair value, the estimated fair values determined and recorded carrying values follow:

CASH AND CASH EQUIVALENTS

Cash and cash equivalents have been valued at their carrying amounts as these are reasonable estimates of fair value given the relatively short period of time between origination of the instruments and their expected realization.

SECURITIES

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

LOANS AVAILABLE FOR SALE, LOANS, MATCH FUNDED LOANS AND SECURITIES, AND DISCOUNT LOANS

The fair value of performing loans is estimated based upon quoted market prices for similar whole loan pools. The fair value of non-performing loans is based on estimated cash flows discounted using a rate commensurate with the risk associated with the estimated cash flows. The fair value of the match funded loans and the discount loan portfolio is estimated based upon current market yields at which recent pools of similar mortgages have traded taking into consideration the timing and amount of expected cash flows. The match funded securities are marked to fair value in the same manner as securities.

INVESTMENT SECURITIES

Investment securities represent required holdings of specified levels of common stock issued by the Federal Home Loan Bank. These securities are subject to regulatory restrictions that limit the Company's ability to dispose of them freely and are carried at cost.

ADVANCES ON LOANS AND LOANS SERVICED FOR OTHERS

Advances on loans and loans serviced for others are valued at their carrying amounts because they have no stated maturity and do not bear interest.

DEPOSITS

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

The fair value of demand deposits, savings accounts and money market deposits is the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposit is estimated by discounting the required cash payments at the market rates offered for deposits with similar maturities on the respective financial statement dates.

BORROWINGS

The fair value of the Company's bond-match funded loan agreements, notes and debentures and capital securities are based upon quoted market prices. The fair value of the Company's other borrowings, including securities sold under agreements to repurchase and obligations outstanding under lines of credit, approximate carrying value.

DERIVATIVE FINANCIAL INSTRUMENTS

The fair values of all derivative financial instruments are based on quoted market prices.

LOAN COMMITMENTS, LETTERS OF CREDIT AND GUARANTEES

The fair values of loan commitments, letters of credit and guarantees are estimated considering the difference between interest rates on the respective financial statement dates and the committed rates.

The carrying amounts and the estimated fair values of the Company's financial instruments are as follows:

	December 31, 2000		December 31, 1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
FINANCIAL ASSETS:				
Interest earning and non-interest earning cash...	$ 153,736	$ 153,736	$ 242,219	$ 242,219
Federal funds sold..............................	--	--	112,000	112,000
Trading securities..............................	390,242	390,242	--	--
Securities available for sale...................	--	--	587,518	587,518
Loans available for sale........................	10,610	10,610	45,213	45,213
Investment securities...........................	13,257	13,257	10,965	10,965
Loan portfolio, net.............................	93,414	93,408	157,408	157,184
Discount loan portfolio, net....................	536,028	579,909	913,229	935,336
Match funded loans and securities, net..........	116,987	109,635	157,794	154,623
Advances on loans and loans serviced for others..	227,055	227,055	162,548	162,548
FINANCIAL LIABILITIES:				
Deposits..	1,258,360	1,276,268	1,814,647	1,820,700
Securities sold under agreements to repurchase...	--	--	47,365	47,365
Bond-match funded loan agreements...............	107,050	108,783	141,515	141,557
Obligations outstanding under lines of credit....	32,933	32,933	187,866	187,866
Notes, debentures and other interest-bearing obligations...................................	173,330	152,277	317,573	290,244
Capital securities..............................	79,530	48,911	110,000	72,600
DERIVATIVE FINANCIAL INSTRUMENTS:				
Interest rate swaps.............................	--	59	1,274	3,702
Caps and floors.................................	271	499	1,083	2,336
U.S. Treasury futures...........................	--	--	178	178
Swaptions and put options.......................	--	--	726	726
Currency forward................................	--	--	(976)	(976)
British Pound futures...........................	(339)	(339)	121	121
Canadian Dollar futures.........................	(242)	(242)	(320)	(320)
OTHER:				
Loan commitments................................	--	11,259	--	25,985
Letters of credit...............................	--	6,968	--	30,205
Guarantees......................................	--	7,035	--	--

NOTE 4: TRADING SECURITIES

As discussed in Note 1, the Company reclassified its securities available for sale to trading on September 30, 2000. The fair value of the Company's trading securities are as follows at December 31, 2000:

Collateralized mortgage obligations (AAA-rated)................	$ 277,595
Subordinates and residual securities:	
Single family residential:	
BB-rated subordinates..................................	4,563
B-rated subordinates...................................	2,911
Unrated subordinates...................................	9,361
Unrated subprime residuals	93,176
	110,011
Multi-family and commercial:	
Unrated subordinates...................................	2,636
	112,647
	$ 390,242

One security in the trading securities portfolio, which had a fair value of $3,454 at December 31, 2000, is pledged as collateral to the State of New Jersey in connection with the Bank's sales of certificates of deposit over $100 to New Jersey municipalities. Collateralized mortgage obligations with a fair value of $17,702 at December 31, 2000, were pledged as collateral to the FHLB of New York for advances.

At December 31, 2000, the Company held securities with an aggregate fair value of $144,805 and $68,651 that were issued by Freddie Mac and Fanniemae, respectively.

A profile of the maturities of trading securities at December 31, 2000, follows. Mortgage-backed securities are included based on their weighted-average maturities, reflecting anticipated future prepayments.

	Weighted Average Yield	Fair Value
Due within one year................................	7.43%	$ 258,148
Due after 1 through 5 years........................	15.47	84,799
Due after 5 through 10 years.......................	18.49	32,213
Due after 10 years.................................	12.15	15,082
	10.28	$ 390,242

Unrealized loss on trading and match funded securities, net, for the year ended December 31, 2000, was comprised of the following:

Trading securities:	
Unrealized loss on reclassification from available for sale.....	$ 7,834
Change in unrealized holding gains or losses...................	(3,875)
	3,959
Match funded securities:	
Unrealized loss on reclassification from available for sale.....	(10,240)
Change in unrealized holding gains or losses...................	1,355
	(8,885)
	$ (4,926)

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

The residual and subordinate securities classified as trading securities at December 31, 2000 include retained interests with a fair value of $43,016 from securitizations of loans completed by the Company in prior years. The Company completed no securitizations of loans during the year ended December 31, 2000.

The key economic assumptions used to estimate the fair value of these retained interests as of December 31, 2000 were as follows:

	Weighted Average
Discount rate	18.66%
Projected prepayments	19.07%
Projected average life	2.63 years
Projected annual loss rates	3.20%
Static pool losses	13.75%

As of December 31, 2000, the effect on the fair value of the retained interests caused by immediate adverse changes in the assumptions shown above would be as follows:

	Decrease
Discount rate:	
Impact of a +10% change	$ (2,841)
Impact of a +20% change	(5,394)
Prepayments:	
Impact of a -10% change	(213)
Impact of a -20% change	(380)
Loss rates:	
Impact of a +10% change	(4,111)
Impact of a +20% change	(7,497)

These sensitivities are hypothetical and are presented for illustrative purposes only. The changes in the assumptions regarding prepayments and loss rates were applied to the cash flows of the loans underlying the retained securities. Changes in assumptions regarding discount rates were applied to the cash flows of the securities. Changes in fair value based upon a change in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. The changes in assumptions presented in the table above were calculated without changing any other assumption. In reality, changes in one assumption may result in changes in another, which may magnify or offset the sensitivities presented. For example, changes in market interest rates may simultaneously impact prepayments, losses and the discount rate.

As of and for the year ended December 31, 2000, the following information is provided regarding securitized loans and related financial assets managed by the Company:

Current unpaid principal balance of securitized loans	$ 1,943,146
Delinquencies of securitized loans (30 days past due)	471,213
Losses, net of recoveries, on securitized loans	106,892

NOTE 5: SECURITIES AVAILABLE FOR SALE

The Company reclassified its securities available for sale to trading on September 30, 2000. The amortized cost, fair value and gross unrealized gains and losses on the Company's securities available for sale were as follows at December 31, 1999:

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mortgage-related securities Single family residential:				
AAA-rated collateralized mortgage obligations	$ 393,426	$ 50	$ (1,089)	$ 392,387
BB-rated subordinates....................................	4,697	1,244	(33)	5,908
B-rated subordinates.....................................	5,380	990	(272)	6,098
Unrated subordinates.....................................	15,790	2,543	(1,046)	17,287
Unrated subprime residuals	125,452	2,126	(3,491)	124,087
	544,745	6,953	(5,931)	545,767
Multi-family and commercial:				
B-rated subordinates.....................................	38,234	--	--	38,234
Unrated subordinates.....................................	3,503	--	--	3,503
Unrated interest-only....................................	--	14	--	14
	41,737	14	--	41,751
	$ 586,482	$ 6,967	$ (5,931)	$ 587,518

The amortized cost of mortgage-related securities at December 31, 1999 was net of unaccreted (discounts) and unamortized premiums of $(104,425).

One security in the available for sale portfolio, which had a fair value of $13,210 at December 31, 1999, was pledged as collateral to the State of New Jersey in connection with the Bank's sales of certificates of deposit over $100 to New Jersey municipalities. Mortgage-related securities with an amortized cost of $108,234 and a fair value of $105,615 were posted as collateral for securities sold under agreements to repurchase at December 31, 1999. Collateralized mortgage obligations with a fair value of $16,240 at December 31, 1999, were pledged as collateral to the FHLB of New York for advances.

A profile of the maturities of securities available for sale at December 31, 1999, follows. Mortgage-backed securities are included based on their weighted-average maturities, reflecting anticipated future prepayments.

	Amortized Cost	Fair Value
Due within one year...........................	$ 363,195	$ 363,672
Due after 1 through 5 years...................	162,155	161,609
Due after 5 through 10 years..................	41,993	43,045
Due after 10 years............................	19,139	19,192
	$ 586,482	$ 587,518

Gross realized gains and losses, proceeds on sales, premiums amortized against and discounts accreted to income were as follows during the periods indicated:

	Nine Months Ended September 30, 2000	Year Ended December 31. 1999	Year Ended December 31. 1998
Securities:			
Gross realized gains................................	$ 3,579	$ 6,567	$ 9,082
Gross realized losses...............................	(56)	(1,517)	(957)
Net realized gains (1)..............................	$ 3,523	$ 5,050	$ 8,125
Proceeds on sales...................................	$ 553,589	$ 43,923	$ 269,828
Net premium amortization............................	$ 5,937	$ 11,074	$ 56,487

<FN>
(1) Excludes impairment charges incurred during 2000, 1999 and 1998 related to AAA-rated agency interest-only securities, subordinates and subprime residual securities.
</FN>

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 6: LOANS AVAILABLE FOR SALE

The following table sets forth the composition of the Company's loans available for sale by type of loan at December 31:

	Carrying Value	
	2000	1999
Loan type:		
Single family residential..................	$ 10,559	$ 45,084
Consumer..................................	51	129
Total loans available for sale.............	$ 10,610	$ 45,213

The loans available for sale portfolio is secured by mortgages on property located throughout the United States. The following table sets forth the five states in which the largest amount of properties securing the Company's loans available for sale were located at December 31, 2000:

	Single family Residential	Consumer	Total
New Jersey...................	$ 4,787	$ --	$ 4,787
Michigan.....................	1,420	--	1,420
Florida......................	876	32	908
Ohio.........................	725	--	725
Connecticut..................	714	--	714
Other (1)....................	2,037	19	2,056
Total.....................	$ 10,559	$ 51	$ 10,610

(1) Consists of properties located in 17 other states, none of which aggregated over $700 in any one state.

The following table presents a summary of the Company's non-performing loans (loans which were past due 90 days or more) in the loans available for sale portfolio at December 31:

	2000	1999
Non-performing loans:		
Single family	$ 2,404	$ 15,319
Consumer....................................	2	1
	$ 2,406	$ 15,320
Non-performing loans as a percentage of:		
Total loans available for sale...............	22.68%	33.88%
Total assets................................	0.11%	0.47%

If non-accrual loans had been current in accordance with their original terms, interest income for the years ended December 31, 2000 and 1999 would have been greater by approximately $308 and $1,863, respectively. No interest has been accrued on loans greater than 89 days past due.

NOTE 7: LOAN PORTFOLIO

The Company's loan portfolio consisted of the following at December 31:

Carrying Value	
2000	1999

LOAN TYPE:		
Single family residential........................	$ 848	$ 4,334
Multi-family residential:		
Permanent....................................	6,083	23,430
Construction.................................	39,123	57,526
Total multi-family residential.................	45,206	80,956
Commercial real estate:		
Hotel Construction............................	38,153	38,349
Office	20,817	64,745
Land	1	2,238
Total commercial real estate.................	58,971	105,332
Other	48	82
Total loans.................................	105,073	190,704
Undisbursed loan funds...........................	(8,879)	(24,654)
Unamortized deferred fees........................	(372)	(1,383)
Allowance for loan losses........................	(2,408)	(7,259)
Loans, net..................................	$ 93,414	$ 157,408

The following table presents a summary of the Company's non-performing loans, allowance for loan losses and significant ratios for its loan portfolio at and for the years ended December 31:

	2000	1999	1998
NON-PERFORMING LOANS:			
Single family residential..................................	$ 316	$ 982	$ 1,169
Multi-family residential...................................	13,373	11,037	7,392
Commercial real estate and other...........................	4,581	19,360	488
	$ 18,270	$ 31,379	$ 9,049
ALLOWANCE FOR LOAN LOSSES:			
Balance, beginning of year.................................	$ 7,259	$ 4,928	$ 3,695
Provision for loan losses..................................	4	1,636	891
Charge-offs..	(4,855)	(8)	(219)
Recoveries...	--	--	561
Acquired allowance (OAC acquisition).......................	--	703	--
Balance, end of year.......................................	$ 2,408	$ 7,259	$ 4,928
SIGNIFICANT RATIOS:			
Non-performing loans as a percentage of:			
Total loans..	19.07%	19.06%	3.85%
Total assets...	0.81%	0.96%	0.27%
Allowance for loan losses as a percentage of:			
Total loans..	2.51%	4.41%	2.09%
Non-performing loans...................................	13.18%	23.13%	54.46%

If non-accrual loans had been current in accordance with their original terms, interest income for the years ended December 31, 2000, 1999 and 1998, would have been greater by approximately $1,919, $1,139 and $284, respectively. No interest has been accrued on loans greater than 89 days past due.

At December 31, 2000, the Company had five commercial loans with an aggregate carrying value of $1,877, net of allowance for loan losses of $361, which were impaired. The average carrying value of impaired loans for the year ended December 31, 2000 was $8,988. At December 31, 1999, the Company had two commercial loans with an aggregate carrying value of $1,793, net of allowance for loan losses of $1,982, which were impaired.

The following table sets forth the geographic distribution of properties securing the Company's non-accrual loans in the loan portfolio at December 31, 2000:

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

	Single Family Residential	Multi-family Residential	Commercial Real Estate	Total
Texas.............	$ --	$ 5,500	$ --	$ 5,500
California.........	--	3,304	1	3,305
New York...........	--	2,724	329	3,053
Florida............	--	--	2,850	2,850
Michigan...........	--	1,040	1,082	2,122
Other (1)..........	316	805	319	1,440
Total...........	$ 316	$ 13,373	$ 4,581	$ 18,270

The loan portfolio is secured by mortgages on properties located throughout the United States. The following table sets forth the five states in which the largest amount of properties securing the Company's loans were located at December 31, 2000:

	Single Family Residential	Multi-family Residential	Commercial Real Estate	Consumer	Total
New York...........	$ 157	$ 4,237	$ 18,045	$ --	$ 22,439
California.........	--	22,083	1	--	22,084
Delaware...........	429	--	12,883	--	13,312
Virginia...........	--	--	7,650	--	7,650
Illinois...........	--	--	7,555	--	7,555
Other (1)..........	262	18,886	12,837	48	32,033
Total...........	$ 848	$ 45,206	$ 58,971	$ 48	$ 105,073

<FN>
(1) Consists of properties located in 11 other states, none of which aggregated over $7,513 in any one state.
</FN>

NOTE 8: DISCOUNT LOAN PORTFOLIO

The Company has acquired, through private sales and auctions, mortgage loans at a discount because the borrowers are either not current as to principal and interest payments, or there is doubt as to the borrowers' ability to pay in full the contractual principal and interest. The Company estimates the amounts it will realize through foreclosure, collection efforts or other resolution of each loan and the length of time required to complete the collection process in determining the amounts it will bid to acquire such loans.

The resolution alternatives applied to the discount loan portfolio are: (i) the borrower brings the loan current in accordance with original or modified terms; (ii) the borrower repays the loan or a negotiated amount; (iii) the borrower agrees to a deed-in-lieu of foreclosure, in which case it is classified as real estate owned and held for sale by the Company and (iv) the Company forecloses on the loan and the property is either acquired at the foreclosure sale by a third-party or by the Company, in which case it is classified as real estate owned and held for sale. Upon receipt of title to the property, the loans are transferred to real estate owned.

The Company's discount loan portfolio consists of the following at December 31:

	2000	1999

Single family residential loans	$ 289,883	$ 597,719
Multi-family residential loans	105,591	191,971
Commercial real estate loans:		
Office buildings	77,608	97,784
Hotels	63,967	75,095
Retail properties	85,924	105,247
Other properties	36,511	87,148
	264,010	365,274
Other loans	17,188	21,615
Total discount loans	676,672	1,176,579
Unaccreted discount:		
Single family residential loans	(74,184)	(147,630)
Multi-family residential loans	(5,176)	(37,981)
Commercial real estate loans	(40,413)	(57,604)
Other loans	--	(954)
	(119,773)	(244,169)
	556,899	932,410
Allowance for loan losses	(20,871)	(19,181)
Discount loans, net	$ 536,028	$ 913,229

The discount loan portfolio is secured by mortgages on property located throughout the United States. The following table sets forth the five states in which the largest amount of properties securing the Company's discount loans were located at December 31, 2000:

	Single Family Residential	Multi-Family Residential	Commercial Real Estate and Other	Total
California	$ 19,115	$ 3,474	$ 65,768	$ 88,357
Michigan	6,755	36,047	18,840	61,642
Illinois	10,806	40,604	1,281	52,691
New York	20,854	--	26,901	47,755
Wisconsin	1,935	--	34,515	36,450
Other (1)	156,234	20,290	93,480	270,004
	$ 215,699	$ 100,415	$ 240,785	$ 556,899

(1) Consists of properties located in 45 other states, none of which aggregated over $30,879 in any one state.

The following table sets forth the contractual payment status at December 31 of the loans in the Company's gross discount loan portfolio:

	December 31,	
	2000	1999
Loans without Forbearance Agreements:		
Current	$ 295,616	$ 509,845
Past due 31 days to 89 days	6,295	23,438
Past due 90 days or more	295,226	448,312
Acquired and servicing not yet transferred	--	87,538
Subtotal	597,137	1,069,133

Loans with Forbearance Agreements:

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

Current	3,888	2,958
Past due 31 days to 89 days	2,090	8,904
Past due 90 days or more (1)(2)	73,557	95,584
Subtotal	79,535	107,446
	$ 676,672	$1,176,579

(1) Includes $52,997 of loans which were less than 90 days past due under the terms of the forbearance agreements at December 31, 2000, of which $50,719 were current and $2,278 were past due 31 to 89 days.

(2) Includes $95,218 of loans which were less than 90 days past due under the terms of the forbearance agreements at December 31, 1999, of which $67,897 were current and $27,321 were past due 31 to 89 days.

The following schedule presents a summary of the Company's allowance for loan losses and significant ratios for its discount loans at and for the years ended December 31:

	2000	1999	1998
ALLOWANCE FOR LOAN LOSSES:			
Balance at beginning of year	$ 19,181	$ 21,402	$ 23,493
Provision for loan losses	15,266	5,434	17,618
Charge-offs	(14,213)	(8,052)	(20,130)
Recoveries	637	397	421
Balance at end of year	$ 20,871	$ 19,181	$ 21,402
SIGNIFICANT RATIOS:			
Allowances for loan losses as a percentage of:			
Total loans (1)	3.75%	2.06%	2.04%
Total assets	0.93%	0.58%	0.65%
Net charge-offs as a percentage of average discount loans	(1.66)%	(0.80)%	(1.52)%

<FN>
(1) Total loans are net of unaccreted discount.
</FN>

At December 31, 2000, the Company had six commercial discount loans with an aggregate carrying value of $19,744, net of allowance for loan losses of $1,267, which were impaired. Impaired discount loans at December 31, 2000 were primarily comprised of one loan with a carrying value of $17,896 and secured by a hotel property. The average carrying value of impaired loans for the year ended December 31, 2000 was $25,572.

NOTE 9: MATCH FUNDED LOANS AND SECURITIES

Match funded loans and securities are comprised of the following at December 31:

	2000	1999
Single family residential loans (1)	$ 80,834	$ 105,596
Allowance for loan losses	(285)	(495)
Match funded loans, net	80,549	105,101
Match funded securities	36,438	52,693
Balance at end of period	$ 116,987	$ 157,794

(1) Includes $2,831 and $1,127 of non-performing loans at December 31, 2000 and 1999, respectively.

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

At December 31, 2000, the Company held match funded loans acquired as a result of the OAC acquisition. These loans were securitized and transferred by OAC to OAC Mortgage Residential Securities, Inc., a real estate mortgage investment conduit (the "Trust") on November 13, 1998. On that date, the Trust issued two classes of notes secured by the related group of mortgage loans. At December 31, 2000, Loan Group I consisted of approximately 548 mortgage loans with original terms of up to 30 years that are secured by first liens on single family residential properties. At that same date, Loan Group II consisted of approximately 365 mortgage loans with original terms of up to 30 years that are secured by first or second liens on single family residential properties. Upon the transfer, OAC received approximately $173,900 of proceeds. The transfer did not qualify as a sale for accounting purposes. Accordingly, the proceeds received from the transfer are reported as a liability (bonds-match funded agreements) in the Consolidated Statement of Financial Condition. See Note 19.

The match funded loans are secured by mortgages on properties located throughout the United States. The following table sets forth the five states in which the largest amount of properties securing the Company's loans were located at December 31, 2000:

Michigan	$ 15,071
California	8,374
Florida	5,697
Texas	5,080
Massachusetts	4,271
Other (1)	42,341
	$ 80,834

(1) Consists of properties located in 41 other states, none of which aggregated over $3,420 in any one state.

Additionally, at December 31, 2000, the Company held match funded securities, with a fair value of $36,438 resulting from the Company's transfer of four unrated residual securities to Ocwen NIM Corp. on December 16, 1999 in exchange for $43,000 in non-recourse notes (Series 1999-OAC1). Upon the transfer, the Company received approximately $40,100 of proceeds. The transfer did not qualify as a sale for accounting purposes. Accordingly, the amount of proceeds from the transfer are reported as a liability (bonds-match funded agreements) in the Consolidated Statement of Financial Condition. See Note 19.

