OCWEN

# Business Update

## Preliminary Second Quarter 2020

July 16, 2020

**FORWARD-LOOKING STATEMENTS**

This presentation contains 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 may be identified by a reference to a future period or by the use of forward-looking terminology. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. Our business has been undergoing substantial change and as a result of the COVID-19 pandemic, we are in the midst of a period of significant capital markets volatility and a rapidly evolving mortgage lending and servicing environment, which has magnified such uncertainties. Readers should bear these factors in mind when considering such statements and should not place undue reliance on such statements. Forward-looking statements involve a number of assumptions, risks and uncertainties that could cause actual results to differ materially. In the past, actual results have differed from those suggested by forward looking statements and this may happen again. Important factors that could cause actual results to differ materially from those suggested by the forward-looking statements include, but are not limited to, uncertainty relating to the impacts of the COVID-19 pandemic, including with respect to the response of the U.S. government, state governments, the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac, and together with Fannie Mae, the GSEs) and the Government National Mortgage Association (Ginnie Mae), and regulators, as well as the potential for ongoing disruption in the financial markets and in commercial activity generally, increased unemployment, and other financial difficulties facing our borrowers; the proportion of borrowers who enter into forbearance plans, the financial ability of borrowers to resume repayment and their timing for doing so; reduced collection of servicing fees and ancillary income and delayed collection of servicing revenue as a result of forbearance plans and moratoria on evictions and foreclosure proceedings; impacts on our operations resulting from employee illness, social distancing measures and our shift to greater utilization of remote work arrangements; the adequacy of our financial resources, including our sources of liquidity and ability to sell, fund and recover servicing advances, forward and reverse whole loans, and HECM and forward loan buyouts and put backs, as well as repay, renew and extend borrowings, borrow additional amounts as and when required, meet our MSR or other asset investment objectives and comply with our debt agreements, including the financial and other covenants contained in them; increased servicing costs based on increased borrower delinquency levels or other factors; the impact of our planned reverse split on the price and trading market for our common stock; our ability to regain compliance with the continued listing standards of the New York Stock Exchange; the future of our long-term relationship and remaining servicing agreements with New Residential Investment Corp. (NRZ); our ability to execute an orderly and timely transfer of responsibilities in connection with the previously disclosed termination by NRZ of the PHH Mortgage Corporation (PMC) subservicing agreement; the reactions of regulators, lenders and other contractual counterparties, rating agencies, stockholders and other stakeholders to the announcement of the termination by NRZ of the PMC subservicing agreement; our ability to adjust our cost structure and operations as the loan transfer process is being completed in response to the previously disclosed termination by NRZ of the PMC subservicing agreement, including unanticipated costs and the timeline on which we can execute on these actions; our ability to devote sufficient management attention and financial resources to our growth and other strategic objectives as we operate in the midst of a period of significant capital markets volatility and change within the mortgage lending and servicing ecosystem; uncertainty related to our ability to execute on continuous cost re-engineering efforts and the other actions we believe are necessary for us to improve our financial performance; our ability to acquire MSRs or other assets or businesses at adequate risk-adjusted returns and at sufficient volume to achieve our growth goals, including our ability to allocate resources for investment, negotiate and execute purchase documentation and satisfy closing conditions so as to consummate such acquisitions; uncertainty related to our ability to grow our lending business and increase our lending volumes in a competitive market and uncertain interest rate environment; uncertainty related to claims, litigation, cease and desist orders and investigations brought by government agencies and private parties regarding our servicing, foreclosure, modification, origination and other practices, including uncertainty related to past, present or future investigations, litigation, cease and desist orders and settlements with state regulators, the Consumer Financial Protection Bureau (CFPB), State Attorneys General, the Securities and Exchange Commission (SEC), the Department of Justice or the Department of Housing and Urban Development (HUD) and actions brought under the False Claims Act regarding incentive and other payments made by governmental entities; adverse effects on our business as a result of regulatory investigations, litigation, cease and desist orders or settlements; reactions to the announcement of such investigations, litigation, cease and desist orders or settlements by key counterparties, including lenders, the GSEs, and Ginnie Mae; our ability to comply with the terms of our settlements with regulatory agencies and the costs of doing so; increased media attention; any adverse developments in existing legal proceedings or the initiation of new legal proceedings; our ability to effectively manage our regulatory and contractual compliance obligations; our ability to interpret correctly and comply with liquidity, net worth and other financial and other requirements of regulators, Fannie Mae, Freddie Mac and Ginnie Mae, as well as those set forth in our debt and other agreements; our ability to comply with our servicing agreements, including our ability to comply with our agreements with, and the requirements of, Fannie Mae, Freddie Mac and Ginnie Mae and maintain our seller/servicer and other statuses with them; the impact on Ocwen of our implementation of the CECL methodology for financial instruments (ASU 2016-13 and ASU 2019-04); our ability to fund future draws on existing loans in our reverse mortgage portfolio; our servicer and credit ratings as well as other actions from various rating agencies, including the impact of prior or future downgrades of our servicer and credit ratings; as well as other risks and uncertainties detailed in Ocwen's reports and filings with the SEC, including its annual report on Form 10-K for the year ended December 31, 2019 and its current and quarterly reports since such date. Anyone wishing to understand Ocwen's business should review its SEC filings. Our forward-looking statements speak only as of the date they are made and, we disclaim any obligation to update or revise forward-looking statements whether as a result of new information, future events or otherwise.