The following table summarizes the maturities of the match-funded securities at December 31, 2000. Maturities are based on weighted-average unpaid principal balance and reflect anticipated future prepayments based on a consensus of dealers in the market.

Entity	Fair Value
Due within one year	$ 11,193
Due after 1 through 5 years	8,660
Due after 5 through 10 years	5,717
Due after 10 years	10,868
	$ 36,438

As disclosed in Note 4, the change in net unrealized holding gains or losses related to match funded securities are included in unrealized loss on trading and match funded securities, net, in the consolidated statement of operations.

NOTE 10: INVESTMENT IN UNCONSOLIDATED ENTITIES

Carrying Value

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

Entity	2000	1999
Kensington (1)	$ --	$ 36,215
Other	430	903
	$ 430	$ 37,118

(1) As disclosed in Note 2, on November 22, 2000, the Company sold its equity investment in Kensington. At the time of the sale, the Company owned approximately 38.7% of the outstanding common stock of Kensington, an originator of non-conforming residential mortgages in the U.K. The Company recorded equity in (losses) earnings of Kensington of $(5,280), $(9,154) and $439, net of goodwill amortization, during 2000, 1999 and 1998, respectively.

NOTE 11: REAL ESTATE OWNED

Real estate owned consists almost entirely of properties acquired by foreclosure or deed-in-lieu thereof on loans in the Company's discount loan portfolio. Real estate owned, net of valuation allowance, is held for sale and was provided from the following loan portfolios at December 31:

	December 31, 2000	December 31, 1999
Discount loan portfolio:		
Single family residential	$ 55,751	$ 72,193
Multi-family residential	149	2,601
Commercial real estate	88,214	85,233
Total	144,114	160,027
Loan portfolio	1,384	2,183
Loans available for sale	921	5,296
Total	$ 146,419	$ 167,506

The following table sets forth certain geographical information by type of property at December 31, 2000 related to the Company's real estate owned:

	Single Family Residential		Multi-family Residential and Commercial		Total	
	Amount	No. of Properties	Amount	No. of Properties	Amount	No. of Properties
Florida	$ 3,087	68	$ 48,802	4	$ 51,889	72
Georgia	1,314	19	15,061	1	16,375	20
Connecticut	1,397	25	12,386	2	13,783	27
Texas	2,479	46	3,283	2	5,762	48
Michigan	5,619	151	--	--	5,619	151
Other (1)	42,784	968	10,207	12	52,991	980
Total	$ 56,680	1,277	$ 89,739	21	$ 146,419	1,298

<FN>
(1) Consists of properties located in 43 other states, none of which aggregated over $4,939 in any one state.
</FN>

The following schedule presents the activity, in aggregate, in the valuation allowance on real estate owned for the years ended December 31:

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

	2000	1999	1998
Balance at beginning of year..........	$ 17,181	$ 15,325	$ 12,346
Provision for losses..................	26,674	28,008	18,626
Charge-offs and sales.................	(25,713)	(26,152)	(15,647)
Balance at end of year................	$ 18,142	$ 17,181	$ 15,325

NOTE 12: REAL ESTATE HELD FOR SALE

The Company's real estate held for sale consisted of two retail shopping centers with an aggregate carrying value of $22,670 at December 31, 2000. These properties were acquired as a result of the acquisition of OAC and were previously held for investment at December 31, 1999. The Company continues to actively market the properties for sale.

NOTE 13: INVESTMENT IN REAL ESTATE

The Company's investment in real estate consisted of the following at December 31:

	2000	1999
Properties held for investment (1):		
Office buildings.................................	$ 32,112	$ 202,607
Retail...	9,515	33,224
Building improvements............................	11,346	17,590
Tenant improvements and lease commissions..........	1,744	8,150
Furniture and fixtures...........................	52	44
	54,769	261,615
Accumulated depreciation.........................	(2,359)	(9,011)
	52,410	252,604
Loans accounted for as investments in real estate (2):		
Multi-family residential.........................	97	--
Nonresidential...................................	45,689	--
	45,786	--
Properties held for lease:		
Land and land improvements	1,256	1,256
Building...	15,641	14,629
Accumulated depreciation.........................	(855)	(248)
	16,042	15,637
Investment in real estate partnerships (3)(4).........	8,523	--
	$ 122,761	$ 268,241

(1) Acquired as a result of the acquisition of OAC. The decline in balances during 2000 is due to sales and the transfer of properties from held for investment to held for sale. The Company's properties held for investment at December 31, 2000 are comprised of one commercial office building and one retail shopping center.

(2) Certain acquisition, development and construction loans were acquired in January 2000 in which the Company participates in the expected residual profits of the underlying real estate, and the borrower has

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

not contributed substantial equity to the project. As such, the Company has accounted for these loans under the equity method of accounting as though it had an investment in a real estate limited partnership.

(3) Consists of interests in four limited partnerships operating as real estate ventures, consisting of multi-family type properties.

(4) During 1999, the Company recognized an impairment charge of $2,817 on its investment in a nonresidential real estate venture, which reduced the carrying value to $0.

NOTE 14: MORTGAGE SERVICING

Under contractual servicing agreements, the Company services for other investors mortgage loans which it does not own. The total unpaid principal balance of such loans serviced for others (which is not included in the consolidated statement of financial condition) was $11,360,523 and $11,105,283 at December 31, 2000 and 1999, respectively. Related escrow funds on deposit with an unaffiliated bank in the amount of $101,461 and $56,152 at December 31, 2000 and 1999, respectively, are similarly excluded from the statement of financial condition. Domestic servicing fees and other servicing-related income on loans serviced for others, included in servicing and other fees, amounted to $78,684, $73,224 and $58,439 for the years ended December 31, 2000, 1999 and 1998, respectively. In general, these servicing agreements include guidelines and procedures for servicing the loans, remittance requirements and reporting requirements, among other provisions.

The Company earns servicing and sub-servicing income on mortgage loans secured by real estate in 50 states. At December 31, 2000, the geographic distribution based on the unpaid principal balance of the loans serviced was as follows:

	No. of Loans	Amount
California	25,703	$ 2,236,876
Florida	12,943	827,697
Illinois	6,817	684,004
Texas	10,419	612,923
New York	5,395	534,256
Other (1)	103,393	6,464,767
	164,670	$ 11,360,523

(1) Consists of loans in 45 other states, none of which aggregated over $402,454 in any one state.

The risk inherent in such concentrations is dependent upon regional and general economic conditions that affect property values.

The unamortized balance of mortgage servicing assets is as follows at December 31:

	2000	1999
Unamortized balance	$ 53,056	$ 13,313
Valuation allowance	(1,630)	(1,630)
	$ 51,426	$ 11,683

The following table summarizes the activity in mortgage servicing assets for the years ended December 31:

	2000	1999

Balance at the beginning of year...............	$ 11,683	$ 7,060
Purchases......................................	49,779	9,218
Amortization...................................	(10,036)	(4,595)
Balance at the end of the year.................	$ 51,426	$ 11,683

The unamortized servicing asset balance of $51,426 at December 31,2000 was comprised of $50,265 of purchased mortgage servicing rights and $1,161 of retained mortgage servicing rights in connection with loan securitizations completed in prior years.

Advances related to loans serviced for others consisted of the following at December 31:

	2000 (1)	1999 (1)
Principal and interest.........................	$ 95,191	$ 58,497
Taxes and insurance............................	64,159	41,569
Other..	44,697	30,921
	$ 204,047	$ 130,987

(1) Does not include advances on the Company's loan portfolios of $23,008 and $31,561 at December 31, 2000 and 1999, respectively.

NOTE 15: LOW-INCOME HOUSING TAX CREDIT INTERESTS HELD FOR SALE

The carrying value of the Company's investments in low-income housing tax credit interests held for sale are as follows at December 31:

	2000	1999
Investments solely as a limited partner made prior to May 18, 1995...............	$ 32,229	$ --
Investments solely as a limited partner made on or after May 18, 1995............	8,922	--
Investments both as a limited and, through subsidiaries, as a general partner.....	45,932	--
	$ 87,083	$ --

During 2000, the Company entered into transactions to sell twenty-five of its low-income housing tax credit properties, together with the related tax credits. Although these transactions resulted in the transfer of tax credits and operating results for these properties to the purchasers, they did not qualify as sales for accounting purposes, primarily due to insufficient cash received at signing, as well as to certain contingencies with respect to potential repurchase requirements. As a result, the Company has reclassified these properties as held for sale and has valued them at the lower of cost or fair value less disposal costs. The Company recorded a charge to earnings during 2000 of $6,448 reflecting the expected net loss to be incurred upon completion of these transactions.

NOTE 16: INVESTMENTS IN LOW INCOME HOUSING TAX CREDIT INTERESTS

The carrying value of the Company's investments in low-income housing tax credit interests are as follows at December 31:

	2000	1999
Investments solely as a limited partner made prior to May 18, 1995...............	$ 21,170	$ 17,327
Investments solely as a limited partner made on or after May 18, 1995............	6,263	59,541
Investments both as a limited and, through subsidiaries, as a general partner.....	28,296	74,121

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

	$ 55,729	$ 150,989

The qualified affordable housing projects underlying the Company's investments in low-income housing tax credit interests are geographically located throughout the United States. At December 31, 2000, the Company's largest single investment was $11,473, which related to a project located in New Jersey.

Income on the Company's limited partnership investments made prior to May 18, 1995 is recorded under the level yield method as a reduction of income tax expense and amounted to $2,093, $2,953 and $4,651 for the years ended December 31, 2000, 1999 and 1998, respectively. For 2000, the Company also recorded additional income tax expense of $6,875 related to certain of its limited partnership investments made prior to May 18, 1995 resulting from the sale of those investments in advance of their maturity for tax credit purposes. As a result, not all of the deferred tax benefit that had been previously recorded by the Company under the level yield method could be realized, and the related accrual for the excess benefits was reversed. Had the investments accounted for under the level yield method been accounted for under the equity method, income would have been reduced by $337, $60 and $1,113 for the years ended December 31, 2000, 1999 and 1998, respectively. For limited partnership investments made after May 18, 1995, and for investments as a limited and, through subsidiaries, as a general partner, the Company recognized tax credits of $7,359, $15,289 and $13,017 for the years ended December 31, 2000, 1999 and 1998, respectively, and excluding the $6,448 provision for losses on properties sold in 2000, recorded a loss after depreciation of $3,483, $6,291 and $6,905 from operations on the underlying real estate for the years ended December 31, 2000, 1999 and 1998, respectively.

Included in gains on other non-interest earning assets, net, for the years ended December 31, 2000, 1999 and 1998, are gains of $497, $6,591 and $7,366, respectively, on the sales of certain investments in low-income housing tax credit interests which had carrying values of $27,402, $41,744 and $28,887, respectively, at time of sale.

NOTE 17: PREMISES AND EQUIPMENT

Premises and equipment are summarized as follows at December 31:

	2000	1999
Computer hardware and software	$ 42,759	$ 39,224
Buildings	19,265	19,192
Leasehold improvements	10,056	9,651
Land and land improvements	4,814	4,782
Furniture and fixtures	7,455	6,704
Office equipment	746	2,269
Less accumulated depreciation and amortization	(41,943)	(32,784)
	$ 43,152	$ 49,038

Depreciation expense amounted to $12,248, $13,546 and $11,703 for 2000, 1999 and 1998, respectively (of which $2,353, $2,343 and $1,461 for 2000, 1999 and 1998, respectively, related to computer software). Buildings represent the Company's nationwide customer service and collection facility in Orlando, Florida, construction of which was completed during 1999.

NOTE 18: DEPOSITS

The Company's deposits consist of the following at December 31:

2000	1999

Non-interest-bearing deposits	$ 69,840	$ 252,634
NOW and money market checking accounts	14,669	30,343
Savings accounts	1,274	1,361
	85,783	284,338
Certificates of deposit (1)(2)	1,176,566	1,536,997
Unamortized deferred fees	(3,989)	(6,688)
	1,172,577	1,530,309
	$1,258,360	$1,814,647

(1) At December 31, 2000 and 1999, certificates of deposit, net of unamortized deferred fees, included $964,443 and $1,379,262, respectively, of deposits originated through national, regional and local investment banking firms which solicit deposits from their customers, all of which are non-cancellable.

(2) At December 31, 2000 and 1999, certificates of deposit issued on an uninsured basis amounted to $75,417 and $155,205, respectively. Of the $75,417 of uninsured deposits at December 31, 2000, $24,781 were from political subdivisions in New Jersey and are secured or collateralized as required under state law. Non-interest bearing deposits at December 31, 2000 and 1999 included $47,697 and $230,141, respectively, of escrow balances related to principal, interest, taxes and insurance collected but not yet remitted in accordance with loan servicing agreements.

The contractual remaining maturity of the Company's certificates of deposit at December 31, 2000 is as follows:

Within one year	$ 642,342
Within two years	327,125
Within three years	104,058
Within four years	53,634
Within five years	25,377
Thereafter	20,041
	$ 1,172,577

Deferred fees on certificates of deposits are amortized on a straight-line basis over the term of the respective certificates of deposit. Such amortization amounted to $4,419, $5,098 and $6,353 for the years ended December 31, 2000, 1999 and 1998, respectively, and is included in interest expense on deposits. Interest expense by type of deposit account is as follows for the years ended December 31:

	2000	1999	1998
NOW accounts and money market checking	$ 532	$ 1,313	$ 1,434
Savings	37	38	38
Certificates of deposit	97,655	97,019	115,112
	$ 98,224	$ 98,370	$ 116,584

Accrued interest payable on deposits amounted to $14,955, $15,078 and $22,687 at December 31, 2000, 1999 and 1998, respectively.

NOTE 19: BONDS-MATCH FUNDED AGREEMENTS

Bonds-match funded agreements were comprised of the following at December 31:

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

	2000	1999
OAC Mortgage Residential Securities Holdings, LLC.......	$ 72,101	100,968
Ocwen NIMS Corp.......................................	34,949	40,547
	$ 107,050	141,515

At December 31, 2000 and 1999, bonds-match funded agreements had a weighted average interest rate of 8.07% and 7.84%, respectively. Accrued interest payable on bonds-match funded agreements amounted to $143 and $264 at December 31, 2000 and 1999, respectively. Interest expense on bonds-match funded agreements amounted to $11,484 and $2,101 during 2000 and 1999, respectively.

NOTE 20: LINES OF CREDIT AND OTHER SHORT-TERM BORROWINGS

The Company through its subsidiaries has obtained secured lines of credit arrangements from various unaffiliated financial institutions as follows:

Entity	Balance Outstanding	Amount of Facility	Committed Amount	Maturity Date	Interest Rate(3)
DECEMBER 31, 2000:					
OAC (1).............	$ 32,933	$ 200,000	$ 115,580	June 2001	LIBOR + 240 basis points
DECEMBER 31, 1999:					
OFS (2).............	$ 2,041	$ 200,000	$ 100,000	July 2001	LIBOR + 75 basis points
	3,770	115,000	100,000	May 2000	LIBOR + 95 - 150 basis points
	15,227	50,000	50,000	May 2000	LIBOR + 137.5 basis points
	7,658	25,000	--	May 2000	LIBOR + 175 basis points
OAC (1).............	84,170	200,000	200,000	June 2001	LIBOR + 175 basis points
	75,000	75,000	75,000	April 2001	LIBOR + 175 basis points
	$ 187,866				

<FN>
(1) Collateralized by commercial loans and investments in real estate.

(2) These lines were used to fund subprime mortgage loan originations, generally advanced at a rate of 80% to 98% of the principal balance of the mortgage loan and are secured by such mortgage loans.

(3) LIBOR was 6.57% and 5.82% at December 31, 2000 and 1999, respectively.
</FN>

The maximum month end amount of borrowings under lines of credit was $184,750 and $458,606 for the years ended December 31, 2000 and 1999, respectively.

Accrued interest payable on obligations outstanding under lines of credit amounted to $0 and $200 at December 31, 2000 and 1999, respectively. Interest expense on obligations outstanding under lines of credits amounted to $13,881, $16,318 and $34,587 during 2000, 1999 and 1998, respectively.

In addition to the above listed lines of credit, the Company, through the Bank, has the capacity to borrow from the Federal Home Bank of New York ("FHLB") up to an aggregate of $41,275, at the prevailing market rate. This facility matures in March 2001. At December 31, 2000, there were no advances outstanding from the FHLB. The maximum month end amount of advances from the FHLB was $0 and $50,000 during the years ended December 31, 2000 and 1999, respectively.

The Company also has contractual relationships with twelve brokerage firms and the FHLB under which it can obtain funds under reverse repurchase agreements. At December 31, 2000, there were no reverse repurchase agreements outstanding. The maximum month end amount of borrowings through reverse repurchase agreements was $421,050 and $152,269 during the years ended December 31, 2000 and 1999, respectively.

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 21: NOTES, DEBENTURES AND OTHER INTEREST-BEARING OBLIGATIONS

Notes, debentures and other interest-bearing obligations mature as follows:

	December 31, 2000	December 31, 1999
2003:		
11.875% Notes due October 1	$ 100,050	$ 103,850
2004:		
Loan due May 24 (LIBOR plus 250 basis points)	6,235	6,236
2005:		
12% Subordinated Debentures due June 15	67,000	67,000
11.5% Notes due July 1	45	140,487
	$ 173,330	$ 317,573

The 11.875% Notes due October 1, 2003, ("the Notes") were issued by the Company in the original amount of $125,000 with interest payable semiannually on April 1 and October 1. The Notes are unsecured general obligations of the Company and are subordinated in right of payment to the claims of creditors of the Company's subsidiaries.

The Notes may not be redeemed prior to October 1, 2001, except as described below. On or after such date, the Notes may be redeemed at any time at the option of the Company, in whole or in part, at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest, if redeemed during the twelve-month period beginning October 1 of the years indicated below:

Year	Redemption Price
2001	105.938%
2002	102.969%

During 2000 and 1999, the Company repurchased $3,800 and $21,150, respectively, of its Notes in the open market, resulting in an extraordinary gain of $439 ($276 net of taxes) and $1,322 ($1,090 net of taxes), respectively.

The indenture governing the Notes requires the Company to maintain, at all times when the Notes are not rated in an investment grade category by one or more nationally recognized statistical rating organizations, unencumbered liquid assets with a value equal to 100% of the required interest payments due on the Notes on the next two succeeding semiannual interest payment dates. The Company maintained an investment in cash and cash equivalents of $12,057 and $15,054 at December 31, 2000 and 1999, respectively, that is

restricted for purposes of meeting this liquidity requirement. The indenture further provides that the Company shall not sell, transfer or otherwise dispose of shares of common stock of the Bank or permit the Bank to issue, sell or otherwise dispose of shares of its common stock unless in either case the Bank remains a wholly-owned subsidiary of the Company.

In connection with the issuance of the Notes, the Company incurred certain costs which have been capitalized and are being amortized on a straight-line basis over the life of the Notes. The unamortized balance of these issuance costs amounted to $2,140 and $3,030 at December 31, 2000 and 1999, respectively, and is included in other assets. Accrued interest payable on the Notes amounted to $2,970 and $3,083 at December 31, 2000 and 1999, respectively. Interest expense amounted to $12,293, $14,656 and $14,844 during 2000, 1999 and 1998, respectively.

The 12% Subordinated Debentures due 2005 (the "Debentures") were issued by the Bank in the original amount of $100,000 with interest payable semiannually on June 15 and December 15. The Debentures are unsecured general obligations of the Bank and are subordinated in right of payment to all existing and future senior debt.

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

The Debentures may be redeemed at any time at the option of the Bank, in whole or in part, together with accrued and unpaid interest, if any, on not less than 30 nor more than 60 days notice at the following redemption prices (expressed as a percentage of the principal amount), if redeemed during the twelve-month period beginning June 15 of the years indicated below:

Year	Redemption Price
2000	105.333%
2001	104.000%
2002	102.667%
2003	101.333%
2004 and thereafter	100.000%

In connection with the issuance of the Debentures, the Bank incurred certain costs which have been capitalized and are being amortized on a straight-line basis over the expected life of the Debentures. The unamortized balance of these issuance costs amounted to $1,043 and $1,468 at December 31, 2000 and 1999, respectively, and is included in other assets. Accrued interest payable on the Debentures amounted to $335 and $335 at December 31, 2000 and 1999, respectively. Interest expense on the Debentures amounted to $8,040, $11,412 and $12,000 during 2000, 1999 and 1998, respectively. During 1999, the Bank repurchased $33,000 of its Debentures in the open market, resulting in an extraordinary gain of $1,605 ($1,323 net of taxes). There were no repurchases during 2000.

As a result of the acquisition of OAC in October 1999, the Company assumed the 11.5% Redeemable Notes ("the Redeemable Notes") due 2005 which were issued by OAC during 1998 in the original amount of $150,000. During 2000, the Company repurchased in the open market $44,930 of the outstanding balance of its Redeemable Notes. These repurchases resulted in extraordinary gains of $8,073 ($5,086 net of taxes). Additionally, on December 21, 2000, the Company acquired $98,025 in aggregate principal outstanding of its Redeemable Notes pursuant to its tender offer and consent solicitation dated November 14, 2000. This repurchase resulted in an extraordinary gain of $9,452 ($5,955 net of taxes). Accrued interest payable on the Redeemable Notes amounted to $3 and $8,223 at December 31, 2000 and 1999, respectively. Interest expense on the Redeemable Notes amounted to $13,680 and $4,226 during 2000 and 1999, respectively.

NOTE 22: CAPITAL SECURITIES

In August 1997, Ocwen Capital Trust ("OCT") issued $125,000 of 10-7/8% Capital Securities (the "Capital Securities"). Proceeds from issuance of the Capital Securities were invested in 10-7/8% Junior Subordinated Debentures issued by the Company. The Junior Subordinated Debentures, which represent the sole assets of OCT, will mature on August 1, 2027. During 2000 and 1999, OCT repurchased $30,470 and $15,000, respectively, of its Capital Securities in the open market, resulting in extraordinary gains of $11,740 ($7,396 net of taxes) and $5,548 ($4,570 net of taxes), respectively.

Holders of the Capital Securities are entitled to receive cumulative cash distributions accruing from the date of original issuance and payable semiannually in arrears on February 1 and August 1 of each year, commencing on February 1, 1998, at an annual rate of 10-7/8% of the liquidation amount of $1,000 per Capital Security. Payment of distributions out of moneys held by OCT, and payments on liquidation of OCT or the redemption of Capital Securities, are guaranteed by the Company to the extent OCT has funds available. If the

Company does not make principal or interest payments on the Junior Subordinated Debentures, OCT will not have sufficient funds to make distributions on the

Capital Securities, in which event the guarantee shall not apply to such distributions until OCT has sufficient funds available therefore. Accumulated distributions payable on the Capital Securities amounted to $3,533 and $4,815 at December 31, 2000 and 1999, respectively, and is included in accrued interest payable.

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

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

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

In connection with the issuance of the Capital Securities, the Company incurred certain costs which have been capitalized and are being amortized over the term of the Capital Securities. The unamortized balance of these issuance costs amounted to $2,815 and $4,041 at December 31, 2000 and 1999, respectively, and is included in other assets.

NOTE 23: BASIC AND DILUTED EARNINGS PER SHARE

The Company is required to present both basic and diluted EPS on the face of its statement of operations. Basic EPS excludes common stock equivalents and is calculated by dividing net income by the weighted average number of common shares outstanding during the year. Diluted EPS is calculated by dividing net income by the weighted average number of common shares outstanding, including the dilutive potential common shares related to outstanding stock options. In computing diluted net loss per share for 1998, the conversion of common stock equivalents was not assumed as the effect would have been antidilutive.

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

The following is a reconciliation of the calculation of basic EPS to diluted EPS:

	2000	1999	1998
Net income (loss)	$ 2,192	$ 19,832	$ (1,200)
Basic EPS:			
Weighted average shares of common stock	67,427,662	63,051,015	60,736,950
Basic EPS	$ 0.03	$ 0.31	$ (0.02)
Diluted EPS:			
Weighted average shares of common stock	67,427,662	63,051,015	60,736,950
Effect of dilutive securities:			
Stock options (1)	36,381	39,267	--
	67,464,043	63,090,282	60,736,950
Diluted EPS	$ 0.03	$ 0.31	$ (0.02)

<FN>
(1) Excludes the effect of 1,718,133 and 1,565,343 of options that are antidilutive for 2000 and 1999, respectively.
</FN>

NOTE 24: DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments for the purpose of managing its exposure to adverse fluctuations in interest and foreign currency exchange rates.

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

INTEREST RATE MANAGEMENT

In managing its interest rate risk, the Company enters into interest rate swaps. Under interest rate swaps, the Company agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional amount. The terms of the interest rate 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 interest rate swaps are used to alter the interest rate on current LIBOR rate debt incurred to fund the Company's acquisitions of real estate, subordinate and residual securities and securities sold under agreements to repurchase. The fair value of the interest rate swaps are not recognized in the consolidated financial statements as the swaps are accounted for on the accrual basis of accounting.

The Company is exposed to credit loss if: (i) the counterparties to the interest rate swap do not perform and (ii) the floating interest rate received by the Company exceeds the fixed interest rate paid by it. All of the counterparties have long-term debt ratings of A+ or above by Standard and Poor's and A1 or above by Moody's. Although a swap generally may not be sold or transferred without the consent of the counterparty, management does not believe that this consent would be withheld. Although none of the Company's interest rate swaps are exchange-traded, there are a number of financial institutions which enter into these types of transactions as part of their day-to-day activities.

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

The terms of the outstanding interest swaps at December 31, 2000 and 1999, are as follows:

Maturity	Notional Amount	LIBOR Index	Fixed Rate	Floating Rate	Fair Value
DECEMBER 31, 2000:					
April 2001............	$ 33,000	1-Month	6.00%	6.80%	$ 59
DECEMBER 31, 1999:					
April 2001............	$ 75,000	1-Month	6.00%	6.48%	$ 482
April 2001............	17,000	1-Month	6.00	6.48	108
April 2002............	8,780	1-Month	6.04	6.46	129
January 2003..........	100,000	1-Month	5.75	6.46	2,983
	$ 200,780				$ 3,702

The swaps had the effect of decreasing net interest income by $148, $72 and $115 for the years ended December 31, 2000, 1999 and 1998, respectively. During 2000, the Company realized gains of $575 on swaps which are included in net operating gains on investments in real estate.

The Company has purchased amortizing caps and floors to hedge its interest rate exposure relating to its match funded loans and securities. An interest rate cap or interest rate floor is designed to provide protection against the interest rate on a floating-rate instrument rising above some level (cap) or falling below some level (floor). The interest rate representing the cap or the floor is referred to as the "strike rate." The Company receives payments from the seller on caps when the current interest rate rises above the strike rate and on floors when the current interest rate falls below the strike rate. The amount received represents the difference between the current rate and the strike rate applied to the notional amount. The terms of the outstanding caps and floors at December 31, 2000 and 1999 are as follows:

	Notional Amount	Maturity	Index	Strike Rate	Fair Value
DECEMBER 31, 2000:					
Caps........................	$ 141,674	October 2003	LIBOR 1-Month	7.00%	$ 345
Floors......................	$ 37,787	October 2003	CMT 2-Year	4.35	154
					$ 499
DECEMBER 31, 1999:					
Caps......................	$ 159,211	October 2003	LIBOR 1-Month	7.00%	$ 2,289
Floors....................	$ 41,899	October 2003	CMT 2-Year	4.35	47
					$ 2,336

Amortization on the caps and floors amounted to $1,181 and $295 during the years ended December 31, 2000 and 1999, respectively.

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

The Company also manages its interest rate risk by purchasing European swaptions and put options and U.S. Treasury and U.S. Agency futures contracts to hedge anticipated future fundings related to low-income housing tax credit projects. During the fourth quarter of 1999, these financial instruments ceased to qualify for hedge accounting and subsequent gains or losses are included in earnings. These financial instruments were closed during the fourth quarter of 2000. The following table sets forth the terms and values of these financial instruments at December 31, 1999:

	Notional Amount	Maturity	Strike Rate/Price	Fair Value
DECEMBER 31, 1999:				
European 10-year swaptions..................................	$ 7,500	March 2000	6.78%	$ 282
	5,800	May 2000	6.72	264
	2,800	February 2000	7.20	34
	2,300	June 2000	7.11	63
	$ 18,400			$ 643
European 10-year put options, U.S. Treasury 4.75% due 11/05/08	$ 2,500	March 2000	$ 91.45	$ 83
U.S. 2-year Treasury futures................................	$ 12,000	March 2000	$ 99.82	$ 62
U.S. 10-year Treasury futures...............................	7,000	March 2000	$ 97.52	$ 116
	$ 19,000			$ 178

The following table summarizes the net realized gains and (losses) on these financial instruments included in earnings for years ended December 31, 2000, 1999 and 1998:

	2000	1999	1998
Swaptions and put options............	$ (374)	$ 588	$ --
U.S. Treasury and Agency futures......	(617)	208	(5,819)

The fair value of the U.S. Treasury futures, interest rate swaps, European swaptions and put options, and caps and floors represent the estimated amount that the Company would receive or pay to terminate these agreements taking into account current interest rates. Market quotes are available for these agreements. The following table summarizes the Company's use of interest rate risk management instruments:

	Notional Amount					
	U.S. Treasury and Agency Futures Sold Short	Interest Rate Swaps	European Treasury Swaptions	European Treasury Put Options	Caps	Floors
BALANCE, DECEMBER 31, 1998.......	$ --	$ --	$ --	$ --	$ --	$ --
Purchases (1)....................	244,000	200,780	20,400	13,200	163,897	42,879
Maturities.......................	(14,000)	--	(2,000)	(10,700)	(4,686)	(980)
Terminations.....................	(211,000)	--	--	--	--	--
BALANCE, DECEMBER 31, 1999.......	19,000	200,780	18,400	2,500	159,211	41,899
Purchases........................	54,700	--	14,500	--	--	--
Maturities.......................	(15,600)	--	(26,900)	(2,500)	(17,537)	(4,112)
Terminations.....................	(58,100)	(167,780)	(6,000)	--	--	--
BALANCE, DECEMBER 31, 2000.......	$ --	$ 33,000	$ --	$ --	$ 141,674	$ 37,787

<FN>
(1) Purchases include $48,000 of U.S. Treasury futures sold short, $200,780 of interest rate swaps and $42,879 of caps and floors acquired as a result of the OAC acquisition.
</FN>

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

FOREIGN CURRENCY MANAGEMENT

The Company enters into foreign currency derivatives to hedge its investments in foreign subsidiaries which own residual interests backed by residential loans originated in the UK ("UK residuals") and in the shopping center located in Halifax, Nova Scotia ("the Nova Scotia shopping center"). It is the Company's policy to periodically adjust the amount of foreign currency derivative contracts it has entered into in response to changes in its recorded investments in these assets.

The Company has determined that the local currency of its investment in UK residuals, its investment in the Nova Scotia Shopping Center and of its previously owned equity investment in Kensington is the functional currency. The Company's foreign currency derivative financial instruments qualify for hedge accounting. Accordingly, the gains or losses are included in the net unrealized foreign currency translation in accumulated other comprehensive income in stockholders' equity.

As a result of the acquisition of OAC, the Company acquired foreign currency futures contracts ("currency futures") that hedge the currency exposure related to the acquired investments in foreign subsidiaries which own UK residuals and the Nova Scotia shopping center. Currency futures are commitments to either purchase or sell foreign currency at a future date for a specified price.

The following table sets forth the terms and values of these foreign currency financial instruments at December 31, 2000 and 1999:

	Position	Maturity	Notional	Amount	Strike Rate	Fair Value
DECEMBER 31, 2000:						
Canadian Dollar currency futures............	Short	March 2001	C$	33,000	1.5139	$ (242)
British Pound currency futures..............	Short	March 2001	(pound)	14,688	1.4717	(339)
						$ (581)
DECEMBER 31, 1999:						
Canadian Dollar currency futures............	Short	March 2000	C$	22,100	.6786	$ (300)
	Short	March 2000	C$	1,600	.6800	(20)
British Pound currency futures..............	Long	March 2000	(pound)	3,750	1.6018	65
	Short	March 2000	(pound)	15,875	1.6225	56
						$ (199)

Prior to the sale of its equity investment in Kensington, the Company entered into a British Pound currency forward ("currency forward") with a AAA-rated counterparty to hedge its equity investment in Kensington. In connection with the sale of the equity investment in Kensington, the currency forward was closed in November 2000. The following table sets forth the terms and value of the currency forward at December 31, 1999:

	Maturity	Notional Amount Pay	Notional Amount Receive	Contract Rate	Unamortized Discount	Fair Value
DECEMBER 31, 1999:						
Currency forward..........	February 2003	(pound) 27,500	$ 43,546	1.5835	$ 1,119	$ (976)

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 25: INCOME TAXES

The components of income tax expense (benefit) attributable to income before extraordinary gain were as follows:

	Years Ended December 31,		
CURRENT:	2000	1999	1998
Federal	$ (24,744)	$ 33,930	$ (11,668)
State	261	3,293	4,608
	(24,483)	37,223	(7,060)
DEFERRED:			
Federal	14,724	(41,734)	(27,443)
Foreign	--	5,987	5,995
State	216	(1,368)	(2,191)
Valuation allowance	17,500	2,500	--
	32,440	(34,615)	(23,639)
Total	$ 7,957	$ 2,608	$ (30,699)

Income tax expense differs from the amounts computed by applying the U.S. Federal corporate income tax rate of 35% as follows:

	Years Ended December 31,		
	2000	1999	1998
Expected income tax expense (benefit) at statutory rate	$ (2,997)	$ 5,187	$ (11,328)
Differences between expected and actual expense (benefit):			
Excess of cost over net assets acquired, net	1,078	1,249	19
Excess of net assets acquired over purchase price	(4,939)	--	--
Tax effect of utilization of net operating loss	--	--	(3,003)
State tax (after Federal tax benefit)	310	1,251	1,571
Low-income housing tax credits	(2,577)	(18,242)	(17,666)
Sale of Ocwen UK	--	9,730	--
OAC loss not included in OCN consolidated tax group	--	223	--
Deferred tax asset valuation allowance	17,500	2,500	--
Other	(418)	710	(292)
Actual income tax expense (benefit)	$ 7,957	$ 2,608	$ (30,699)

Total income tax expense (benefit) was allocated as follows:

	Years Ended December 31,		
	2000	1999	1998
Income (loss) before extraordinary gain	$ 7,957	$ 2,608	$(30,699)
Benefit of tax deduction in excess of amounts recognized for financial reporting purposes related to employee stock options reflected in stockholders' equity	--	(8)	(2,398)
Benefit of tax deduction in excess of amounts recognized for financial reporting purposes related to director restricted stock reflected in stockholders' equity	(8)	(13)	(13)
	$ 7,949	$ 2,587	$(33,110)

For taxable years beginning prior to January 1, 1996, a savings institution that met certain definitional tests relating to the composition of its assets and the sources of its income (a "qualifying savings institution") was permitted to establish reserves for bad debts and make annual additions thereto under the experience method. Alternatively, a qualifying savings institution could elect, on an annual basis, to use the percentage of taxable income method to compute its allowable addition to its bad debt reserve on qualifying real property loans (generally loans secured by an interest in improved real estate). The applicable percentage was 8% for tax periods after 1987. The Bank utilized the percentage of taxable income method for these years.

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

On August 20, 1996, President Clinton signed the Small Business Job Protection Act (the "Act") into law. One provision of the Act repealed the reserve method of accounting for bad debts for savings institutions effective for taxable years beginning after 1995. The Bank, therefore, was required to use the specific charge-off method on its 1996 and subsequent federal income tax returns. The Bank will be required to recapture its "applicable excess reserves," which are its federal tax bad debt reserves in excess of the base year reserve amount described in the following paragraph. The Bank will include one-sixth of its applicable excess reserves in taxable income in each year from 1996 through 2001. As of December 31, 1995, the Bank had approximately $42,400 of applicable excess reserves. As of December 31, 1996, the Bank had fully provided for the tax related to this recapture.

The base year reserves will continue to be subject to recapture, and the Bank could be required to recognize a tax liability if: (1) the Bank fails to qualify as a "bank" for federal income tax purposes, (2) certain distributions are made with respect to the stock of the Bank, (3) the bad debt reserves are used for any purpose other than to absorb bad debt losses or (4) there is a change in federal tax law. The enactment of this legislation is expected to have no material impact on the Bank's or the Company's operations or financial position.

A deferred tax liability has not been recognized for the tax bad debt base year reserves of the Bank. The base year reserves are generally the balance of reserves as of December 31, 1987, reduced proportionately for reductions in the Bank's loan portfolio between that date and December 31, 1995. At December 31, 2000 and 1999, the amount of those reserves was approximately $5,700. This reserve could be recognized in the future under the conditions described in the preceding paragraph.

The net deferred tax asset was comprised of the following as of:

	December 31,	
	2000	1999
DEFERRED TAX ASSETS:		
Tax residuals and deferred income on tax residuals	$ 4,374	$ 2,438
State taxes	6,197	2,654
OAC purchase accounting adjustments	8,117	1,697
Accrued profit sharing	1,972	5,710
Accrued other liabilities	249	365
Interest expense related to discount loan portfolio	9,936	13,728
Valuation allowance on real estate owned	6,360	5,969
Gain on loan foreclosure	12,834	12,308
Bad debt and allowance for loan losses	16,210	11,923
Impairment on securities available for sale	57,951	69,333
Mortgage servicing rights impairment and amortization	2,208	1,540
Goodwill impairment and amortization	21	84
Foreign currency exchange	1,068	1,068
Capital loss carryforward	4,160	4,160
Net U.S. tax benefit on undistributed foreign income	--	3,050
Contingent interest income on equity participation loans	--	1,757
Partnership losses and low-income housing tax credits	30,022	35,896
Foreign currency translation adjustment	--	398
Other	2,679	13,591
	164,358	187,669
DEFERRED TAX LIABILITIES:		
Deferred interest income on discount loan portfolio	7,047	6,647
Research and development costs	1,719	1,823

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

Unrealized gain on securities available for sale	--	123
Foreign currency translation adjustment	229	--
Other	499	783
	9,494	9,376
	154,864	178,293
Deferred tax asset valuation allowance	(58,873)	(41,373)
Net deferred tax asset	$ 95,991	$ 136,920

Deferred tax assets, net of deferred fees, include tax residuals which result from the ownership of Real Estate Mortgage Investment Conduits ("REMIC"). While a tax residual is anticipated to have little or no future cash flows from the REMIC from which it has been issued, the tax residual does bear the income tax liability and benefit resulting from the annual differences between the interest paid on the debt instruments issued by the REMIC and the interest received on the mortgage loans held by the REMIC. Typically this difference generates taxable income to the Company in the first several years of the REMIC and equal amounts of tax losses thereafter, thus resulting in the deferred tax asset.

International Hotel Group ("IHG"), a wholly-owned subsidiary of IMI, and IHG's subsidiaries had at December 31, 2000, approximately $1,079 of Separate Return Limitation Year ("SRLY") net operating loss carryforwards. The SRLY net operating loss carryforward can only offset the future taxable income of IHG and its subsidiaries. The $1,079 operating loss carryforward will expire, if unused, in the year 2008. At December 31, 2000, the Company had tax credit carryforwards of $29,505 related to low-income housing tax credits, which expire in 2018, 2019 and 2020.

As of December 31, 2000, the Company had a deferred tax asset valuation allowance totaling $58,873. This allowance is comprised of $38,873 relating to built-in loss limitations arising from the acquisition of OAC and $20,000 relating to management's evaluation of the future realization of the deferred tax asset.

Management conducts periodic evaluations to determine whether it is more likely than not that the deferred tax asset can be realized in future periods. Among the factors considered in this evaluation are estimates of future earnings, the future reversal of temporary differences and the impact of tax planning strategies that can be implemented if warranted. As a result of this evaluation, the Company included in its tax provision an increase of $17,500 and $2,500 to its valuation allowance at December 31, 2000 and 1999, respectively.

Prior to the acquisition of OAC, OAC was a REIT for federal tax purposes and filed a REIT federal income tax return through October 20, 1999. OAC has been included in the Company's consolidated federal income tax return since October 21, 1999. OAC had, at October 6, 1999, approximately $131,567 of net unrealized built-in losses. Any such losses recognized within the five-year period beginning on October 7, 1999 (the "recognition period") are treated as pre-change losses and, as such, are subject to an annual limit as to the amount which may offset the taxable income of the Company and its subsidiaries ("the IRC section 382 limitation"). A net unrealized built-in loss is an amount by which the tax basis of the corporation's assets at the time of the change in ownership exceeds the aggregate fair market value of those assets at that time. The IRC section 382 limitation is determined by multiplying the value of OAC's stock by the federal long-term tax-exempt rate and amounts to approximately $5,700. If a deduction is denied for any recognized built-in loss in any post-change year, the loss is carried forward to subsequent years under rules similar to the standard loss carryforward rules. As a result of these limitations, a corresponding deferred tax asset valuation allowance was established at acquisition date as part of purchase accounting in the amount of $38,873.

NOTE 26: EMPLOYEE BENEFIT AND COMPENSATION PLANS

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

The Company maintains a defined contribution plan to provide postretirement benefits to eligible employees. The Company also adopted a number of compensation plans for certain employees. These plans were designed to facilitate a pay-for-performance policy, further align the interests of officers and key employees with the interests of the Company's shareholders and assist in the attraction and retention of employees vital to the Company's long-term success. These plans are summarized below.

RETIREMENT PLAN

The Company maintains a defined contribution 401(k) plan. The Company matches 50% of each employee's contributions, limited to 2% of the employee's compensation. The Company's contributions to the 401(k) plan in the years ended December 31, 2000, 1999 and 1998, were $694, $702 and $611, respectively.

In connection with its acquisition of Berkeley Federal Savings Bank in June 1993, the Bank assumed the obligations under a noncontributory defined benefit pension plan (the "Plan") covering substantially all employees upon their eligibility under the terms of the Plan. The Plan was frozen after the plan year ended December 31, 1993 and has been fully funded.

ANNUAL INCENTIVE PLAN

In May 1998, the Company's shareholders approved the Ocwen Financial Corporate 1998 Annual Incentive Plan (the "AIP") to replace the Company's former annual incentive plan (the "Former Plan"). Participation in the AIP is limited to officers and other key employees of the Company and designated subsidiaries that are selected by the AIP Committee. Performance targets are established based on the achievement of specified levels of increases in net earnings, return on equity, average net equity used or growth in assets, as well as individual participant performance targets. Awards under the AIP are based on achieving the performance targets and are paid in cash or a combination of cash and non-qualified stock options to purchase OCN's common stock. Such non-qualified stock options are granted pursuant to the Ocwen Financial Corporation 1991 Non-Qualified Stock Option Plan.

The following table provides a summary of the Company's stock option activity for the years ended December 31, 2000, 1999 and 1998, respectively, and stock options exercisable at the end of each of those year:

	2000		1999		1998	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at beginning of year.......	2,013,201	$ 14.09	1,918,181	$ 15.64	2,351,606	$ 14.67
Granted (1)...........................	1,617,461	4.09	358,858	6.25	261,945	16.15
Exercised.............................	--	--	(5,080)	2.82	(232,283)	8.97
Forfeited.............................	(206,068)	14.74	(258,758)	14.92	(463,087)	14.37
Outstanding at end of year............	3,424,594	9.33	2,013,201	14.09	1,918,181	15.64
Exercisable at end of year............	1,885,048	13.11	1,559,850	15.77	1,763,250	15.66

<FN>
(1) The weighted average grant-date fair value was $5.84 in 2000, $6.25 in 1999 and $12.31 in 1998.
</FN>

The following table summarizes information about stock options outstanding at December 31:

Options Outstanding	Options Exercisable

Years Granted	Number of Options	Weighted Average Exercise Price	Remaining Contractual Life	Number of Options	Weighted Average Exercise Price
2000..................................	1,617,461	$ 4.09	10	326,745	$ 4.09
1999..................................	311,973	6.25	9	103,991	6.25
1998..................................	122,545	12.31	8	81,697	12.31
1997..................................	750,983	20.35	7	750,983	20.35
1996..................................	532,632	11.00	6	532,632	11.00
1995..................................	89,000	2.88	5	89,000	2.88
	3,424,594	9.33		1,885,048	13.11

After the award of 1,617,461 options in 2001 for service in 2000, 8,943,857 authorized shares remain and are available for future awards of stock options.

Stock options awarded under the Former Plan have a one-year vesting period. Stock options awarded under the AIP in 1998 and 1999 vest ratably over a three-year period. Stock options awarded under the AIP in 2000 vest ratably over a five-year period including year 2000. The term of all options granted is ten years from the grant date. The difference, if any, between the fair market value of the stock at the date of grant and the exercise price is treated as compensation expense. Compensation expense is recorded ratably over the vesting period of the grant. Included in compensation expense for the year ended December 31, 2000 is $572 related to options granted. There was no compensation expense for the years ended December 31, 1999 and 1998 related to options granted.

LONG-TERM INCENTIVE PLAN

In May 1998, the Company's shareholders approved the Ocwen Financial Corporation Long-Term Incentive Plan (the "LIP"). Participation in the LIP was limited to officers and other key employees of the Company and designated subsidiaries that were selected by the LIP Administrator. The LIP was suspended in 2000, and the related accrual of $6,012 for 1999 and 1998 was reversed. Compensation expense of $3,645 and $2,369 was recorded in 1999 and 1998, respectively.