**NON-GAAP FINANCIAL MEASURES**

This presentation contains certain non-GAAP financial measures, such as our references to adjusted expenses, adjusted pre-tax income (loss), adjusted pre-tax income (loss) excluding amortization of NRZ lump-sum cash payments. We believe these non-GAAP financial measures provide a useful supplement to discussions and analysis of our financial condition. We believe these non-GAAP financial measures provide an alternative way to view certain aspects of our business that is instructive. There are certain limitations on the analytical usefulness of these non-GAAP financial measures. For example, annualization of amounts relevant to one quarter may or may not be a good indicator of the relevant full year amount due to facts or circumstances impacting the quarter or the three subsequent quarters, among other factors. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, Ocwen's reported results under accounting principles generally accepted in the United States. Other companies may use non-GAAP financial measures with the same or similar titles that are calculated differently to our non-GAAP financial measures. As a result, comparability may be limited. Further information may be found on Ocwen's website.

# Today's Ocwen is a leading mortgage special servicer and originator creating positive outcomes for homeowners, communities and investors

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## Servicing

***Scale and Diversity***

- 1.3 million residential and commercial loans
- 4,000+ investors
- 179 subservicing clients

***Highly Experienced***

- Largest subprime servicer[a]
- 1.5M+ non-foreclosure outcomes
- 60% more HAMP modifications than the next largest servicer
- Nearly 50% of all PRA modifications under Treasury's MHA program

***Proven Capability***

- Strong operational performance versus Moody's and MBA benchmarks
- Industry leading cost structure versus MBA benchmarks

## Originations

***Multiple Channels and Products***

- Retail, wholesale, correspondent, flow and enterprise sales
- Forward and reverse, agency and private investor products

***Rapid and Disciplined Growth***

- $16 billion 2Q annualized volume; up 14x since 2Q 2019
- Targeting $30B+ in 2020 with ~60/40 mix owned / sub serviced
- Intentionally limited GNMA volume due to risk and mispricing

***Expansion Opportunity***

- Access to $30B in bid volume in 2Q
- 95 correspondent sellers today; targeting 150+ in 2020
- Recapture only limited by capacity
- Strong enterprise sales pipeline

*Balanced business model, multi-channel originations, core competency in special servicing*
*Low-cost, controlled and scalable platform*
*We are well positioned to deliver profitability and capture growth opportunities*

(a) As of Mar 31, 2020

# Execution of our key business priorities has improved profitability, positioned Ocwen for growth and reduced key risks

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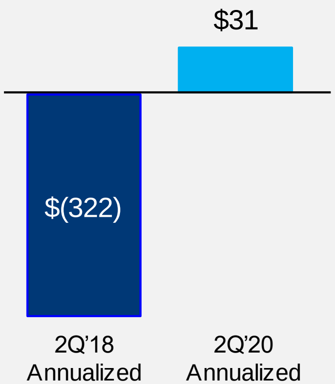
## Return to Profitability