PRO FORMA EFFECT OF SFAS NO. 123

The Company has retained its current accounting method for its stock-based employee compensation plans under the provisions of APB 25. However, entities continuing to apply APB 25 are required to disclose pro forma net income and earnings per share as if the fair value method of accounting for stock-based employee compensation plans as prescribed by SFAS No. 123, Accounting for Stock-Based Compensation, had been utilized. The following is a summary of the Company's pro forma information:

	Years Ended December 31,		
	2000	1999	1998
Net income (loss), as reported..........	$ 2,192	$ 19,832	$ (1,200)
Pro forma net (loss) income.............	(228)	18,917	(2,638)
Earnings per share, as reported:			
Basic...............................	0.032	0.314	(0.020)
Diluted.............................	0.032	0.314	(0.020)
Pro forma earnings per share:			
Basic...............................	0.003	0.300	(0.043)
Diluted.............................	0.003	0.300	(0.043)

The fair value of the option grants were estimated using the Black-Scholes option-pricing model with the following assumptions:

Years Ended December 31,

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

	2000	1999	1998
Expected dividend yield.................	0.00%	0.00%	0.00%
Expected stock price volatility.........	54.00%	47.00%	57.00%
Risk-free interest rate.................	4.98%	6.34%	4.54%
Expected life of options................	5 years	5 years	5 years

NOTE 27: STOCKHOLDERS' EQUITY

On April 16, 1999, the Company announced that its Board of Directors authorized the repurchase of up to six million of its issued and outstanding shares of common stock. As of December 31, 1999, the Company had repurchased 4,611,700 shares at an average price of $6.66 per share. During the first quarter of 2000, the Company repurchased the remaining 1,388,300 authorized shares at an average price of $6.48 per share. On May 9, 2000, the Company announced that its Board of Directors approved an additional stock repurchase program to repurchase up to an additional six million of its issued and outstanding shares of common stock. As of December 31, 2000, the Company had not repurchased any additional shares.

On October 7, 1999, as a result of the Company's acquisition of OAC, the Company issued to OAC shareholders (except for OCN or its subsidiaries) 0.71 shares of OCN stock for each outstanding share of OAC common stock, or a total of 12,371,750 shares. See Note 2.

NOTE 28: REGULATORY REQUIREMENTS

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 and the regulations promulgated thereunder established certain minimum levels of regulatory capital for savings institutions subject to OTS supervision. The Bank must follow specific capital guidelines stipulated by the OTS 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 December 31, 2000, the minimum regulatory capital requirements were:

- Tangible and core capital of 1.50% and 3.00% of total adjusted assets, respectively, consisting principally of stockholders' equity, but excluding most intangible assets, such as goodwill and any net unrealized gains or losses on debt securities available for sale. Effective April 1, 1999, the OTS minimum core capital ratio provides that only those institutions with a Uniform Financial Institution Rating System rating of "1" are subject to a 3.00% minimum core capital ratio. All other institutions are subject to a 4.00% minimum core capital ratio.

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

At December 31, 2000 and 1999, the Bank was "well capitalized" under the prompt corrective action regulations adopted by the OTS pursuant to the Federal Deposit Insurance Corporation Improvement Act of 1991. To be categorized as "well capitalized," the Bank must maintain minimum core capital, Tier 1 risk-based capital and risk-based capital ratios as set forth in the following table. The Bank's capital amounts and classification are subject to review by federal regulators about components, risk-weightings and other factors. There are no conditions or events since December 31, 2000 that management believes have changed the institution's category.

Following an examination by the OTS in late 1996 and early 1997, the Bank committed to the OTS to maintain a core capital (leverage) ratio and a total risk-based capital ratio of at least 9.00% and 13.00%, respectively. The Bank continues to be in compliance with this commitment and with the regulatory capital requirements of general applicability (as indicated below). Based on discussions with the OTS, the Bank believes that this commitment does not affect its status as a "well-capitalized" institution, assuming the Bank's continued compliance with the regulatory capital requirements required to be maintained by it pursuant to such commitment.

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

As a result of its most recent examination, the Bank was required to submit a written plan to the OTS by October 16, 2000 to address issues raised by the agency under Part 570 of the rules and regulations. Under the plan, the Bank will take certain actions regarding its operations with respect to asset reviews and the management of interest rate risk exposure and will have periodic reporting obligations to the OTS. In addition, as part of the plan, the Bank submitted a business plan and budget outlining the Bank's operations through 2003. The business plan submitted reflects proposed changes in the Bank's deposit gathering strategies and potential future sources of revenue as the Bank continues its shift away from capital-intensive businesses into fee-based sources of income. On November 9, 2000 the OTS requested the Bank to supply additional information regarding the plan. The Bank responded to this request on November 29, 2000, December 28, 2000 and January 10, 2001, and the OTS approved the plan on February 2, 2001.

The following table summarizes the Bank's actual and required regulatory capital at December 31, 2000 and 1999:

	Actual		Minimum For Capital Adequacy Purposes		To Be Well Capitalized For Prompt Corrective Action Provisions		Committed Capital Requirements
	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
DECEMBER 31, 2000:							
Stockholders' equity, and ratio to total assets	16.09%	$ 267,295					
Non-includable subsidiary		(7,801)					
Acquired real estate		(850)					
Disallowed deferred tax assets		(29,397)					
Disallowed servicing assets		(5,027)					
Tangible capital, and ratio to adjusted total assets	13.83%	$ 224,220	1.50%	$ 24,313			
Tier 1 (core) capital, and ratio to adjusted total assets	13.83%	$ 224,220	4.00%	$ 64,834	5.00%	$ 81,042	9.00%
Tier 1 capital, and ratio to risk-weighted assets	16.70%	$ 224,220			6.00%	$ 80,571	
Allowance for loan losses		15,273					
Qualifying subordinated debentures		53,600					
Tier 2 capital		68,873					
Total risk-based capital, and ratio to risk-weighted assets	21.83%	$ 293,093	8.00%	$ 107,429	10.00%	$ 134,286	13.00%
Total regulatory assets		$1,660,767					
Adjusted total assets		$1,620,846					
Risk-weighted assets		$1,342,858					
DECEMBER 31, 1999:							
Stockholders' equity, and ratio to total assets	11.33%	$ 261,014					
Net unrealized loss on available for sale securities		601					
Non-includable subsidiary		(12,013)					
Acquired real estate		(4,631)					
Disallowed servicing assets		(969)					
Tangible capital, and ratio to adjusted total assets	10.67%	$ 244,002	1.50%	$ 34,287			
Tier 1 (core) capital, and ratio to adjusted total assets	10.67%	$ 244,002	3.00%	$ 68,573	5.00%	$ 114,289	9.00%
Tier 1 capital, and ratio to risk-weighted assets	14.02%	$ 244,002			6.00%	$ 104,426	
Allowance for loan losses		21,783					
Qualifying subordinated debentures		67,000					
Tier 2 Capital		88,783					

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

Total risk-based capital, and ratio to risk weighted assets	19.12%	$ 332,785	8.00%	$ 139,235	10.00%	$ 174,043	13.00%
Total regulatory assets		$2,302,793					
Adjusted total assets		$2,285,781					
Risk-weighted assets		$1,740,436					

The OTS amended its capital distribution regulation effective April 1, 1999. Under the revised regulation, the Bank is required to file a notice with the OTS at least 30 days prior to making a capital distribution unless (a) it is not eligible for expedited treatment under the OTS application processing regulations, (b) the total amount of the Bank's capital distributions (including the proposed distribution) for the calendar year exceeds the Bank's net income for the year to date plus retained net income for the previous two years, (c) the Bank would not be "adequately capitalized" following the proposed distribution or (d) the proposed distribution would violate any applicable statute, regulation or agreement between the Bank and the OTS, or a condition imposed upon the Bank by an OTS-approved application or notice. If one of these four criteria is present, the Bank is required to file an application with the OTS at least 30 days prior to making the proposed capital distribution. The OTS may deny the Bank's application or disapprove its notice if the OTS determines that (a) the Bank will be "under capitalized," "significantly under capitalized" or "critically under capitalized," as defined in the OTS capital regulations, following the capital distribution, (b) the proposed capital distribution raises safety and soundness concerns or (c) the proposed capital distribution violates a prohibition contained in any statute, regulation or agreement between the Bank and the OTS or a condition imposed on the Bank

in an application or notice approved by the OTS. The revised rule also amended the definition of "capital distribution" to include any payment to repurchase, redeem, retire or otherwise acquire debt instruments included in total risk-based capital.

In addition to these OTS regulations governing capital distributions, the indenture governing the Debentures limits the declaration or payment of dividends and the purchase or redemption of common or preferred stock in the aggregate to the sum of 50% of consolidated net income and 100% of all capital contributions and proceeds from the issuance or sale (other than to a subsidiary) of common stock, since the date the Debentures were issued.

NOTE 29: NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES

	For the Years Ended December 31,		
	2000	1999	1998
INTEREST INCOME:			
Federal funds sold and repurchase agreements	$ 8,700	$ 8,847	$ 7,930
Securities available for sale	42,507	62,698	40,320
Trading securities	8,200	--	--
Loans available for sale	2,474	25,724	56,791
Investment securities and other	1,501	2,181	3,197
Loan portfolio	20,586	28,683	38,609
Discount loan portfolio	89,826	121,854	160,847
Match funded loans and securities	11,022	3,237	--
	184,816	253,224	307,694
INTEREST EXPENSE:			
Deposits	98,224	98,370	116,584
Securities sold under agreements to repurchase	10,729	7,456	6,514
Bonds - match funded agreements	11,484	2,101	--
Obligations outstanding under lines of credit	13,881	16,318	34,587
Notes, debentures and other interest bearing obligations	34,772	31,297	27,208
	169,090	155,542	184,893
Net interest income before provision for loan losses	$ 15,726	$ 97,682	$ 122,801

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 30: OTHER INCOME

	Years Ended December 31,		
	2000	1999	1998
Brokerage commissions (Ocwen UK)	$ --	$ 12,896	$ 9,959
Management fees (OAC)	--	4,503	5,955
Software revenue (OTX)	2,234	2,043	1,709
Other	3,849	4,904	4,370
	$ 6,083	$ 24,346	$ 21,993

NOTE 31: OTHER OPERATING EXPENSES

	Years Ended December 31,		
	2000	1999	1998
Travel, lodging, meals and entertainment	$ 2,864	$ 4,107	$ 4,573
Amortization of deferred costs	2,845	2,274	1,888
Acquisition expenses	1,912	441	740
Marketing	1,820	5,556	5,246
Deposit related expenses	531	406	420
Conferences and seminars	530	772	1,117
Investment and treasury services	332	448	694
Other	2,188	3,181	(875)
	$ 13,022	$ 17,185	$ 13,803

NOTE 32: BUSINESS SEGMENT REPORTING

Public enterprises are required to report financial and descriptive information about their reportable operating segments. Operating segments are defined as components of an enterprise that (a) engages in business activities from which it may earn revenues and incur expenses, (b) whose operating results are regularly reviewed by the enterprise's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and (c) for which discrete financial information is available. The Company conducts a variety of business activities within the following segments:

	Net Interest Income	Non-Interest Income	Non-Interest Expense	Net (Loss) Income	Total Assets
DECEMBER 31, 2000:					
Single family residential discount loans	$ 25,186	$ 7,724	$ (11,818)	$ 13,078	$ 396,270
Commercial loans	1,974	15,273	(16,402)	571	535,793
Domestic residential mortgage loan servicing	(5,756)	84,138	(59,129)	11,909	219,818
Investment in low-income housing tax credits	(10,915)	2,188	(15,350)	(12,351)	187,250
OTX	(719)	2,424	(35,656)	(21,049)	20,462
Commercial real estate	(18,120)	37,300	(2,592)	10,285	80,561
UK operations	(963)	20,025	(315)	8,350	--
Domestic subprime single family residential lending	(180)	(22,267)	(2,085)	(15,210)	135,617
Unsecured collections	(6,971)	1,481	(8,908)	(8,927)	8,417
Ocwen Realty Advisors (1)	--	12,738	(12,823)	(53)	1,625
Corporate items and other	17,013	16,501	(4,931)	15,589	663,607
	$ 549	$ 177,525	$(170,009)	$ 2,192	$ 2,249,420

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

	Net Interest Income	Non-Interest Income	Non-Interest Expense	Net (Loss) Income	Total Assets
DECEMBER 31, 1999					
Single family residential discount loans	$ 19,233	$ (12,773)	$ (26,910)	$ (12,680)	$ 711,104
Commercial loans	50,647	16,161	(40,454)	16,428	1,000,541
Domestic residential mortgage loan servicing	5,630	59,961	(46,128)	12,067	140,559
Investment in low-income housing tax credits	(10,365)	10,076	(16,548)	7,802	185,346
OTX	--	2,056	(20,398)	(11,372)	26,702
Commercial real estate	(1,803)	3,443	(4,167)	(1,566)	301,437
UK operations	30,004	85,097	(46,498)	36,859	37,843
Domestic subprime single family residential lending	14,972	(31,101)	(13,972)	(18,025)	109,793
Unsecured collections	(393)	18	(6,374)	(4,185)	16,401
Corporate items and other	(16,953)	11,704	26,381	(5,496)	751,948
	$ 90,972	$ 144,642	$(195,068)	$ 19,832	$ 3,281,674
DECEMBER 31, 1998					
Single family residential discount loans	$ 13,975	$ 35,524	$ (26,449)	$ 14,291	$ 661,647
Commercial loans	72,679	49,366	(44,389)	48,319	925,413
Domestic residential mortgage loan servicing	6,604	46,751	(40,955)	7,688	76,079
Investment in low-income housing tax credits	(8,632)	9,137	(13,801)	9,423	200,566
OTX	5	1,711	(11,335)	(5,964)	21,659
Commercial real estate	--	2,777	(2,762)	9	--
UK operations	12,045	48,159	(41,772)	12,247	298,878
Domestic subprime single family residential lending	17,465	3,346	(53,810)	(19,993)	158,676
Unsecured collections	496	--	(2,175)	(1,041)	8,254
Ocwen Realty Advisors	--	--	--	--	--
Corporate items and other	(10,345)	(85,304)	10,902	(66,179)	949,911
	$ 104,292	$ 111,467	$(226,546)	$ (1,200)	$ 3,301,083

<FN>
(1) Non-interest income for the year ended December 31, 2000 included $975 of intercompany revenues which have been eliminated in consolidation.
</FN>

The Company's single family residential discount loan activities include asset acquisition and resolution of single family residential loans and the related real estate owned. Commercial loan activities include asset acquisition and resolution of large commercial and small commercial loans and related real estate owned. Commercial loan activities also include the Company's origination of multi-family and commercial real estate loans held for investment, a business which the Company ceased in 1999. Investment in low-income housing tax credits includes the Company's investments, primarily through limited partnerships, in qualified low-income rental housing for the purpose of obtaining Federal income tax credits pursuant to Section 42 of the Code. Commercial real estate is principally comprised of activities related to the Company's real estate investments acquired in connection with the acquisition of OAC in October 1999. Domestic subprime single family residential lending includes the Company's acquisition and origination of single family residential loans to non-conforming borrowers. In August 1999, the Company closed its domestic subprime origination business, which had been conducted primarily through OFS. Domestic residential mortgage loan servicing includes the Company's fee-for-services business of providing loan servicing, including asset management and resolution services, to third-party owners of non-performing, underperforming and subprime assets. UK operations included the Company's equity investment in Kensington, which was sold during November 2000, as well as the activities of the Company's previously owned subsidiary, Ocwen UK, which was sold on September 30, 1999. Ocwen UK was primarily engaged in the origination and servicing of subprime loans in the United Kingdom. OTX, which was formed in 1998, develops and markets advanced software solutions for the mortgage and real estate industries, including residential and commercial mortgage servicing systems. Unsecured collections is primarily comprised of activities related to the Company's charged-off unsecured credit card receivables, which were acquired at a discount. Ocwen Realty Advisors provides property valuation services and real estate research for residential and commercial properties. Corporate items and other consist primarily of extraordinary gains on repurchases of debt, individually insignificant business activities, amounts not allocated to the operating segments, distributions on the Capital Securities, transfer pricing mismatches, other general corporate expenses and the results of the securities portfolio other than subprime residuals and subordinates. Subprime residuals and subordinate interests related to the Company's securitization activities have been included in the related business activity.

Interest income and expense have been allocated to each business segment for the investment of funds raised or funding of investments made taking into consideration the duration of such liabilities or assets. Allocations of non-interest expense generated by corporate support services were made to each business segment based upon management's estimate of time and effort spent in the respective activity. Income taxes are allocated to each business segment based on the Company's statutory tax rate, exclusive of low-income housing tax credit interests. As such, the resulting amounts represent estimates of the contribution of each business activity to the Company.

NOTE 33: COMMITMENTS AND CONTINGENCIES

Certain premises are leased under various non-cancellable operating leases with terms expiring at various times through 2007, exclusive of renewal option periods. The annual aggregate minimum rental commitments under these leases are summarized as follows:

2001	$ 3,816
2002	3,580
2003	3,397
2004	2,818
2005	959
Thereafter	71
Minimum lease payments	$ 14,641

Rental commitments for facilities outside the United States of America were converted to U.S. dollars using exchange rates in effect at December 31, 2000.

Rent expense for the years ended December 31, 2000, 1999 and 1998 was $3,374, $6,101 and $6,410, respectively.

At December 31, 2000, the Company had commitments of $11,259 to fund construction loans (including loans accounted for as investments in real estate) secured by multi-family and commercial properties. In addition, the Company, through the Bank, had commitments under outstanding letters of credit in the amount of $6,968. The Company, through its investment in subordinated securities and subprime residuals, which had a fair value of $112,647 at December 31, 2000, supports senior classes of securities. At December 31, 2000 the Company had $7,035 outstanding in guarantees to third parties related to debt obligations and lease commitments of its subsidiaries.

On April 20, 1999, a complaint was filed on behalf of a putative class of public shareholders of the Company in the Circuit Court of the Fifteenth Judicial Circuit, Palm Beach County, Florida against OCN and OAC. On April 23, 1999, a complaint was filed on behalf of a putative classes of public shareholders of OAC in the Circuit Court of the Fifteenth Judicial Circuit, Palm Beach County, Florida, against OAC and certain directors of OAC. The plaintiffs in both complaints sought to enjoin consummation of the acquisition of OAC by OCN. The cases were consolidated, and on September 13, 1999 a consolidated amended complaint was filed. The injunction was denied, and on October 14, 1999 OCN was dismissed as a party. Plaintiffs' remaining claims are for damages for alleged breaches of common law fiduciary duties. On January 10, 2001, OAC was granted a protective order limiting the scope of discovery. Discovery is ongoing.

On June 3, 1999, Walton Street Capital, L.L.C. ("Walton") filed suit against OAC and OPLP in the Circuit Court of Cook County, Illinois. Walton has alleged that OAC committed an anticipatory breach of contract with respect to the proposed sale by OAC of all of its interest in its commercial mortgage-backed securities portfolio to Walton. Walton has claimed damages in an amount in excess of $20,000. As of October 20, 2000, both Walton and OAC filed motions for Summary Judgement. On December 21, 2000, the Circuit Court granted

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

Walton's Limited Motion for Summary Judgement concerning liability. Ocwen filed a Motion for Certification of an Interlocutory Appeal and is seeking an Entry of Stay pending appeal. OAC believes this suit is without merit and continues to vigorously defend against the same.

The Company is subject to various other pending legal proceedings. In management's opinion, the resolution of these other claims will not have a material effect on the consolidated financial statements.

NOTE 34: PARENT COMPANY ONLY FINANCIAL INFORMATION

CONDENSED STATEMENTS OF FINANCIAL CONDITION

	December 31,	
	2000	1999
Assets:		
Cash and cash equivalents	$ 77,214	$ 27,939
Cash held at Bank subsidiary	13,512	49,259
Investments in subsidiaries:		
Bank subsidiary	256,833	249,365
Non-bank subsidiaries	399,187	321,063
Advance due from Bank subsidiary	2,808	--
Note receivable from non-bank subsidiary	--	24,000
Investment in unconsolidated entity	--	36,216
Loan portfolio, net	408	405
Discount loan portfolio, net	8,417	16,397
Investment in real estate	3,300	--
Income taxes receivable	17,749	14,556
Deferred tax asset	22,375	44,313
Other assets	2,737	3,483
	$ 804,540	$ 786,996
Liabilities and Stockholders' Equity:		
11.875% Note payable	$ 100,050	$ 103,850
Notes and debentures payable to non-bank subsidiaries	137,251	131,251
Advance due to subsidiaries:		
Bank subsidiary	--	2,272
Non-bank subsidiary	49,086	22,105
Other liabilities	14,727	18,076
Total liabilities	301,114	277,554
Stockholders' equity	503,426	509,442
	$ 804,540	$ 786,996

CONDENSED STATEMENTS OF OPERATIONS

	For the Years Ended December 31,		
	2000	1999	1998
Interest income	$ 907	$ 2,510	$ 11,534
Interest income from subsidiaries:			
Bank subsidiary	1,438	1,941	868
Non-bank subsidiary	2,394	3,669	3,149
Interest expense	(12,293)	(14,656)	(17,866)
Interest expense - Non-bank subsidiary	(14,518)	(14,372)	(15,508)
Provision for loan losses	(7,504)	(1,176)	(162)
Non-interest income	22,499	51,464	6,425
Impairment charges on securities available for sale	--	--	(45,737)

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

Non-interest expense	(3,783)	(5,721)	(5,301)
Servicing fee expense - Bank subsidiary	(7,173)	(3,074)	--
Equity in (losses) earnings in unconsolidated entities	(5,280)	(9,154)	439
(Loss) income before income taxes and extraordinary gain	(23,313)	11,431	(62,159)
Income tax benefit	16,271	3,990	42,942
(Loss) income before equity in net income (losses) of subsidiaries and extraordinary gain	(7,042)	15,421	(19,217)
Equity in net income (losses) of subsidiaries:			
Bank subsidiary	6,043	45,166	55,780
Non-bank subsidiaries	2,915	(41,182)	(37,763)
Extraordinary gain on repurchase of debt, net of tax	276	427	--
Net income (loss)	$ 2,192	$ 19,832	$ (1,200)

CONDENSED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2000	1999	1998
Cash flows from operating activities:			
Net income (loss)	$ 2,192	$ 19,832	$ (1,200)
Adjustments to reconcile net income to net cash (used) provided by operating activities:			
Equity in income of bank subsidiary	(6,043)	(45,166)	(55,780)
Equity in (income) loss of non-bank subsidiaries	(2,915)	41,182	37,763
Equity in loss (income) of unconsolidated entity, net	5,280	9,154	(439)
Premium amortization, net	(3)	(5,913)	18,383
Provision for loan losses	7,503	1,176	162
Loss on interest-earning assets	--	(81)	(3,462)
Important charges on securities available for sale	--	--	45,737
Extraordinary gain on repurchase of long-term debt	(439)	(1,322)	--
Gain on sale of real estate held for investment	(1,155)	(297)	(2,389)
Gain on sale of Ocwen UK	--	(50,371)	--
Gain on sale of investment in Kensington Group plc	(20,025)	--	--
Decrease (increase) in deferred tax assets	21,988	(22,581)	(13,191)
(Decrease) increase in deferred tax liability	(50)	(1,952)	47
Decrease (increase) in other assets	(70)	21,483	(33,168)
Decrease (increase) in income taxes receivable	(2,556)	21,718	(22,327)
(Decrease) increase in income taxes payable	(637)	(953)	745
(Decrease) increase in accrued expenses, payables and other liabilities	(5,305)	(2,962)	5,947
Net cash (used) provided by operating activities	(2,235)	(17,053)	(23,172)
Cash flows from investing activities:			
Purchase of securities available for sale	--	--	(34,755)
Maturities of and principal payments received on securities available for sale	--	--	8
Net distributions from bank subsidiary	(2,921)	937	89,277
Net investments in non-bank subsidiaries	(19,046)	(22,540)	(166,247)
Proceeds from sale of Ocwen UK	--	122,101	--
Proceeds from sale of investment in Kensington Group plc	48,556	--	--
Distributions from (investment in) unconsolidated entity	3,143	--	(45,886)
Proceeds from sales of securities available for sale	--	--	70,893
Principal payments received on loans held for investment	--	2,119	--
Principal payments received on discount loans	10,207	17,596	--
Proceeds from sales of securities held for investment	--	--	13,025
Purchase of discount loans	(9,730)	(8,788)	(2,557)
Increase in investment in real estate	(2,145)	--	--
Proceeds from sales of loans held for investment	--	--	53,949
Proceeds from real estate held for investment	--	--	16,985
Net cash provided (used) by financing activities	28,064	111,425	(5,308)
Cash flows from financing activities:			
Repurchase of notes and debentures	(3,361)	(19,828)	--
Increase (decrease) in securities sold under agreements to repurchase	--	--	(3,075)
Repayments of loans to executive officers, net	--	763	--
Exercise of common stock options	--	23	7,931
Issuance of shares of common stock	56	43	7,828
Repurchase of common stock options	--	--	(6,502)
Repurchase of common stock	(8,996)	(30,691)	(7,772)
Net cash (used) provided by investing activities	(12,301)	(49,690)	(1,590)
Net increase (decrease) in cash and cash equivalents	13,528	44,682	(30,070)
Cash and cash equivalents at beginning of year	77,198	32,516	62,586

Cash and cash equivalents at end of year	$ 90,726	$ 77,198	$ 32,516

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
DECEMBER 31, 2000, 1999, AND 1998
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 35: QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

	Quarters Ended			
	December 31, 2000	September 30, 2000	June 30, 2000	March 31, 2000
Interest income	$ 40,984	$ 45,287	$ 50,455	$ 48,090
Interest expense	(35,599)	(44,433)	(45,662)	(43,396)
Provision for loan losses	(2,573)	(6,861)	(3,134)	(2,609)
Net interest income after provision for loan losses	2,812	(6,007)	1,659	2,085
Non-interest income	59,810	49,536	37,234	30,945
Non-interest expense	(45,391)	(44,700)	(41,844)	(38,074)
Distributions on Capital Securities	(2,538)	(2,730)	(2,918)	(3,194)
Equity in losses of investments in unconsolidated entities	(284)	(893)	(1,812)	(2,260)
(Loss) income before income taxes and extraordinary gain	14,409	(4,794)	(7,681)	(10,498)
Income taxes benefit (expense)	(15,079)	1,486	2,381	3,255
Loss before extraordinary gain	(670)	(3,308)	(5,300)	(7,243)
Extraordinary gain on repurchase of debt, net of tax	10,039	2,628	3,901	2,145
Net income (loss)	$ 9,369	$ (680)	(1,399)	$ (5,098)
Earnings (loss) per share:				
Basic	$ 0.14	$ (0.01)	$ (0.02)	$ 0.07
Diluted	$ 0.14	$ (0.01)	$ (0.02)	$ 0.07

	Quarters Ended			
	December 31, 1999	September 30, 1999	June 30, 1999	March 31, 1999
Interest income	$ 68,123	$ 56,019	$ 63,547	$ 65,535
Interest expense	(42,119)	(36,787)	(37,838)	(38,798)
Provision for loan losses	(1,522)	(826)	(623)	(3,739)
Net interest income after provision for loan losses	24,482	18,406	25,086	22,998
Non-interest income	11,771	62,242	25,037	45,592
Non-interest expense	(42,789)	(52,128)	(48,010)	(52,141)
Distributions on Capital Securities	(2,915)	(3,399)	(3,398)	(3,399)
Equity in losses of investments in unconsolidated entities	(3,134)	(4,768)	(3,470)	(1,244)
(Loss) income before income taxes and extraordinary gain	(12,585)	20,353	(4,755)	11,806
Income taxes benefit (expense)	6,986	(8,199)	972	(2,367)
Minority interest in net loss of consolidated subsidiary	141	369	96	32
(Loss) income before extraordinary gain	(5,458)	12,523	(3,687)	9,471
Extraordinary gain on repurchase of debt, net of tax	6,730	253	--	--
Net income (loss)	$ 1,272	$ 12,776	(3,687)	$ 9,471
Earnings (loss) per share:				
Basic	$ 0.02	$ 0.21	$ (0.06)	$ 0.16
Diluted	$ 0.02	$ 0.21	$ (0.06)	$ 0.16

SHAREHOLDER INFORMATION

PRICE RANGE OF THE COMPANY'S COMMON STOCK

The Company's common stock is traded under the symbol "OCN" on the New York Stock Exchange ("NYSE"). The following table sets forth for the high and low sales prices for the common stock, as traded on the NYSE:

	High	Low
1999:		

First quarter....................................	$ 11.88	$ 7.69
Second quarter...................................	9.56	7.50
Third quarter....................................	8.44	5.81
Fourth quarter...................................	7.44	5.56
2000:		
First quarter....................................	$ 9.25	$ 5.25
Second quarter...................................	8.63	5.44
Third quarter....................................	6.88	5.44
Fourth quarter...................................	6.44	4.50

At the close of business on March 9, 2001, the Company's common stock price was $9.47.

The Company does not currently pay cash dividends on common stock and has no current plans to do so in the future. The timing and amount of future dividends, if any, will be determined by the Board of Directors of the Company and will depend, among other factors, upon the Company's earnings, financial condition, cash requirements, the capital requirements of the Bank and other subsidiaries and investment opportunities at the time any such payment is considered. In addition, the indentures relating to the Notes and the Junior Subordinated Debentures contain certain limitations on the payment of dividends by the Company.

As a holding company, the payment of any dividends by the Company will be significantly dependent on dividends and other payments received by the Company from its subsidiaries, including the Bank. For a description of limitations on the ability of the Company to pay dividends on the common stock and on the ability of the Bank to pay dividends on its capital stock to the Company, see Notes 21, 22 and 28 to the Consolidated Financial Statements.

NUMBER OF HOLDERS OF COMMON STOCK

At March 9, 2001, 67,152,363 shares of Company common stock were outstanding and held by approximately 1,283 holders of record. Such number of stockholders does not reflect the number of individuals or institutional investors holding stock in nominee name through banks, brokerage firms and others.

EXHIBIT 10.9

SEPARATION AGREEMENT AND FULL RELEASE

This Separation Agreement and Full Release (the "Agreement") dated as of February 28, 2001 by and between Christine A. Reich ("Reich") and Ocwen Federal Bank FSB, its parent company, subsidiaries and affiliates, including without limitation Ocwen Financial Corporation, its subsidiaries and affiliates (collectively, the "Company").

In consideration of the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. The parties agree that Reich's employment with the Company will end effective March 1, 2001 (the "Separation Date"). Thereafter, Reich will serve as a consultant to the Company subject to termination at any time by either Reich or the Company (the "Consulting Termination Date"), but in any event no later than May 16, 2001. Ocwen shall pay to Reich by check the sum of $12,307.69 every two weeks commencing March 16, 2001 and ending 52 weeks after the Consulting Termination Date.

2. On or prior to the Consulting Termination Date, the Company and Reich shall enter into the Amended and Restated Non-Qualified Option Agreements in the form of Exhibits A through D attached hereto and incorporated herein by reference (the "Amended Option Agreements").

3. In consideration for the payments set forth above, Reich hereby (i) waives any and all rights to salary, incentive compensation and benefits, whether earned or unearned, and whether due or to become due, from the Company; (ii) agrees that the Amended Option Agreements set forth the full and complete agreement between Reich and the Company regarding any and all right to acquire stock or securities of the Company (via options or otherwise); and (iii) fully and forever releases and discharges from liability, and covenants not to sue, the Company and its affiliates (including parent and subsidiary companies), officers, directors, managers, counsel and agents and representatives of any sort, both present and former, for any and all claims, damages, actions and causes of action, in law or in equity, of every nature which Reich may ever have had, now has or may in the future have which are known or may subsequently be discovered by Reich arising out of, or in connection with or related to Reich's employment with the Company and/or separation from employment with the Company (including as relates to her employment as a consultant to the Company), including but not limited to any contracts, agreements and promises, written and oral; any and all claims of discrimination on account of sex, race, age, disability, handicap, national origin, religion, veteran status, marital status or sexual orientation and claims or causes of action based upon any equal opportunity laws, ordinances, regulations or orders including, but not limited to, Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, Executive Order 11246, The Americans with Disabilities Act, The Rehabilitation Act and any applicable state or local antidiscrimination statutes; claims for wrongful termination actions of any type; breach of express or implied covenant of good faith and fair dealing; intentional or negligent infliction of emotional distress;

intentional or negligent failure to supervise, train, hire or dismiss; and claims for fraud, misrepresentation, libel, slander or invasion of privacy. Reich agrees that she will not file any claim or join in any claim as an individual or a member of a class in any federal, state or local court or agency in regards to claims of herself or others relating to her employment with the Company or her knowledge gained during the course of that employment. Nothing in this paragraph is intended to limit in any way the Company's responsibility to indemnify Reich for actions taken prior to the Consulting Termination Date in accordance with the Florida Business Corporation Act.

4. Reich further agrees and covenants that Reich has not and will not remove from the Company premises any item belonging to the Company and its affiliates, including office equipment, files, business records or correspondence, customer lists, computer data and proprietary or confidential information ("Information") and that Reich has not and will not disclose or use any Information and/or trade secrets of the Company and its affiliates. Reich agrees to keep all such Information confidential and not disclose or use the Information for any purpose, or divulge or disclose that Information to any person other than Employees of the Company. Reich acknowledges and agrees that nothing in the preceding sentence shall be interpreted or construed as creating or establishing the relationship of employer and employee between Company and Reich during the period in which Reich serves as a consultant to the Company.

5. Reich acknowledges that during the term of her employment she has been provided access to confidential information and Company's clients, customers and others with whom Company has formed valuable business arrangements. Reich agrees that during the period in which she serves as a consultant to the Company and for a period of eighteen (18) months from the Consulting Termination Date she will not

(i) Take any action that would interfere with, diminish or impair the valuable relationships that Company and/or Company's Affiliates have with its or their customers and clients and others with which Company and/or the Company's Affiliates have business relationships or to which services are rendered;

(ii) Recruit or otherwise solicit or induce any person (natural or otherwise) who is or becomes an employee or consultant of Company or the Company's Affiliates to terminate his or her employment with, or otherwise cease his or her relationship with, Company or Company's Affiliates or hire any such employee or consultant who has left the employ of the Company or the Company's Affiliates within two (2) years after the termination or expiration of such employee's or consultant's employment with the Company or the Company's Affiliates, as the case may be; or

(iii) Assist with others in engaging in any of the foregoing.

6. Reich shall not, either directly or indirectly, disclose, discuss or communicate to any entity or person, except her attorney and/or her immediate family, any information whatsoever regarding the existence or terms of this Agreement, its nature or scope or the negotiations leading to it, unless she is compelled to disclose such information pursuant to legal process, and then only after reasonable notice to the Company. Reich shall not take any action or make any statement which might tend to impugn, disparage, defame, discredit or detract from the Company, its officers, employees (past or present) or businesses. Reich shall be responsible for assuring that her family complies with the nondisclosure commitments of this section. A breach by Reich's family will be considered a breach by Reich. The Company agrees not to

disclose or discuss the existence of this Agreement or any of the terms hereof, its nature or its scope with any person other than attorneys for the Company and officers, directors and management employees of the Company who have a legitimate need to know in order to maintain compliance with this Agreement, unless the Company is compelled to disclose such information pursuant to legal process.

7. Reich shall fully cooperate with the Company and, upon reasonable notice, furnish such information and assistance to the Company, at Company's expense, as may be required by the Company in connection with the Company's defense or pursuit of any litigation, administrative action or investigation in which the Company or any of its subsidiaries, parent companies or affiliates is or hereafter becomes a party. Reich affirms that she has made no agreements, promises, representations, express or implied, oral or written, or offered any inducements on behalf of the Company that are not expressly included in any contracts executed by the Company.

8. Violation of any provision of this Agreement by Reich will entitle the Company, in addition to and not in limitation of any and all other remedies available to the Company at law or in equity, upon proper showing, (a) to reimbursement of all monies paid to Reich pursuant to Paragraph 2 of this Agreement, and (b) to payment by Reich of the gain in value of the Company's common stock received pursuant to the Amended Option Agreement, or if the options have not yet been exercised, the termination of the Amended Option Agreements. Violation of any provision of this Agreement by others who have learned the information from Reich will subject Reich to an action for breach of the Agreement.

9. Any dispute with respect to this Agreement or Reich's employment with the Company shall be decided by arbitration, in the City of West Palm Beach, Florida, pursuant to the rules of the American Arbitration Association then in effect. Florida law shall apply to every aspect of this Agreement, including but not limited to the interpretation, application and enforcement of the terms of this Agreement.

10. The parties agree that this Agreement sets forth all the promises and agreements between them and supersedes all prior and contemporaneous agreements, understandings, inducements or conditions, express or implied, oral or written, except as contained herein. Notwithstanding any other term herein, Reich acknowledges and reaffirms her obligations in the Employee Intellectual Property Agreement and understands that those obligations remain effective following her separation from the Company.

11. Both parties acknowledge that they have had the opportunity to freely consult, if they so desire, with attorneys of their own choosing prior to signing this document regarding the contents and consequences of this document. The parties understand that the payment and other matters agreed to herein are not to be construed as an admission of or evidence of liability for any violation of the law, willful or otherwise, by any person or entity.

12. Reich acknowledges that she has had the opportunity to request and receive from the Company any information she needs in order to make a knowing and voluntary release of all claims and that she has had a sufficient time to consider the consequences of this Agreement and understands each of the statements in this Agreement.

IN WITNESS WHEREOF, the parties hereby voluntarily and knowingly enter into this unconditional Separation Agreement and Full Release.

OCWEN FEDERAL BANK FSB

By:

Its:

/s/ CHRISTINE A. REICH

Christine A. Reich

STATE OF FLORIDA)
)SS
COUNTY OF PALM BEACH)

I hereby certify that on this __ day of March, 2001 personally appeared Christine A. Reich, who is personally known to me, or who produced the following as identification ___________________, and who acknowledged before me that she executed the foregoing document as her free act and deed.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this __ day of March, 2001.

Notary Public Signature

Printed or Typed Name of Notary

EXHIBIT A

AMENDED AND RESTATED NON-QUALIFIED STOCK OPTION AGREEMENT

THIS AMENDED AND RESTATED NON-QUALIFIED STOCK OPTION AGREEMENT made in the City of West Palm Beach, Florida as of January 31, 1998, between OCWEN FINANCIAL CORPORATION, a Florida corporation (the "Corporation"), and Christine A. Reich, an employee of the Corporation or of a subsidiary (the "Employee").

As of January 31, 1998 the Corporation and the Employee entered into a Non-Qualified Stock Option Agreement (the "Original Agreement") regarding the Option (as defined therein) to purchase 147,348 shares of the Corporation's common stock, par value $.01 per share ("Stock"). A copy of the Original Agreement is attached hereto as Exhibit 1.

The parties have entered into that Separation Agreement and Full Release dated February 28, 2001 (the "Separation Agreement") which sets forth the terms and conditions by which Employee separated from employment with the Corporation.

The Corporation and the Employee desire hereby to amend and restate the Original Agreement in its entirety to provide, INTER ALIA, for the Options to vest pursuant to the terms and conditions hereof.

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, and intending to be legally bond hereby, the parties hereto have agreed, and do hereby agree, as follows:

1. OPTION GRANT

The Corporation hereby grants to the Employee, pursuant to and subject to the 1991 Plan, the right and option (the "Option") to purchase all or any part of an aggregate of 147,348 shares of Stock from the Corporation for a purchase price of $20.35 per share, on the terms and conditions herein set forth.

2. OPTION TERM

The term of the Option shall begin on the date of this Agreement and will continue until the date which is 18 months from the Consulting Termination Date, as such term is defined in the Separation Agreement, unless the Option is earlier terminated under the terms of paragraph 5 hereof.

3. EXERCISE OF OPTION

The Option will be exercisable in whole or in part after the commencement of the second year of the term of the Option and thereafter may, subject to the terms and conditions of this Agreement, be exercised in whole or in part at any time before it terminates. In no case may the Option be exercised as to less than 50 shares at any one time (or the remaining shares then purchasable under the Option, if less than 50 shares). During the Employee's lifetime, the Option may be exercised only by him/her or his/her guardian or legal representative. The Employee shall have none of the rights of a stockholder with respect to any of the shares of the Stock subject to the option until such shares shall be issued in his/her name or the name of his/her designee following the exercise of the Option.

4. METHOD OF OPTION EXERCISE

A. Subject to the terms and conditions of this Agreement, the Option may be exercised by written notice to the Corporation at its Executive Offices attention of the Secretary. Such notice shall state the election to exercise the Option, shall state the number of shares in respect of which it is being exercised (the "Purchased Shares") and shall be signed by the person or persons so exercising the Option. Such notice shall be accompanied by (i) a personal check payable to the order of the Corporation for payment of the full purchase price of the Purchased Shares, (ii) delivery to the Corporation of the number of shares of Stock duly endorsed for transfer and owned by the Employee which have an aggregate Fair Value equal to the aggregate purchase price of the Purchased Shares or (iii) payment therefor made in such other manner as may be acceptable to the Corporation on such terms as may be determined by the Committee. "Fair Value" shall mean the book value of the Stock as determined by the Committee pursuant to the 1991 Plan. In addition to and at the time of payment of the purchase price, the person exercising the Option shall pay to the Corporation the full amount of any federal and state withholding or other taxes applicable to the taxable income of such person resulting from such exercise in cash unless the Committee in its sole discretion shall permit such taxes to be paid in Stock.

B. The Corporation shall deliver a certificate or certificates representing said shares as soon as practicable after receipt of the notice and all required payments by the person or persons exercising the Option as provided in paragraph 4A. hereof. The certificate or certificates for the shares as to which the Option have been so exercised shall not be registered until at least five business days after the date of the exercise of the Option. Unless the person or persons exercising the Option shall otherwise direct the Corporation in writing, such certificate or certificates for the shares shall be registered in the name of the person or persons so exercising the Option and shall be delivered as aforesaid to or upon the written order of the person or persons exercising the Option.

C. In the event the Option shall be exercised, pursuant to paragraphs 3 and 5 hereof, by any person or persons other than the Employee, such notice shall be accompanied by appropriate proof of the derivative right of such person or persons to exercise the Option.

D. The date of exercise of the Option shall be the date on which the notice, the documents and all payments required under this paragraph 4 are received by the Secretary. All shares that shall be purchased upon the exercise of the Option as provided herein shall be fully paid and non-assessable.

5. TERMINATION OF OPTION

The Option may not be exercised to any extent after termination of the Option in one of the ways, whichever first occurs, set forth below in this paragraph 5.

A. The Option shall terminate upon the exercise of such Option in the manner provided in this Agreement and the 1991 Plan, whether or not the shares are ultimately delivered.

B. The Option shall terminate on the date which is 18 months from the Consulting Termination Date, as such term is defined in the Separation Agreement, in accordance with paragraph 2 hereof.

6. ADJUSTMENT UPON CHANGES IN STOCK

If there shall be any change in the stock subject to the Option granted hereunder, through merger, consolidation, reorganization, recapitalization, stock dividend, stock split or other change in the corporate structure, appropriate adjustments may be made by the Board of Directors of the Corporation (or if the Corporation is not the surviving corporation in any such transaction, the Board of Directors of the surviving corporation) in the aggregate number and kind of shares subject to the 1991 Plan and the number and kind of shares and the price per share subject to the Option.

7. NON-TRANSFERABILITY OF OPTION

The Option shall not be transferable otherwise than by will or by the applicable laws of descent and distribution. More particularly (but without limiting the generality of the foregoing), the Option may not be assigned, transferred (except as aforesaid), pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Option contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon the Option, shall be null and void and without effect.

8. PAYMENT OF EXPENSES AND COMPLIANCE WITH LAWS

The Corporation shall at all times during the term of the Option reserve and keep available such number of shares of Stock as will be sufficient to satisfy the requirements of this Agreement, shall pay all original issue and/or transfer taxes with respect to the issue and/or transfer of shares pursuant hereto and all other fees and expenses necessarily incurred by the Corporation in connection therewith and will from time to time use its best efforts to comply with all laws and regulations which, in the opinion of counsel for the Corporation, shall be applicable thereto.

9. DEFINITIONS

As used herein, the term "subsidiary" shall mean any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation if each of the corporations, other than the last corporation in such chain, owns stock possessing at least 50% of the voting power in one of the other corporations in such chain.

10. AMENDMENT

In the event that the Board of Directors of the Corporation shall amend the 1991 Plan under the provisions of Article VIII of the 1991 Plan and such amendment shall modify or otherwise affect the subject matter of this Agreement, this Agreement shall, to that extent, be deemed to be amended by such amendment to the 1991 Plan. The Corporation shall notify the Employee in writing of any such amendment to the 1991 Plan and this Agreement as soon as practicable after its approval.

11. CONSTRUCTION

In the event of any conflict between the 1991 Plan and this Agreement, the provisions of the 1991 Plan shall control. This Agreement shall be governed in all respects by the laws of the State of Florida.

12. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement between the Corporation and the Employee and supersedes all other discussions, correspondence, representations, understandings and agreements between the parties, with respect to the subject matter hereof.

13. HEADINGS

The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed a part hereof.