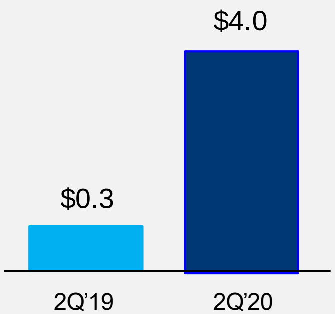
Adjusted PTI excluding Lump-Sum Amortization ($M)




- Delivered $353M improvement[(a)] in adjusted pre-tax income before amortization of NRZ lump-sum payment since 2Q'18
- Expect positive adjusted pre-tax income for 2020[(b)]
- Expect positive GAAP earnings in 2021 with low double-digit to mid-teen after-tax ROE by mid-2021[(b)]

## Positioned for Growth

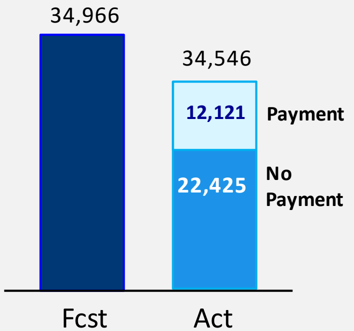
Origination Volume ($B)




- Delivering significant, profitable originations growth as capacity and capability continue to grow
- MBA projecting a robust origination environment
- Double-digit industry GNMA and PLS forbearance levels
- Ocwen can rapidly scale up operations to deal with impending loss mitigation volume

## Diminishing Risks

Forbearance Plans with Advance Obligations Below Forecast



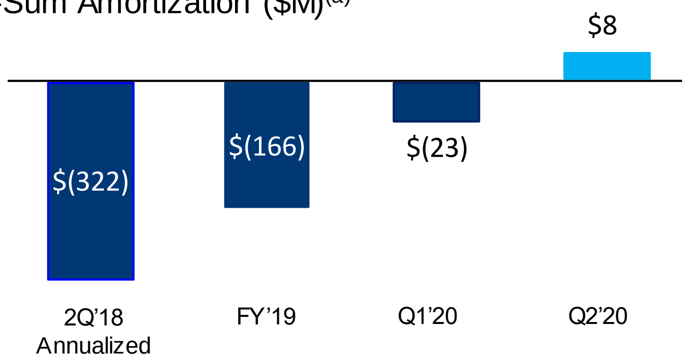

- Extended and upsized MSR and advance financing lines; expect adequate liquidity to grow originations to $40B+ by'21[(c)]
- Portfolio composition and special servicing capability helps to limit exposure to forbearance defaults
- Continued favorable developments in CFPB/Florida matters – parties ordered to mediate once summary judgement briefing is completed in September

(a) Excluding income statement notables and the amortization of NRZ lump-sum payments. See Slide 14-16 for discussion of non-GAAP measures
(b) Assumes we achieve our objectives and there are no adverse changes to market, industry, or business conditions or legal and egulatory matters. Expectations assume mortgage market consistent with the MBA and GSE forecasts as of June 2020
(c) Expecting a ~60/40 mix of owned/sub serviced volume

# Second quarter results demonstrate continued improvement in business and financial performance

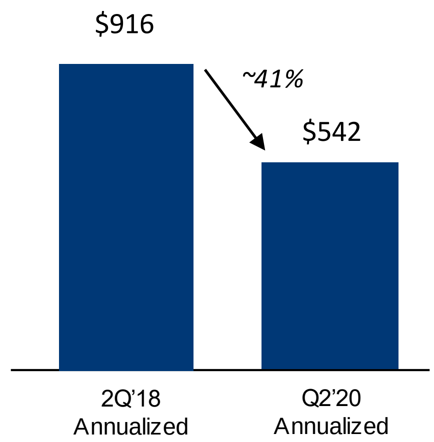
## 2Q'20 Reflects Continued Progress Against Key Business Initiatives

Adjusted Pre-tax Income Excluding Lump-Sum Amortization ($M)[a]