ATTEST:	OCWEN FINANCIAL CORPORATION
By: /s/ JOHN R. ERBEY	By: /s/ WILLIAM C. ERBEY
John R. Erbey, Secretary	William C. Erbey, Chairman

and Chief Executive Officer

EMPLOYEE

By:

(Legal Signature)

Name:

(Print)

EXHIBIT B

AMENDED AND RESTATED NON-QUALIFIED STOCK OPTION AGREEMENT

THIS AMENDED AND RESTATED NON-QUALIFIED STOCK OPTION AGREEMENT made in the City of West Palm Beach, Florida as of January 31, 1999, between OCWEN FINANCIAL CORPORATION, a Florida corporation (the "Corporation"), and Christine A. Reich, an employee of the Corporation or of a subsidiary (the "Employee").

As of January 31, 1999 the Corporation and the Employee entered into a Non-Qualified Stock Option Agreement (the "Original Agreement") regarding the Option (as defined therein) to purchase 12,572 shares of the Corporation's common stock, par value $.01 per share ("Stock"). A copy of the Original Agreement is attached hereto as Exhibit 1.

The parties have entered into that Separation Agreement and Full Release dated February 28, 2001 (the "Separation Agreement") which sets forth the terms and conditions by which Employee separated from employment with the Corporation.

The Corporation and the Employee desire hereby to amend and restate the Original Agreement in its entirety to provide, INTER ALIA, for the Options to vest pursuant to the terms and conditions hereof.

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, and intending to be legally bond hereby, the parties hereto have agreed, and do hereby agree, as follows:

1. OPTION GRANT

The Corporation hereby grants to the Employee, pursuant to and subject to the 1991 Plan, the right and option (the "Option") to purchase all or any part of an aggregate of 12,572 shares of Stock from the Corporation for a purchase price of $12.3125 per share, on the terms and conditions herein set forth.

2. OPTION TERM

The term of the Option shall begin on the date of this Agreement and will continue until the date which is 18 months from the Consulting Termination Date, as such term is defined in the Separation Agreement, unless the Option is earlier terminated under the terms of paragraph 5 hereof.

3. EXERCISE OF OPTION

One third of the Option will be exercisable in whole or in part after the commencement of each of the second, third and fourth years of the term of the Option and thereafter each such third may, subject to the terms and conditions of this Agreement, be exercised in whole or in part at any time before the Option terminates. In no case may the Option be exercised as to less than 50 shares at any one time (or the remaining shares then purchasable under the Option, if less than 50 shares) or for a fractional share. During the Employee's lifetime, the Option may be exercised only by him/her or his/her guardian or legal representative. The Employee shall have none of the rights of a stockholder with respect to any of the shares of the Stock subject to the option until such shares shall be issued in his/her name or the name of his/her designee following the exercise of the Option.

4. METHOD OF OPTION EXERCISE

A. Subject to the terms and conditions of this Agreement, the Option may be exercised by written notice to the Corporation at its Executive Offices attention of the Secretary. Such notice shall state the election to exercise the Option, shall state the number of shares in respect of which it is being exercised (the "Purchased Shares") and shall be signed by the person or persons so exercising the Option. Such notice shall be accompanied by (i) a personal check payable to the order of the Corporation for payment of the full purchase price of the Purchased Shares, (ii) delivery to the Corporation of the number of shares of Stock duly endorsed for transfer and owned by the Employee which have an aggregate Fair Value equal to the aggregate purchase price of the Purchased Shares or (iii) payment therefor made in such other manner as may be acceptable to the Corporation on such terms as may be determined by the Committee. "Fair Value" shall mean the book value of the Stock as determined by the Committee pursuant to the 1991 Plan. In addition to and at the time of payment of the purchase price, the person exercising the Option shall pay to the Corporation the full amount of any federal and state withholding or other taxes applicable to the taxable income of such person resulting from such exercise in cash unless the Committee in its sole discretion shall permit such taxes to be paid in Stock.

B. The Corporation shall deliver a certificate or certificates representing said shares as soon as practicable after receipt of the notice and all required payments by the person or persons exercising the Option as provided in paragraph 4A. hereof. The certificate or certificates for the shares as to which the Option have been so exercised shall not be registered until at least five business days after the date of the exercise of the Option. Unless the person or persons exercising the Option shall otherwise direct the Corporation in writing, such certificate or certificates for the shares shall be registered in the name of the person or persons so exercising the Option and shall be delivered as aforesaid to or upon the written order of the person or persons exercising the Option.

C. In the event the Option shall be exercised, pursuant to paragraphs 3 and 5 hereof, by any person or persons other than the Employee, such notice shall be accompanied by appropriate proof of the derivative right of such person or persons to exercise the Option.

D. The date of exercise of the Option shall be the date on which the notice, the documents and all payments required under this paragraph 4 are received by the Secretary. All shares that shall be purchased upon the exercise of the Option as provided herein shall be fully paid and non-assessable.

5. TERMINATION OF OPTION

The Option may not be exercised to any extent after termination of the Option in one of the ways, whichever first occurs, set forth below in this paragraph 5.

A. The Option shall terminate upon the exercise of such Option in the manner provided in this Agreement and the 1991 Plan, whether or not the shares are ultimately delivered.

B. The Option shall terminate on the date which is 18 months from the Consulting Termination Date, as such term is defined in the Separation Agreement, in accordance with paragraph 2 hereof.

6. ADJUSTMENT UPON CHANGES IN STOCK

If there shall be any change in the stock subject to the Option granted hereunder, through merger, consolidation, reorganization, recapitalization, stock dividend, stock split or other change in the corporate structure, appropriate adjustments may be made by the Board of Directors of the Corporation (or if the Corporation is not the surviving corporation in any such transaction, the Board of Directors of the surviving corporation) in the aggregate number and kind of shares subject to the 1991 Plan and the number and kind of shares and the price per share subject to the Option.

7. NON-TRANSFERABILITY OF OPTION

The Option shall not be transferable otherwise than by will or by the applicable laws of descent and distribution. More particularly (but without limiting the generality of the foregoing), the Option may not be assigned, transferred (except as aforesaid), pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Option contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon the Option, shall be null and void and without effect.

8. PAYMENT OF EXPENSES AND COMPLIANCE WITH LAWS

The Corporation shall at all times during the term of the Option reserve and keep available such number of shares of Stock as will be sufficient to satisfy the requirements of this Agreement, shall pay all original issue and/or transfer taxes with respect to the issue and/or transfer of shares pursuant hereto and all other fees and expenses necessarily incurred by the Corporation in connection therewith and will from time to time use its best efforts to comply with all laws and regulations which, in the opinion of counsel for the Corporation, shall be applicable thereto.

9. DEFINITIONS

As used herein, the term "subsidiary" shall mean any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation if each of the corporations, other than the last corporation in such chain, owns stock possessing at least 50% of the voting power in one of the other corporations in such chain.

10. AMENDMENT

In the event that the Board of Directors of the Corporation shall amend the 1991 Plan under the provisions of Article VIII of the 1991 Plan and such amendment shall modify or otherwise affect the subject matter of this Agreement, this Agreement shall, to that extent, be deemed to be amended by such amendment to the 1991 Plan. The Corporation shall notify the Employee in writing of any such amendment to the 1991 Plan and this Agreement as soon as practicable after its approval.

11. CONSTRUCTION

In the event of any conflict between the 1991 Plan and this Agreement, the provisions of the 1991 Plan shall control. This Agreement shall be governed in all respects by the laws of the State of Florida.

12. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement between the Corporation and the Employee and supersedes all other discussions, correspondence, representations, understandings and agreements between the parties, with respect to the subject matter hereof.

13. HEADINGS

The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed a part hereof.

ATTEST:	OCWEN FINANCIAL CORPORATION
By: /s/ JOHN R. ERBEY	By:/s/ WILLIAM C. ERBEY
John R. Erbey, Secretary	William C. Erbey, Chairman and Chief Executive Officer

EMPLOYEE

By: ----------------------------------
(Legal Signature)

Name: --------------------------------
(Print)

EXHIBIT C

AMENDED AND RESTATED NON-QUALIFIED STOCK OPTION AGREEMENT

THIS AMENDED AND RESTATED NON-QUALIFIED STOCK OPTION AGREEMENT made in the City of West Palm Beach, Florida as of March 7, 2000, between OCWEN FINANCIAL CORPORATION, a Florida corporation (the "Corporation"), and Christine A. Reich, an employee of the Corporation or of a subsidiary (the "Employee").

As of March 7, 2000 the Corporation and the Employee entered into a Non-Qualified Stock Option Agreement (the "Original Agreement") regarding the Option (as defined therein) to purchase 28,894 shares of the Corporation's common stock, par value $.01 per share ("Stock"). A copy of the Original Agreement is attached hereto as Exhibit 1.

The parties have entered into that Separation Agreement and Full Release dated as of February 28, 2001 (the "Separation Agreement") which sets forth the terms and conditions by which Employee separated from employment with the Corporation.

The Corporation and the Employee desire hereby to amend and restate the Original Agreement in its entirety to provide, INTER ALIA, for the Options to vest pursuant to the terms and conditions hereof.

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, and intending to be legally bond hereby, the parties hereto have agreed, and do hereby agree, as follows:

1. OPTION GRANT

The Corporation hereby grants to the Employee, pursuant to and subject to the 1991 Plan, the right and option (the "Option") to purchase all or any part of an aggregate of 28,894 shares of Stock from the Corporation for a purchase price of $6.25 per share, on the terms and conditions herein set forth.

2. OPTION TERM

The term of the Option shall begin on the date of this Agreement and will continue until the date which is 18 months from the Consulting Termination Date, as such term is defined in the Separation Agreement, unless the Option is earlier terminated under the terms of paragraph 5 hereof.

3. EXERCISE OF OPTION

One third of the Option will be exercisable in whole or in part after the commencement of each of the second, third, fourth years of the term of the Option and thereafter each such third may, subject to the terms and conditions of this Agreement, be exercised in whole or in part at any time before the Option terminates. In no case may the Option be exercised as to less than 50 shares at any one time (or the remaining shares then purchasable under the Option, if less than 50 shares) or for a fractional share. During the Employee's lifetime, the Option may be exercised only by him/her or his/her guardian or legal representative. The Employee shall have none of the rights of a stockholder with respect to any of the shares of the Stock subject to the option until such shares shall be issued in his/her name or the name of his/her designee following the exercise of the Option.

4. METHOD OF OPTION EXERCISE

A. Subject to the terms and conditions of this Agreement, the Option may be exercised by written notice to the Corporation at its Executive Offices attention of the Secretary. Such notice shall state the election to exercise the Option, shall state the number of shares in respect of which it is being exercised (the "Purchased Shares") and shall be signed by the person or persons so exercising the Option. Such notice shall be accompanied by (i) a personal check payable to the order of the Corporation for payment of the full purchase price of the Purchased Shares, (ii) delivery to the Corporation of the number of shares of Stock duly endorsed for transfer and owned by the Employee which have an aggregate Fair Value equal to the aggregate purchase price of the Purchased Shares or (iii) payment therefor made in such other manner as may be acceptable to the Corporation on such terms as may be determined by the Committee. "Fair Value" shall mean the book value of the Stock as determined by the Committee pursuant to the 1991 Plan. In addition to and at the time of payment of the purchase price, the person exercising the Option shall pay to the Corporation the full amount of any federal and state withholding or other taxes applicable to the taxable income of such person resulting from such exercise in cash unless the Committee in its sole discretion shall permit such taxes to be paid in Stock.

B. The Corporation shall deliver a certificate or certificates representing said shares as soon as practicable after receipt of the notice and all required payments by the person or persons exercising the Option as provided in paragraph 4A. hereof. The certificate or certificates for the shares as to which the Option have been so exercised shall not be registered until at least five business days after the date of the exercise of the Option. Unless the person or persons exercising the Option shall otherwise direct the Corporation in writing, such certificate or certificates for the shares shall be registered in the name of the person or persons so exercising the Option and shall be delivered as aforesaid to or upon the written order of the person or persons exercising the Option.

C. In the event the Option shall be exercised, pursuant to paragraphs 3 and 5 hereof, by any person or persons other than the Employee, such notice shall be accompanied by appropriate proof of the derivative right of such person or persons to exercise the Option.

D. The date of exercise of the Option shall be the date on which the notice, the documents and all payments required under this paragraph 4 are received by the Secretary. All shares that shall be purchased upon the exercise of the Option as provided herein shall be fully paid and non-assessable.

5. TERMINATION OF OPTION

The Option may not be exercised to any extent after termination of the Option in one of the ways, whichever first occurs, set forth below in this paragraph 5.

A. The Option shall terminate upon the exercise of such Option in the manner provided in this Agreement and the 1991 Plan, whether or not the shares are ultimately delivered.

B. The Option shall terminate on the date which is 18 months from the Consulting Termination Date, as such term is defined in the Separation Agreement, in accordance with paragraph 2 hereof.

6. ADJUSTMENT UPON CHANGES IN STOCK

If there shall be any change in the stock subject to the Option granted hereunder, through merger, consolidation, reorganization, recapitalization, stock dividend, stock split or other change in the corporate structure, appropriate adjustments may be made by the Board of Directors of the Corporation (or if the Corporation is not the surviving corporation in any such transaction, the Board of Directors of the surviving corporation) in the aggregate number and kind of shares subject to the 1991 Plan and the number and kind of shares and the price per share subject to the Option.

7. NON-TRANSFERABILITY OF OPTION

The Option shall not be transferable otherwise than by will or by the applicable laws of descent and distribution. More particularly (but without limiting the generality of the foregoing), the Option may not be assigned, transferred (except as aforesaid), pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Option contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon the Option, shall be null and void and without effect.

8. PAYMENT OF EXPENSES AND COMPLIANCE WITH LAWS

The Corporation shall at all times during the term of the Option reserve and keep available such number of shares of Stock as will be sufficient to satisfy the requirements of this Agreement, shall pay all original issue and/or transfer taxes with respect to the issue and/or transfer of shares pursuant hereto and all other fees and expenses necessarily incurred by the Corporation in connection therewith and will from time to time use its best efforts to comply with all laws and regulations which, in the opinion of counsel for the Corporation, shall be applicable thereto.

9. DEFINITIONS

As used herein, the term "subsidiary" shall mean any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation if each of the corporations, other than the last corporation in such chain, owns stock possessing at least 50% of the voting power in one of the other corporations in such chain.

10. AMENDMENT

In the event that the Board of Directors of the Corporation shall amend the 1991 Plan under the provisions of Article VIII of the 1991 Plan and such amendment shall modify or otherwise affect the subject matter of this Agreement, this Agreement shall, to that extent, be deemed to be amended by such amendment to the 1991 Plan. The Corporation shall notify the Employee in writing of any such amendment to the 1991 Plan and this Agreement as soon as practicable after its approval.

11. CONSTRUCTION

In the event of any conflict between the 1991 Plan and this Agreement, the provisions of the 1991 Plan shall control. This Agreement shall be governed in all respects by the laws of the State of Florida.

12. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement between the Corporation and the Employee and supersedes all other discussions, correspondence, representations, understandings and agreements between the parties, with respect to the subject matter hereof.

13. HEADINGS

The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed a part hereof.

ATTEST: OCWEN FINANCIAL CORPORATION

By: /s/ JOHN R. ERBEY

John R. Erbey, Secretary

By: /s/ WILLIAM C. ERBEY

William C. Erbey, Chairman
and Chief Executive Officer

EMPLOYEE

By:

(Legal Signature)

Name:

(Print)

EXHIBIT D

AMENDED AND RESTATED NON-QUALIFIED STOCK OPTION AGREEMENT

THIS AMENDED AND RESTATED NON-QUALIFIED STOCK OPTION AGREEMENT made in the City of West Palm Beach, Florida as of January 31, 2001, between OCWEN FINANCIAL CORPORATION, a Florida corporation (the "Corporation"), and Christine A. Reich, an employee of the Corporation or of a subsidiary (the "Employee").

As of January 1, 2001 the Corporation and the Employee entered into a

Non-Qualified Stock Option Agreement (the "Original Agreement") regarding the Option (as defined therein) to purchase 85,790 shares of the Corporation's common stock, par value $.01 per share ("Stock"). A copy of the Original Agreement is attached hereto as Exhibit 1.

The parties have entered into that Separation Agreement and Full Release dated as of February 28, 2001 (the "Separation Agreement") which sets forth the terms and conditions by which Employee separated from employment with the Corporation.

The Corporation and the Employee desire hereby to amend and restate the Original Agreement in its entirety to provide, INTER ALIA, for the Options to vest pursuant to the terms and conditions hereof.

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, and intending to be legally bond hereby, the parties hereto have agreed, and do hereby agree, as follows:

1. OPTION GRANT

The Corporation hereby grants to the Employee, pursuant to and subject to the 1991 Plan, the right and option (the "Option") to purchase all or any part of an aggregate of 85,790 shares of Stock from the Corporation for a purchase price of $4.08625 per share, on the terms and conditions herein set forth.

2. OPTION TERM

The term of the Option shall begin on the date of this Agreement and will continue until the date which is 18 months from the Consulting Termination Date, as such term is defined in the Separation Agreement, unless the Option is earlier terminated under the terms of paragraph 5 hereof.

3. EXERCISE OF OPTION

One fifth of the Option will be exercisable in whole or in part immediately upon grant and one fourth of the of the balance of the Option will be exercisable in whole or in part after the commencement of each of the second, third, fourth and fifth years of the term of the Option and thereafter each such portion may, subject to the terms and conditions of this Agreement, be exercised in whole or in part at any time before the Option terminates. In no case may the Option be exercised as to less than 50 shares at any one time (or the remaining shares then purchasable under the Option, if less than 50 shares) or for a fractional share. During the Employee's lifetime, the Option may be exercised only by him/her or his/her guardian or legal representative. The Employee shall have none of the rights of a stockholder with respect to any of the shares of the Stock subject to the option until such shares shall be issued in his/her name or the name of his/her designee following the exercise of the Option.

4. METHOD OF OPTION EXERCISE

A. Subject to the terms and conditions of this Agreement, the Option may be exercised by written notice to the Corporation at its Executive Offices attention of the Secretary. Such notice shall state the election to exercise the Option, shall state the number of shares in respect of which it is being exercised (the "Purchased Shares") and shall be signed by the person or persons so exercising the Option. Such notice shall be accompanied by (i) a personal check payable to the order of the Corporation for payment of the full purchase price of the Purchased Shares, (ii) delivery to the Corporation of the number of shares of Stock duly endorsed for transfer and owned by the Employee which have an aggregate Fair Value equal to the aggregate purchase price of the Purchased Shares or (iii) payment therefor made in such other manner as may be acceptable to the Corporation on such terms as may be determined by the Committee. "Fair Value" shall mean the book value of the Stock as determined by the Committee pursuant to the 1991 Plan. In addition to and at the time of payment of the purchase price, the person exercising the Option shall pay to the Corporation the full amount of any federal and state withholding or other taxes applicable to the taxable income of such person resulting from such exercise in cash unless the Committee in its sole discretion shall permit such taxes to be paid in Stock.

B. The Corporation shall deliver a certificate or certificates representing said shares as soon as practicable after receipt of the notice and all required payments by the person or persons exercising the Option as provided in paragraph 4A. hereof. The certificate or certificates for the shares as to which the Option have been so exercised shall not be registered until at least five business days after the date of the exercise of the Option. Unless the person or persons exercising the Option shall otherwise direct the Corporation in writing, such certificate or certificates for the shares shall be registered in the name of the person or persons so exercising the Option and shall be delivered as aforesaid to or upon the written order of the person or persons exercising the Option.

C. In the event the Option shall be exercised, pursuant to paragraphs 3 and 5 hereof, by any person or persons other than the Employee, such notice shall be accompanied by appropriate proof of the derivative right of such person or persons to exercise the Option.

D. The date of exercise of the Option shall be the date on which the notice, the documents and all payments required under this paragraph 4 are received by the Secretary. All shares that shall be purchased upon the exercise of the Option as provided herein shall be fully paid and non-assessable.

5. TERMINATION OF OPTION

The Option may not be exercised to any extent after termination of the Option in one of the ways, whichever first occurs, set forth below in this paragraph 5.

A. The Option shall terminate upon the exercise of such Option in the manner provided in this Agreement and the 1991 Plan, whether or not the shares are ultimately delivered.

B. The Option shall terminate on the date which is 18 months from the Consulting Termination Date, as such term is defined in the Separation Agreement, in accordance with paragraph 2 hereof.

6. ADJUSTMENT UPON CHANGES IN STOCK

If there shall be any change in the stock subject to the Option granted hereunder, through merger, consolidation, reorganization, recapitalization, stock dividend, stock split or other change in the corporate structure, appropriate adjustments may be made by the Board of Directors of the Corporation (or if the Corporation is not the surviving corporation in any such transaction, the Board of Directors of the surviving corporation) in the aggregate number and kind of shares subject to the 1991 Plan and the number and kind of shares and the price per share subject to the Option.

7. NON-TRANSFERABILITY OF OPTION

The Option shall not be transferable otherwise than by will or by the applicable laws of descent and distribution. More particularly (but without limiting the generality of the foregoing), the Option may not be assigned, transferred (except as aforesaid), pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Option contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon the Option, shall be null and void and without effect.

8. PAYMENT OF EXPENSES AND COMPLIANCE WITH LAWS

The Corporation shall at all times during the term of the Option reserve and keep available such number of shares of Stock as will be sufficient to satisfy the requirements of this Agreement, shall pay all original issue and/or transfer taxes with respect to the issue and/or transfer of shares pursuant hereto and all other fees and expenses necessarily incurred by the Corporation in connection therewith and will from time to time use its best efforts to comply with all laws and regulations which, in the opinion of counsel for the Corporation, shall be applicable thereto.

9. DEFINITIONS

As used herein, the term "subsidiary" shall mean any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation if each of the corporations, other than the last corporation in such chain, owns stock possessing at least 50% of the voting power in one of the other corporations in such chain.

10. AMENDMENT

In the event that the Board of Directors of the Corporation shall amend the 1991 Plan under the provisions of Article VIII of the 1991 Plan and such amendment shall modify or otherwise affect the subject matter of this Agreement, this Agreement shall, to that extent, be deemed to be amended by such amendment to the 1991 Plan. The Corporation shall notify the Employee in writing of any such amendment to the 1991 Plan and this Agreement as soon as practicable after its approval.

11. CONSTRUCTION

In the event of any conflict between the 1991 Plan and this Agreement, the provisions of the 1991 Plan shall control. This Agreement shall be governed in all respects by the laws of the State of Florida.

12. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement between the Corporation and the Employee and supersedes all other discussions, correspondence, representations, understandings and agreements between the parties, with respect to the subject matter hereof.

13. HEADINGS

The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed a part hereof.