- $18M adjusted pre-tax income; NRZ lump-sum payment amortization finished in April[a]
- Origination volume, up 75% from 1Q'20; 95% owned MSR portfolio replenishment rate, 59% overall… and growing
- Unrestricted cash of $314M; balance sheet optimization actions on track
- Continued progress on cost re-engineering, reinvesting in originations infrastructure to harvest growth opportunity
- Total forbearance plans declining and 36% below base case forbearance plans[b]
- Total notable items of $(24)M: FV Change $(11)M, COVID Expenses $(6)M, Re-engineering / Other $(7)M[a]

Adjusted Expenses ($M)[a]

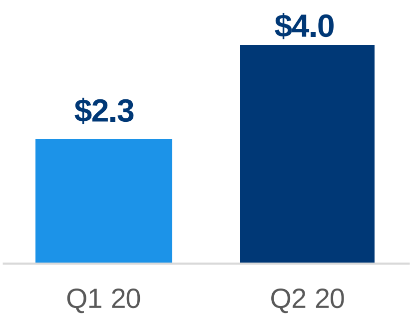



| Originations ($B) | FY'19 | Q1'20 | Q2'20 |
|---|---|---|---|
| **Total** | **$2.8** | **$2.3** | **$4.0** |
| Recapture | 0.7 | 0.2 | 0.3 |
| Correspondent/Flow | 1.4 | 1.8 | 3.5 |
| Reverse | 0.7 | 0.2 | 0.2 |
| Servicing ($B) | | | |
| **UPB** | **$212** | **$209** | **$206** |
| Owned | $76 | $77 | $77 |
| Sub Serviced | $136 | $132 | $129 |
| BVPS | $3.06 | $3.32 | $3.33 |

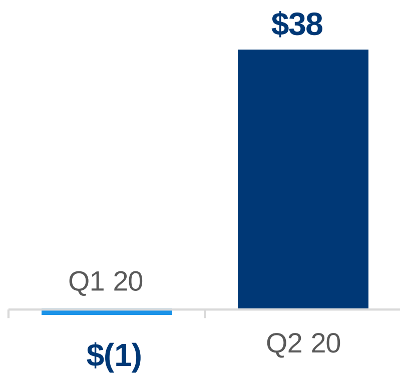
(a) See Slides 14-18 for discussion of non-GAAP measures
(b) As of Jun 30, 2020. Excludes borrowers that continued to make payments while on forbearance plans

# Multi-channel, scalable originations capability creates balance and positions Ocwen for continued growth from sustainable sources

**Origination Volume Excluding Bulk ($B)**




**Adjusted PTI ($M)[(a)]**




## 2Q Highlights

- Total funded volume for the quarter up 75% from 1Q; 90% GSE; bid – ask spread still high on GNMA
- Strong margins during the quarter of 149 bps, all channels seeing margin expansion
- Originated $4B UPB at net cash investment of ~$5M; net cash positive after financing
- Expect to close ~$1B subservicing with a credit union; signed $120M+ reverse mortgage recapture services opportunity with large asset management firm

## Continuing to Expand Capacity and Capability

- Flow, correspondent, wholesale, and retail channels provided access to $30B of potential volume in 2Q
- FNMA SMP program launch in June; expanding to FHLMC Co-Issue Xchange program in 3Q
- Targeting to grow correspondent seller base from 95 in 2Q to 150+ in 2020
- Retention operations capacity doubled in 2Q vs 1Q; targeting to double again by 4Q
- Current enterprise sales pipeline opportunities for top 7 prospects
  - $32B in subservicing
  - $1B per month in flow MSR
  - $12B annualized recapture
- Exploring bulk special servicing opportunities; launching enterprise sales special servicing marketing blitz in 3Q

*Well positioned to opportunistically acquire assets at very strong returns…*
*just scratching the surface of our growth potential*

(a) Adjusted Pre-Tax Income (Loss). See Slides 14-18 for discussion of non-GAAP measures

# Servicing operational performance and capabilities demonstrate our leadership position and value to customers, clients and investors

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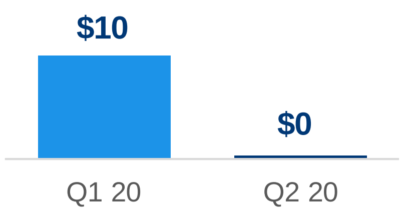
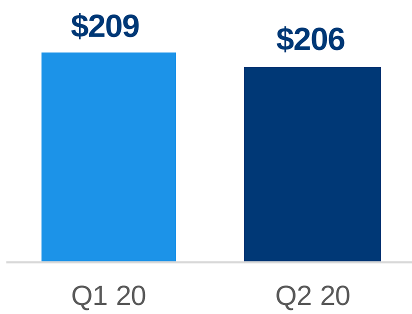
**Adjusted PTI ex. Lump-sum Amortization ($M)[(a)]**