ATTEST: OCWEN FINANCIAL CORPORATION

By: /s/ JOHN R. ERBEY
John R. Erbey, Secretary

By: /s/ WILLIAM C. ERBEY
William C. Erbey, Chairman and Chief Executive Officer

EMPLOYEE

By: ----------------------------------
(Legal Signature)

Name: -------------------------------
(Print)

EXHIBIT 12.1

OCWEN FINANCIAL COPORATION AND SUBSIDIARIES
COMPUTATION OF EARNINGS TO FIXED CHARGES
(DOLLARS IN THOUSANDS)

	2000	1999	1998	1997	1996
EARNINGS:					
(Loss) income from continuing operations before income taxes and extraordinary gain (1)	$ (8,564)	$ 23,973	$ (32,805)	$ 99,538	$ 61,301
Add:					
Interest expensed and capitalized, except interest on deposits, and amortization of capitalized debt expenses	84,897	72,765	84,596	44,137	23,162
Interest on deposits	98,224	98,370	116,584	122,070	93,773
Interest component of rental expense	1,124	2,032	2,135	958	520
Total fixed charges (2)	184,245	173,167	203,315	167,165	117,455
Earnings for computation purposes	$ 175,681	$ 197,140	$ 170,510	$ 266,703	$ 178,756
Ratio of earnings to fixed charges:					
Including interest on deposits (3).......	(4)	1.13	(4)	1.58	1.52
Excluding interest on deposits (3).......	(5)	1.33	(5)	3.39	3.68

(1) Earnings represents pre-tax income from continuing operations before extraordinary gain, adjusted for losses and undistributed income of equity investees.

(2) Fixed charges represent total interest expensed and capitalized, including and excluding interest on deposits, amortization of capitalized debt expenses, as well as the interest component of rental expense.

(3) The ratios of earnings to fixed charges were computed by dividing (x) income from continuing operations before income taxes and extraordinary gains, adjusted for losses and undistributed income of equity investees plus fixed charges by (y) fixed charges.

(4) Due to the Company's loss in 2000 and 1998, the ratio of earnings to fixed charges was less than 1:1. The Company would have had to have generated additional earnings of $9,305 and $34,117, respectively, to achieve a coverage of 1:1.

(5) Due to the Company's loss in 2000 and 1998, the ratio of earnings to fixed charges was less than 1:1. The Company would have had to have generated additional earnings of $8,564 and $32,805, respectively, to achieve a coverage of 1:1.

EXHIBIT 21.0

SUBSIDIARIES OF OCWEN FINANCIAL CORPORATION

Name	State of Organization
Ocwen Federal Bank FSB	New Jersey
Ocwen Partnership, L.P.	Virginia
Ocwen Asset Investment Corp.	Florida
Ocwen Limited, Inc.	Virginia
Investors Mortgage Insurance Holding Company	Delaware
Ocwen Properties, Inc.	New York
Ocwen Financial Services, Inc.	Florida
Ocwen Capital Trust I	Delaware
OAIC Mortgage Residential Securities Holdings, LLC	Delaware
OAIC Bush Street, LLC	Delaware
OAIC Mortgage Holdings, LLC	Delaware
Ocwen Asset Investment - UK, LLC	Delaware
NHP Affordable Housing Partners, L.P.	Pennsylvania
OAIC Jacksonville, LLC	Delaware
OAIC California Partnership, L.P.	California
OAIC California Partnership II, L.P.	California
OAIC-Commercial Assets, LLC	Florida
Ocwen NIMS Corp.	Florida
Synergy Software, Inc.	Florida
AMOS, Inc.	Connecticut
First Service Corporation	Delaware
Ocwen Technology Xchange, Inc.	Florida

EXHIBIT 23.0

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 filed on January 27, 1998 (Registration No. 333-44999), Registration Statement on Form S-8 filed on August 25, 1998 (Registration No. 333-62217) and Registration Statement on Form S-3 filed on November 5, 1998 (Registration No. 333-64915) of Ocwen Financial Corporation of our report dated February 7, 2001 appearing on page 62 of the 2000 Annual Report to Shareholders which is incorporated by reference into this Annual Report on Form 10-K.

PricewaterhouseCoopers LLP
Fort Lauderdale, Florida
March 30, 2001

EXHIBIT 99.1

RISK FACTORS (DOLLARS IN THOUSANDS)

Each of the factors set forth below could, directly or indirectly, affect the Company's results of operations and financial condition. Capitalized terms that are not defined herein shall have the meanings ascribed to them in the Annual Report on Form 10-K of the Company to which this Exhibit relates.

CHANGING NATURE OF RISKS; NO ASSURANCES AS TO CONSISTENCY OF EARNINGS

CHANGING NATURE OF RISKS. The Company's corporate strategy emphasizes the identification, development and management of specialized businesses which the Company believes are not accurately evaluated and priced by the marketplace due to market, economic and competitive conditions. This strategy can result in the entry into or development of businesses and investment in assets which produce substantial initial returns, which may be followed by an exit from any of those businesses or the sale of those assets if, for example, results decrease because markets become more efficient in the evaluation and pricing of such businesses and assets. For example, historically, the Company's efforts have focused on lending, the acquisition and resolution of discounted loans, and investment in various types of mortgage-related securities. However, on October 26, 1998, the Company announced that it would refocus its resources on its core competencies, namely the acquisition and management of servicing-intensive assets and the development of exportable loan servicing technology for the mortgage and real estate industries. Given that this strategy involves the potential of entering and exiting different businesses, past financial performance may not be considered a reliable indicator of future performance and historical trends may not be reliable indicators of anticipated results or trends in future periods. In addition, there can be no assurance that the Company will be able to accomplish its strategic objectives as a result of changes in the nature of the Company's operations over time or that such changes will not have a material adverse effect from time to time or generally on the Company's business, financial condition or results of operations.

INCONSISTENCY OF RESULTS AND NON-RECURRING ITEMS. In addition to inconsistency in results caused by the entry or exit of businesses by the Company, the consistency of the operating results of the Company has and may continue to be significantly affected by inter-period variations in its current operations, including in respect of (i) the amount of assets acquired, particularly discounted loans and the servicing rights to such loans; (ii) the amount of resolutions of discounted loans, particularly large multi-family residential and commercial real estate loans; (iii) the amount of multi-family residential and commercial real estate loans which mature or are prepaid, particularly loans with terms pursuant to which the Company participates in the profits of the underlying real estate; and (iv) sales by the Company of loans and/or securities acquired from the Company's securitization of loans. In addition, the Company's operating results have been significantly affected by certain non-recurring items. For example, the Company has earned significant non-interest income from gains on sales of interest-earning assets and real estate owned. Gains on sales of interest-earning assets and real estate owned generally are dependent on various factors which are not within the control of the Company, including market and economic conditions and accounting regulations. In addition, in the third quarter of 1999, the Company decided to discontinue the practice of structuring securitizations as sales transactions, thus precluding recognition of gain-on-sale accounting. There can be no assurance that the level of gains on sales of interest-earning assets and real estate owned reported by the Company in prior periods will be repeated in future periods or that there will not be substantial inter-period variations in the results from such activities or as a result of other non-recurring items.

RISKS RELATED TO NON-TRADITIONAL OPERATING ACTIVITIES

As discussed below, the Company is engaged in a variety of businesses which generally involve more uncertainties and risks than the single-family residential lending activities historically emphasized by savings institutions. In addition, many of the Company's business activities are conducted on a nationwide basis, which reduces the risks associated with concentration in any one particular market area but involves other risks because, among other things, the Company may not be as familiar with market conditions and other relevant factors as it would be in the case of activities which are conducted in the market areas in which its executive offices and branch office are located.

DISCOUNTED LOAN AND SERVICING RIGHTS ACQUISITION AND LOAN RESOLUTION ACTIVITIES. The Company's lending activities include the acquisition (although to a much lesser extent than in prior years) and resolution of non-performing or underperforming single-family (one to four units) residential loans, multi-family (over four units) residential loans and commercial real estate loans which are purchased at a discount. Non-performing and subperforming mortgage loans may be in default or may have a greater than normal risk of future defaults and delinquencies, as compared to newly-originated, high-quality loans of comparable type, size and geographic concentration. Returns on an investment of this type depend on the borrower's ability to make required payments or, in the event of default, the ability of the loan's servicer to foreclose and liquidate the mortgage loan. There can be no assurance that the servicer can liquidate a defaulted mortgage loan successfully or in a timely fashion.

The Company acquires discounted loans from governmental agencies, which in the early years of the program consisted primarily of the Federal Deposit Insurance Corporation (the "FDIC") and the Resolution Trust Corporation, a federal agency formed to resolve failed savings institutions which has since ceased operations, and in recent years has consisted primarily of the U.S. Department of Housing and Urban Development. In addition to governmental agencies, the Company acquires discounted loans from various private sector sellers, such as banks, savings institutions, mortgage companies and insurance companies. The Company acquires servicing rights principally from private sellers. Although the Company believes that a permanent market for the acquisition of non-performing and underperforming mortgage loans at a discount and the servicing rights to such loans has emerged in recent years, there can be no assurance that the Company will be able to acquire the desired amount and type of discounted loans or servicing rights in future periods or that there will not be significant inter-period variations in the amount of such acquisitions. There also can be no assurance that the discount on the non-performing and underperforming loans acquired by the Company will enable the Company to resolve discounted loans in the future as profitably as in prior periods. Adverse changes in national economic conditions or in the economic conditions in regions in which the Company acquires pools of loans and servicing rights could impair its ability to resolve successfully loans and could have an adverse effect on the value of those loan pools and servicing rights. The yield on the Company's discounted portfolio also is subject to significant inter-period variations as a result of the timing of resolutions of discounted loans, particularly multi-family residential and commercial real estate loans and non-performing single-family residential loans, interest on which is recognized on a cash basis, and the mix of the overall portfolio between performing and non-performing loans. In addition, the volume of discounted loans and servicing rights acquired by the Company may vary over time, thereby affecting results of operations in future periods as the quantity of loans resolved in any one time period may be affected.

MULTI-FAMILY RESIDENTIAL, COMMERCIAL REAL ESTATE AND CONSTRUCTION LENDING ACTIVITIES. Prior to the Company's decision to cease origination of such loans in 1999, the Company's lending activities included nationwide loans secured by existing commercial real estate, particularly hotels and office buildings, and existing multi-family residential real estate. In addition, from time to time the Company has originated loans for the construction of multi-family residential real estate and land acquisition and development. Multi-family residential real estate, commercial real estate and construction lending generally are considered to involve a higher degree of risk than single-family residential lending due to a variety of factors, including generally larger loan balances, the dependency on successful completion or operation of the project for repayment, the difficulties in estimating construction costs and loan terms which often require little or no amortization of the loan over its term (typically five years) and, instead, provide for a balloon payment at stated maturity. Furthermore, mezzanine loans, which are subordinate to senior loans, and construction loans generally have higher loan-to-value ratios than conventional loans. Although the Company's borrowers generally have an equity investment of 10% to 15% of total project costs, such equity may not be sufficient to protect the Company's investment in these higher-yielding loans. There can be no assurance that any multi-family residential, commercial real estate and construction lending activities engaged in by the Company previously or in the future will not be adversely affected by these and the other risks related to such activities.

SUBPRIME RESIDENTIAL LENDING ACTIVITIES. The Company closed its domestic subprime origination business in August 1999 and exited the UK subprime origination business by selling its investment in its Ocwen UK subsidiary in September 1999 and its investment in Kensington Group plc in November 2000. Prior to these dates, the Company's lending activities also included the origination or purchase on a nationwide basis of single family residential loans made to borrowers who have significant equity in the properties which secure the loans but who, because of prior credit problems, the absence of a credit history or other factors, were unable or unwilling to qualify as borrowers under federal agency guidelines. These loans were offered pursuant to various programs, including programs which provide for reduced or no documentation for verifying a borrower's income and employment. Subprime loans present a higher level of risk of delinquency or default than loans made to more creditworthy borrowers, and may not be as saleable as loans which conform to the guidelines established by various federal agencies. While the Company believes that the business practices it employed enabled it to reduce higher risks inherent in these loans, no assurance can be given that such practices will afford adequate protection against higher delinquencies, foreclosures or losses than anticipated, and as a result, the Company's financial condition or results of operation could be adversely affected.

ENVIRONMENTAL RISKS OF LOAN ACQUISITION AND LENDING ACTIVITIES. The Company evaluates the potential for significant environmental problems prior to acquiring or originating a loan because there is a risk for any mortgage loan, particularly a multifamily residential and commercial real estate loan, that hazardous substances or other environmentally restricted substances could be discovered on the related real estate. Through foreclosure, the Company could become the owner of the real estate that secured its loan and might be required to remove such substances from the affected properties or to engage in abatement procedures at its sole cost and expense. There can be no assurance that the cost of such removal or abatement will not substantially exceed the value of the affected properties or the loans secured by such properties, that the Company would have adequate remedies against the prior owners or other responsible parties or that the Company would be able to resell the affected properties either prior to or following completion of any such removal or abatement procedures. If such environmental problems are discovered prior to foreclosure, the Company generally will not foreclose on

the related loan; however, the value of such property as collateral will generally be substantially reduced, and as a result, the Company may suffer a loss upon collection of the loan.

INVESTMENTS IN LOW-INCOME HOUSING TAX CREDIT INTERESTS. The Company invests in low-income housing tax credit interests (generally limited partnerships) in order to obtain federal income tax credits which are allocated pursuant to Section 42 of the Internal Revenue Code of 1986, as amended (the "Code"). There are many uncertainties and risks associated with an investment in low-income housing tax credit interests, including the risks involved in the construction, lease-up and operation of multi-family residential real estate, the investor's ability to earn sufficient income to utilize the tax credits resulting from such investments in accordance with the requirements of the Code and the possibility of required recapture of previously-earned tax credits. In addition, there are numerous tax risks associated with tax credits resulting from potential changes to the Code. Potential changes in the Code, which have been discussed from time to time, could reduce the benefits associated with the Company's existing investments in low-income housing tax credit interests, including the replacement of the current graduated income taxation provisions in the Code with a "flat tax" based system and increases in the alternative minimum tax, which cannot be reduced by tax credits. Management of the Company is unable to predict whether any of the foregoing or other changes to the Code will be subject to future legislation and, if so, what the contents of such legislation will be and its effects, if any, on the Company.

INVESTMENTS IN MORTGAGE-RELATED SECURITIES. From time to time the Company invests in a variety of mortgage-related securities, such as senior, subordinate and residual interests in collateralized mortgage obligations ("CMOs"), including CMOs which have qualified as Real Estate Mortgage Investment Conduits. Some mortgage-related securities exhibit considerably more price volatility than mortgages or ordinary mortgage pass-through securities, due in part to the uncertain cash flows that result from changes in the prepayment rates of the underlying mortgages. Other mortgage-related securities, such as subordinate interests, also involve substantially more credit risk than the senior classes of the mortgage-related securities to which such interests relate and generally are not as liquid as such senior classes. The Company has generally acquired subordinate and residual interests primarily in connection with the securitization of its loans, particularly single-family residential loans to non-conforming borrowers and discounted loans, and under circumstances in which it continues to service the loans which back the related securities. The Company has sought to offset the risk of changing interest rates on certain of its mortgage-related securities by selling U.S. Treasury futures contracts and through other hedging techniques, and believes that the resulting interest-rate sensitivity profile compliments the Company's overall exposure to changes in interest rates. See "Economic Conditions" below. Although generally intended to reduce the effects of changing interest rates on the Company, investments in certain mortgage-related securities and hedging transactions could cause the Company to recognize losses depending on the terms of the instrument and the interest rate environment.

ABILITY TO MANAGE GROWTH. The Company has undergone rapid and significant growth and is continuing to pursue a policy of rapid growth, including growth in foreign countries. The Company's rapid growth has imposed a significant strain on its management resources and there can be no assurance that the Company will be able to attract and retain the necessary personnel to manage its operations effectively, in which event its business, operating results and financial condition could be materially and adversely affected.

RISK OF FUTURE ADJUSTMENTS TO ALLOWANCES FOR LOSSES

The Company believes that it has established adequate allowances for losses for each of its loan portfolio, discounted loan portfolio and match funded loans in accordance with generally accepted accounting principles. Future additions to these allowances, in the form of provisions for losses on loans, discounted loans and match funded loans, may be necessary, however, due to changes in economic conditions, increases in loans and discounted loans and the performance of the Company's loan and discounted loan portfolios. In addition, the OTS, as part of its examination process, periodically reviews the Company's allowances for losses and the carrying value of its assets. As a result of OTS reviews, the Company in the past has increased its allowances for losses on loans and discounted loans and written down the carrying value of certain loans. There can be no assurance that the Company will not determine, at the request of the OTS or otherwise, to further increase its allowances for losses on loans and discounted loans or adjust the carrying value of its real estate owned or other assets. Increases in the Company's provisions for losses on loans would adversely affect the Company's results of operations.

RISKS RELATED TO REAL ESTATE OWNED

GENERAL. The Company's real estate owned consists almost entirely of single-family residential real estate and multi-family residential and commercial real estate acquired by foreclosure or deed-in-lieu thereof on loans in the Company's discounted loan portfolio. Generally, real estate owned properties are non-earning assets, although multi-family residential and commercial real estate owned may provide some operating income to the Company depending on the circumstances. Such operating income may be

affected by problems experienced by lessees, which may weaken their financial condition and result in failure to make rental payments when due. At any time, a lessee of the Company's properties may seek the protection of bankruptcy laws, which could result in rejection and termination of the lessee's lease and thereby cause a reduction in cash flow available for distribution to the Company. Moreover, the value of real estate can be significantly affected by adverse changes in national or local economic conditions, competition from other properties offering the same or similar services, changes in interest rates and in the availability, cost and terms of mortgage funds, acts of nature, including earthquakes, hurricanes and other natural disasters, and other factors which are beyond the control of the Company. These factors may require the establishment of provisions for losses to ensure that real estate owned properties are carried at the lower of cost or fair value, less estimated costs to dispose of the properties, which may adversely affect operations. Real estate owned also requires increased allocation of resources and expense to the management and work out of the asset, property taxes and compliance with respect to environmental laws and the Americans with Disabilities Act of 1990, which can also adversely affect operations. There can be no assurance that the amount of the Company's real estate owned will not increase in the future as a result of the Company's discounted loan acquisition and resolution activities and the

Company's single-family residential, multi-family residential, commercial real estate and construction lending activities.

ENVIRONMENTAL RISKS. Operating costs and the value of real property may be affected by the obligation to pay for the cost of complying with existing environmental laws, ordinances and regulations, as well as the cost of future legislation. Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances on, under or in such property. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Therefore, an environmental liability could have a material adverse effect on the underlying value of a real property, and the revenue therefrom. Although the Company believes that its pre-acquisition due diligence identified all material environmental concerns which relate to its current investments in real estate and accurately assessed the costs and liabilities to be concurred by it in this regard, there can be no assurance that such investments will not raise material unanticipated environmental concerns or costs in the future.

RISKS ASSOCIATED WITH ACQUISITIONS AND DIVESTITURES

Acquiring businesses and assets has been and may continue to be an important focus of the Company's strategic efforts. Any acquisitions could vary in size and may include those that are large relative to the Company. There can be no assurance that suitable acquisition candidates can be identified, that financing for such acquisitions would be available on satisfactory terms, that the Company would be able to accomplish its strategic objectives as a result of any such acquisitions, that any business or assets acquired by the Company would be integrated successfully or that integration of acquired businesses would not divert management resources or otherwise have a material adverse effect on the Company's business, financial condition or results of operations. The Company is continually evaluating possible acquisitions and engages in discussions with acquisition candidates from time to time.

In addition, in the event that the Company chooses to divest any business or sell any asset in the future, there can be no assurance that a suitable purchaser could be identified, that the Company would be able to accomplish its strategic objectives as a result of any such sale, that any proposed asset or business sold by the Company would be completed or that the separation of any such asset or business from the Company would not diminish management resources or otherwise have a material adverse effect on the Company's business, financial condition or results of operations.

RISKS ASSOCIATED WITH TECHNOLOGY

The Company's wholly-owned subsidiary, Ocwen Technology Xchange, Inc. ("OTX"), licenses the Company's mortgage loan servicing resolution and work flow technology to third parties in the mortgage and real estate industries. The products offered by OTX have resulted from the enhancement of software products acquired through the Company's purchases of Amos, Inc., a developer of residential mortgage loan servicing software, DTS Communications, Inc., a real estate technology company, and the assets of Synergy Software, LLC, a developer of commercial and multi-family mortgage servicing software, with the Company's own proprietary technology.

REVENUE RECOGNITION. A portion of Ocwen's revenue attributable to OTX operations includes license fees and implementation fees related to the installation of its technology products. In certain instances, customers receive certain elements of OTX's products or services over a period of time and in some instances, fees received may be refundable based on the provisions of the underlying agreements. Consequently, certain revenue is deferred and recognized over future periods.

RAPID TECHNOLOGICAL CHANGE AND COMPETITION. Rapid change, uncertainty due to new and emerging technologies, and fierce competition characterize the software industry. OTX's ability to grow is dependent upon the Company's ability to develop and introduce new products and enhance existing products to satisfy

consumer demand for new technologies. Because the pace of change continues to accelerate, new opportunities for competitors are created and OTX's business planning is subject to substantial uncertainty. Competitors, working with new technology, may arrive at a technology that creates a new market altogether and renders the Company's product offerings obsolete. If the Company does not successfully identify new product opportunities and develop and bring new products to market in a timely and efficient manner, the Company's business growth will suffer and demand for its products will decrease. Competing platforms, and products may gain popularity with customers, vendors and loan originators, reducing or eliminating the potential for OTX's future revenue.

FUTURE INITIATIVES. The Company plans to continue significant investments in software research and development including the ongoing development of increased functionality for OTX's products, including REALTransSM, _ REAL-eTM and REALSynergyTM, where the Company has the opportunity to capture significant market share through improved efficiencies offered by these products. It is anticipated that these investments in research and development will increase over historical spending levels without corresponding growth in revenue in the near future. Significant revenue from these product opportunities may not be achieved for a number of years, if at all.

SOFTWARE DEVELOPMENT. The software industry is inherently complex. New products and product enhancements can require long development and testing periods. While the Company believes it has developed products attractive to the mortgage and real estate industries, the computer software industry is subject to rapid technological change, changing customer requirements, frequent new product introductions and evolving industry standards that may render existing products and services obsolete. There can be no assurance that OTX will not experience future difficulties that could delay or prevent the successful development, introduction and marketing of its products, or that its products and product enhancements will meet the requirements of the marketplace and achieve market acceptance. If OTX is unable to develop and introduce products of acceptable quality in a timely manner in response to changing market conditions or customer requirements, the Company's business, operating results and financial condition could be adversely affected.

PRICES. The competitive factors described above may require OTX to lower product prices to meet competition, reducing the Company's net income.

INTERNATIONAL OPERATIONS. The Company is beginning to conduct more of its business outside the United States. The costs of selling the Company's products and providing its services in these countries may be higher than the Company's prices in the United States because of the costs incurred in localizing both products and financial services for non-U.S. markets. While the Company seeks to set its prices for its products and services higher to compensate for the additional expense, pressure to globalize its pricing structures might require that the Company reduce the sales price of its financial services and software in other countries, even though the costs continue to be higher than in the United States. Difficulties in staffing and managing foreign operations; unexpected changes in regulatory requirements for financial services and software; negative changes in software "piracy" trade protection laws, policies and measures and other regulatory requirements affecting trade and investment; social, political, labor or economic conditions in a specific country or region; and potential adverse foreign tax consequences; among other factors, could also have an impact on the Company's business and results of operations outside of the United States.

RISKS ASSOCIATED WITH MORTGAGE LOANS SERVICING

EXTENSIVE USE OF FINANCIAL LEVERAGE. The Company is highly leveraged and will continue to be highly leveraged. The Company's ability to make payments of principal or interest on or to refinance its indebtedness depends on its future operating performance and its ability to effect additional debt and/or equity financing, which is subject to economic, financial, competitive and other factors beyond its control, including restrictions on the Company's ability to obtain additional debt financing contained in the indentures relating to its 11 7/8% Notes and 10 7/8% Junior Subordinated Debentures.

The Company intends to finance advances it is required to make in connection with the acquisition of servicing rights to pools of loans and the servicing of the loans throughout the life of the loan. Generally, the Company expects to be able to finance up to ninety percent of the advance amounts. While the leveraged nature of the Company's assets offers the opportunity for increased rates of return on the Company's invested capital, it involves a greater degree of risk.

This degree of leverage also makes the Company more vulnerable to a downturn in real estate values or the economy generally. Although management generally expects to repay any indebtedness incurred in connection with an acquisition from the proceeds of the servicing, a downturn in the economy or real estate market could reduce those proceeds. An increase in market interest rates or a decline in the value of the collateral securing the acquired pool of loans could adversely effect the ability of the Company to repay its borrowings and could have a material adverse effect on the Company's results of operations and financial condition.

NEED FOR ADDITIONAL FINANCING. The Company's expansion strategy will result in the need for additional debt and/or equity financing in the future, and there can be no assurance that the Company will be able to obtain such financing on acceptable terms. In addition, the indentures relating to the Company's 11 7/8% Notes and 10 7/8% Junior Subordinated Debentures restrict the Company's ability to obtain additional debt financing. The Company's degree of leverage may make it more difficult for the Company to obtain additional financing for future working capital, capital expenditures, acquisitions, general corporate purposes or other purposes and may cause the Company to dedicate a substantial portion of its cash flow from operations to the payment of principal and interest on indebtedness, thereby reducing the funds available for operations and future business opportunities. To the extent the Company is unable to extend or replace existing facilities or generate sufficient cash flow from the servicing rights, the Company may have to curtail its acquisition of servicing rights, which could have a material adverse effect on its financial position and results of operations.

RISKS RELATED TO ACQUIRED SERVICING RIGHTS ON POOLS OF LOANS. In determining the purchase price for servicing rights, management makes certain assumptions regarding, among other things, the real estate market and the Company's ability to successfully service and resolve loans and to dispose of any foreclosed real estate. To the extent that the Company's underlying assumptions prove to be inaccurate or the basis for those assumptions change (for example, an unanticipated decline in the real estate market), the price paid by the Company for servicing rights may prove to have been excessive, resulting in a lower yield or a loss to the Company. Therefore, the success of the Company is highly dependent on its pricing of servicing rights as well as general economic conditions in the geographic areas in which the foreclosed real estate or properties underlying the loans are located. Adverse changes in national economic conditions or in the economic conditions in regions in which the Company acquires pools of loans could impair its ability to successfully resolve loans and have an adverse effect on the value of those pools of loans. In addition, because non-performing loans do not make regular cash payments and in various servicing relationships, the Company is repaid for advances out of proceeds from the loans, the return to the Company may be significantly influenced by the time it takes to resolve the loan, which varies based on, among other things, state consumer protection and foreclosure laws, both of which are subject to change.

RISKS RELATED TO INTERNATIONAL SERVICING OPERATIONS. The Company has invested in a joint venture with servicing operations in Italy. The joint venture plans to use the Company's servicing system, which must be adapted for servicing loans in Western Europe. The Company's international servicing operations are subject to most of the same risks associated with its U.S. operations as well as additional risks as fluctuations in foreign currency exchange rates, unexpected changes in regulatory requirements, heightened risks of political and economic instability, difficulties in managing international operations, potentially adverse tax consequences, enhanced accounting and control expenses and the burden of complying with a wide variety of foreign laws. In addition, the Company's management has only limited experience in servicing loans in foreign countries. Accordingly, there can be no assurance that one or more of these factors will not have a materially adverse effect on the Company's operations.

RISK OF INCREASED CAPITAL REQUIREMENTS. Federally insured savings associations are required to maintain minimum levels of regulatory capital. These standards generally are as stringent as the comparable capital requirements imposed on national banks. The OTS also is authorized to impose capital requirements in excess of those standards on individual associations on a case-by-case basis. In making such determination, the OTS can take into account a number of factors, including the bank's loan portfolio quality, recent operating losses or anticipated losses, the condition of its holding company and whether the bank is receiving special supervisory attention, among other matters. If the OTS were to impose higher capital requirements than it has currently established for the Bank or additional capital were required as a result of an adverse determination by the OTS or otherwise, the Company might inject additional capital into the Bank, whether or not such usage of capital is optimal for the Company. Such additional capital contributions may have the effect of reducing or eliminating the Company's overall net income or requiring the Company to obtain additional debt or equity capital. In the event that the Company was unable or refused to inject capital into the Bank as required by the OTS significant adverse consequences could result.

RISKS RELATED TO SECURITIZATION. Under certain circumstances, the Company may be required to advance funds to securitization trusts, indemnify the trustee and the underwriters of a securitization and repurchase certain loans that were securitized. In connection with a securitization, the Company may be required to agree that, in the event of a breach of any representation or warranty made by it that materially and adversely affects the value of an underlying mortgage loan, the Company will repurchase that loan at a price equal to the then outstanding principal balance of the loan and any accrued and unpaid interest thereon.

INTERNATIONAL OPERATIONS

The Company conducts business in the United States, Jamaica and, though a joint venture, Italy, is exploring opportunities in the Republic of Korea and may explore opportunities outside of these markets. The Company is also establishing a software development and servicing operations center in India. The Company's foreign operations are subject to most of the same risks associated with its U.S. operations, as well as additional risks, such as unexpected changes in local regulatory requirements, difficulties in managing

international operations, potentially adverse tax consequences, enhanced accounting and control expenses and the burden of complying with foreign laws. Changes in foreign currency exchange rates may also affect the value of the Company's foreign assets and the gains realized from the sale of such assets. Although the Company implements hedging strategies to limit the effects of currency exchange rate fluctuations on the Company's results of operations, currency hedging strategies, like those for interest rates, may not perform their intended purpose. See "Economic Conditions". There can be no assurance that such factors will not have a material adverse effect on the Company's business, results of operations or financial condition. In addition, the Company's management has only limited international experience outside of the U.S., which could limit the Company's ability to capitalize on investment opportunities that may arise elsewhere.

REGULATION AND REGULATORY CAPITAL REQUIREMENTS

Both the Company, as a savings and loan holding company, and the Bank, as a federally-chartered savings institution, are subject to significant governmental supervision and regulation, which is intended primarily for the protection of depositors. Statutes and regulations affecting the Company and the Bank may be changed at any time, and the interpretation of these statutes and regulations by examining authorities also is subject to change. There can be no assurance that future changes in applicable statutes and regulations or in their interpretation will not adversely affect the business of the Company. The applicable regulatory authorities may, as a result of such regulation and examination, impose regulatory sanctions upon the Company or the Bank, as applicable, as well as various requirements or restrictions which could adversely affect their business activities. A substantial portion of the Bank's operations involves businesses that are not traditionally conducted by savings institutions and, as a result, there can be no assurance that future actions by applicable regulatory authorities, or future changes in applicable statutes or regulations, will not limit or otherwise adversely affect the Bank's ability to engage in such activities.

Following an examination of the Bank in late 1996 and early 1997 by the Office of Thrift Supervision (the "OTS"), the Bank committed to the OTS to maintain, commencing on June 30, 1997, regulatory capital ratios which significantly exceed the requirements which are generally applicable to federally-chartered savings institutions such as the Bank. Specifically, the Bank has committed to the OTS to maintain a core capital (leverage) ratio and a total risk-based capital ratio of at least 9% and 13%, respectively (the requirements of general applicability are 3% and 8%, respectively). At December 31, 2000, the Bank's core capital, Tier 1 risk-based capital and total risk-based capital ratios amounted to 13.83%, 16.70% and 21.83%, respectively. Based on discussions with the OTS, the Bank believes that this commitment does not affect its status as a "well-capitalized" institution, assuming the Bank's continued compliance with the regulatory capital requirements that it committed to maintain. Under applicable laws and regulations, an institution is considered to be "well-capitalized" if it maintains a total risk-based capital ratio of 10.0% or more, a Tier 1 risk-based capital ratio of 6.0% or more and a core capital (leverage) ratio of 5.0% or more and is not subject to a written agreement, order or directive issued by an appropriate agency to meet and maintain a specific capital level for any capital measure.

There can be no assurance that in the future the OTS either will agree to a decrease in the 9% core capital (leverage) ratio and the 13% total risk-based capital ratio committed to be maintained by the Bank or will not seek an increase in such requirements. Unless and until these regulatory capital requirements are decreased, the Bank's ability to leverage its capital through future growth in assets (including its ability to continue growing at historical rates) will be adversely affected, as will the Company's ability to receive dividends from the Bank. Although the Company and its non-banking subsidiaries will not be restricted in their growth by these capital requirements, because they do not have access to the Bank's funding sources, their profitability may be different from the Bank's for particular types of businesses. In addition, there can be no assurance that the Bank will continue to meet the regulatory capital requirements that it has committed to maintain or that the OTS will not formally impose such requirements pursuant to a written agreement, order or directive, which would cause the Bank to cease to be a "well-capitalized" institution under applicable laws and regulations. In the event that the Bank ceased to be a "well-capitalized" institution, the Bank would be prohibited from accepting, renewing or rolling over its brokered and other wholesale deposits, which are its principal sources of funding, without the prior approval of the FDIC, and the Bank could become subject to other regulatory restrictions on its operations.

ECONOMIC CONDITIONS

GENERAL. The success of the Company is dependent to a certain extent upon the general economic conditions in the geographic areas in which it conducts substantial business activities. Adverse changes in national economic conditions or in the economic conditions of regions in which the Company conducts substantial business likely would impair the ability of the Company to collect on outstanding loans or dispose of real estate owned and would otherwise have an adverse effect on its business, including the demand for new loans, the ability of customers to repay loans and the value of both the collateral pledged to the Company to secure its loans and its real estate owned. Moreover, earthquakes and

other natural disasters could have similar effects. Although such disasters have not significantly adversely affected the Company to date, the availability of insurance for such disasters in California, in which the Company conducts substantial business activities, is severely limited. Moreover, changes in building codes and ordinances, environmental considerations and other factors also might make it infeasible to use insurance proceeds to replace a property if it is damaged or destroyed. Under such circumstances, the insurance proceeds received by a borrower or the Company might not be adequate to restore the Company's economic position with respect to the affected collateral or real estate. At December 31, 2000, the Company had loans aggregating $100,036 (including match funded loans and loans available for sale) secured by properties located in California and $3,847 of the Company's real estate owned was located in California, which collectively represented 5% of the Company's total assets at such date.

EFFECTS OF CHANGES IN INTEREST RATES. Net interest income is the difference between the interest income earned on interest-earning assets and the interest expense incurred in connection with its interest-bearing liabilities. Changes in the general level of interest rates can affect the Company's net interest income by affecting the spread between the Company's return on interest-earning assets and the Company's cost of interest-bearing liabilities, as well as, among other things, the ability of the Company to originate loans; the value of the Company's interest-earning assets and its ability to realize gains from the sale of such assets; the average life of the Company's interest-earning assets; the value of the Company's mortgage servicing rights; and the Company's ability to obtain deposits in competition with other available investment alternatives. Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond the control of the Company. Although management believes that the maturities of the Company's assets are well balanced in relation to its liabilities (which involves various estimates and assumptions, including as to how changes in the general level of interest rates will impact its assets and liabilities), there can be no assurance that the profitability of the Company would not be adversely affected during any period of changing interest rates.

POTENTIAL ADVERSE EFFECTS OF HEDGING STRATEGIES. The Company may utilize a variety of financial instruments, including interest rate swaps, caps, floors and other interest rate exchange contracts and foreign currency futures contracts, in order to limit the effects of interest rates or changes in foreign currency exchange rates on its operations. Among the risks inherent with respect to the purchase and/or sale of such derivative instruments are (i) interest rate risk, which consists of the risks relating to fluctuating interest rates; (ii) basis risk, which consists of the risk of loss associated with variations in the spread between the asset yield and the funding and/or hedge costs; (iii) credit or default risk, which consists of the risk of insolvency or other inability of the counterparty to a particular transaction to perform its obligations thereunder; (iv) prepayment risk, which consists of reinvestment risk to the extent the Company is not able to reinvest repayments, if any, at a yield which is comparable to the yield being generated on the particular security; (v) liquidity risk, which consists of the risk that the Company may not be able to sell a particular security at a particular price; (vi) legal enforceability risk, which consists of the risks related to Company's ability to enforce the terms of a particular instrument or to obtain or collect upon a legal judgment in the United States in the event that the counterparty to the transaction is a foreign entity or the underlying collateral is located in a foreign jurisdiction; and (vii) volatility risk, which consists of the risk that actual volatility (i.e., the degree of uncertainty relating to the price of the underlying asset) differs from the historical volatility or "implied" volatility of the instrument.

RISKS RELATED TO RELIANCE ON BROKERED AND OTHER WHOLESALE DEPOSITS

The Company currently utilizes as its principal source of funds certificates of deposit obtained through national investment banking firms which obtain funds from their customers for deposit with the Company ("brokered deposits") and, to a lesser extent, certificates of deposit obtained from customers of regional and local investment banking firms and direct solicitation efforts by the Company of institutional investors and high net worth individuals. The Company believes that the effective cost of brokered and other wholesale deposits, as well as other non-branch dependent sources of funds, such as securities sold under agreements to repurchase ("reverse repurchase agreements") and advances from the Federal Home Loan Bank ("FHLB") of New York, generally is more attractive to the Company than deposits obtained through branch offices after the general and administrative costs associated with operating a branch office network are taken into account. However, such funding sources, when compared to retail deposits attracted through a branch network, are generally more sensitive to changes in interest rates and volatility in the capital markets and their availability and terms are more likely to be subject to competitive pressures. In addition, such funding sources may be more sensitive to significant changes in the financial condition of the Company. There are also regulatory limitations on an insured institution's ability to solicit and obtain brokered deposits in certain circumstances, which currently are not applicable to the Bank because of its status as a "well capitalized" institution under applicable laws and regulations. See "Regulation and Regulatory Capital Requirements" above. As a result of the Company's reliance on brokered and other wholesale deposits, significant changes in prevailing interest rates, in the availability of alternative investments for individual and institutional investors or in the Company's financial condition, among other factors, could have a much more significant affect on the Company's liquidity and results of operations than might be the case with an institution that attracted a greater portion of its funds from retail or core deposits obtained through a branch network.

RISKS ASSOCIATED WITH CURRENT SOURCES OF LIQUIDITY AND ADDITIONAL FINANCING FOR GROWTH

CURRENT SOURCES OF LIQUIDITY. The Company's primary sources of funds for liquidity consist of deposits, FHLB advances, reverse repurchase agreements, lines of credit and maturities and principal payments on loans and securities and proceeds from sales thereof. The Company believes that its existing sources of liquidity will be adequate to fund planned activities for the foreseeable future, although there can be no assurances in this regard. Moreover, the Company continues to evaluate other sources of liquidity, such as lines of credit from unaffiliated parties, which will enhance the Company's ability to increase its liquidity position. The inability of the Company to maintain adequate sources of liquidity, including as a result of the failure to extend or replace existing lines of credit or as a result of the factors described under "Risks Related to Reliance on Brokered and Other Wholesale Deposits" above or "Risks of Securitization" below, could have a material adverse effect on the Company's business, financial condition or results of operations.

ADDITIONAL FINANCING FOR GROWTH. The Company's ability to enter into and exit from certain business lines as opportunities emerge depends to a significant degree on its ability to obtain additional indebtedness, obtain additional equity capital or have access to other sources of capital (e.g., through partnering, joint venturing or other economic or contractual relationships). The Company has no commitments for borrowings in addition to those under its current debt securities and lines of credit, no commitments for future sales of equity capital and no commitments to provide access to other sources of capital. There can be no assurance that the Company will be successful in consummating future financing transactions, if any, on terms satisfactory to the Company, if at all. Factors which could affect the Company's access to the capital markets or other economic or contractual relationships, or the conditions under which the Company could obtain additional financing, involve the perception in the capital markets and the financial services industry of the Company's business, results of operations, leverage, financial condition and business prospects. Each of these factors is to a large extent subject to economic, financial and competitive factors beyond the Company's control. In addition, covenants under the Company's current debt securities and lines of credit do, and future ones may, significantly restrict the Company's ability to incur additional indebtedness, to issue Preferred Stock and to enter into certain other contractual relationships.

RISKS ASSOCIATED WITH HOLDING COMPANY STRUCTURE

As a holding company, the ability of the Company to pay dividends, to pay indebtedness and to conduct its financial operating activities directly or in non-banking subsidiaries will depend on cash reserves and other liquid assets held by the Company, any proceeds from securities offerings or other borrowings, any dividends from non-banking subsidiaries of the Company and the receipt of dividends or other distributions from the Bank. The ability of the Bank to pay dividends or make other distributions to the Company generally is dependent on the Bank's compliance with applicable regulatory capital requirements and regulatory restrictions. The Bank is also subject to contractual restrictions on its ability to pay dividends under its debt indenture.

The Bank's ability to make capital distributions as a Tier 1 association pursuant to the OTS capital distribution regulation are limited by the regulatory capital levels which it has committed to the OTS it would maintain, commencing on June 30, 1997. As a result of a verbal agreement between the Bank and the OTS to dividend subordinate and residual mortgage-related securities resulting from securitization activities conducted by the Bank, the Bank has been limited in its ability to pay cash dividends to the Company.

In addition, the right of the Company to participate in any distribution of assets of any subsidiary, including the Bank, upon such subsidiary's liquidation or reorganization or otherwise, will be subject to the prior claims of creditors of that subsidiary, except to the extent that any claims of the Company as a creditor of such subsidiary may be recognized as such.

RISKS OF SECURITIZATION

Prior to the third quarter of 1999, the Company has historically generated a significant amount of revenues, earnings and cash flows from its pooling and selling through securitizations of mortgages and other loans originated or purchased by the Company. Adverse changes in the secondary market for such loans could impair the Company's ability to originate or sell mortgages and other loans on a favorable or timely basis. Accordingly, such impairments could have an adverse effect upon the Company's business and results of operations. Market and other considerations, including rating agency requirements, could also affect the timing of such transactions. Any delay in the sale of loans beyond the reporting period in which such sale is anticipated to take place may adversely affect the Company's reported earnings for such reporting period. In addition, the Company retains some degree of credit risk on substantially all loans sold. During the period of time that loans are held pending sale, the Company is at risk for loan delinquencies and defaults and the risk that the rapid increase in interest rates would result in a decline in the value of loans to potential purchasers. Following the sale of loans through a securitization, the Company's direct risk with respect to loan delinquency or default on such loan is limited to those circumstances in which it is required to repurchase such loan due to a breach of a representation or warranty in connection with the securitization.

COMPETITION

The businesses in which the Company is engaged generally are highly competitive. The acquisitions of discounted loans and servicing rights to pools of loans are particularly competitive, as such acquisitions are often based on competitive bidding. Although many of the Company's competitors have access to greater capital and have other advantages, the Company believes that it has a competitive advantage relative to many of its competitors as a result of its experience in managing, servicing and resolving discount loans, its investment in the computer systems, technology and other resources which are necessary to conduct this business, its reputation and the strategic relationships and contacts which it has developed in connection with these activities. The Company also encounters significant competition in connection with its other lending activities, its investment activities, its deposit-gathering activities, its servicing activities and its information technology activities. Many of the Company's competitors are significantly larger than the Company and have access to greater capital and other resources. In addition, many of the Company's competitors are not subject to the same extensive federal regulation that govern federally-insured institutions such as the Bank and their holding companies. As a result, many of the Company's competitors have advantages over the Company.

The Company also faces competition in purchasing the servicing rights to pools of loans from several other companies that specialize in this business, some of which have greater resources than the Company. The current level of return realized by the Company and its competitors in purchasing pools of loans and foreclosed real estate could attract additional competitors to these markets. Heightened competition would likely result in higher prices for pools of loans and correspondingly lower yields on the Company's investment in those pools.

With respect to information technology, OTX's products compete in a limited market. While the Company believes REAL-e, REALTrans and REALSynergy each present to the market greater functionality and a better value than the products against which they compete, there can be no assurance that the Company will be successful in preserving any competitive advantage of its products on value or functionality, in introducing the product to the market on a commercial basis or translating the product's business, marketing and pricing models into revenue sufficient to produce net income.

IMPORTANCE OF THE CHIEF EXECUTIVE OFFICER

William C. Erbey, Chairman and Chief Executive Officer of the Company, has had, and will continue to have, a significant role in the development and management of the Company's business. The loss of his services could have an adverse effect on the Company. The Company and Mr. Erbey are not parties to an employment agreement, and the Company currently does not maintain key man life insurance relating to Mr. Erbey or any of its other officers.

CONTROL OF CURRENT SHAREHOLDERS

As of March 9, 2001, the Company's directors and executive officers and their affiliates in the aggregate beneficially owned or controlled 45.4% of the outstanding Common Stock of the Company, including 28.2% owned or controlled by William C. Erbey, Chairman and Chief Executive Officer of the Company, and 14.1% owned or controlled by Barry N. Wish, currently a director and formerly the Chairman of the Company. As a result, these shareholders, acting together, would be able effectively to decisively influence if not control virtually all matters requiring approval by the shareholders of the Company, including amendment of the Company's Articles of Incorporation, the approval of mergers or similar transactions and the election of all directors.

DEPENDENCE ON PROPRIETARY INFORMATION

The Company's success is in part dependent upon its proprietary information and technology. The Company relies on a combination of copyright, trade secret and contract protection to establish and protect its proprietary rights in its products and technology. The Company generally enters into confidentiality agreements with its management and technical staff and limits access to and distribution of its proprietary information. There can be no assurance that the steps taken by the Company in this regard will be adequate to deter misappropriation of its proprietary rights or information or independent third party development of substantially similar products and technology. Although the Company believes that its products and technology do not infringe any proprietary rights of others, the growing use of copyrights and patents to protect proprietary rights has increased the risk that third parties will increasingly assert claims of infringement in the future.