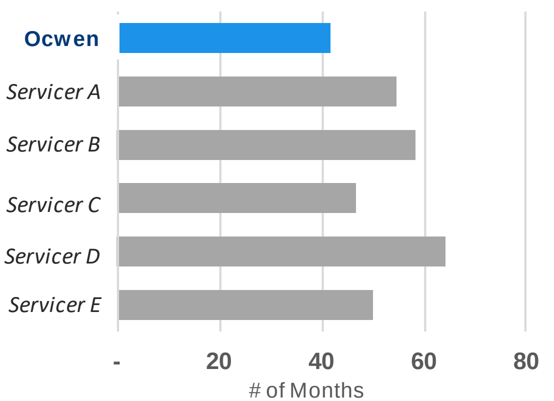



**Servicing UPB ($B)**



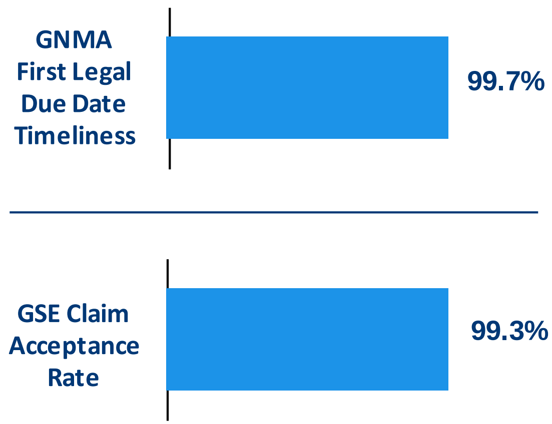

- Seeing the impact of higher pre-payments, increase in forbearance plans, and foreclosure moratoria
- Lump-sum payment amortization finished in April
- Forbearance impact to date less severe than expected; remote operations working well, employees engaged
- Post integration customer satisfaction scores continue to trend positively
- Driving productivity and automation initiatives… room for continued enhancements

**Ocwen Averages Shorter Delinquency Timeframes than Other Servicers**
(May 2019 - April 2020 Reporting Period)



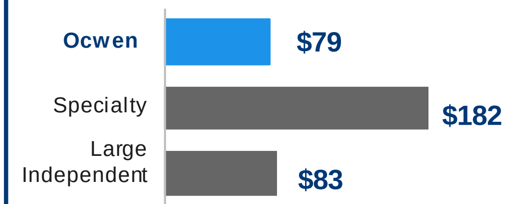

Source: Moody Analytics Structured Finance Portal (May 2020). Timelines are for Delinquency to REO.

**Operations Effectiveness**




6-month average – Dec '19 to May '20

**Servicing Direct CPL - Performing**




**Servicing Direct CPL – Non-Performing**

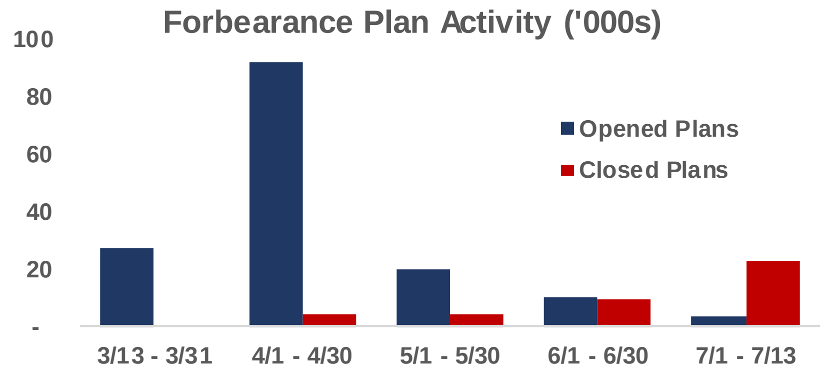

Source: MBA 2020 SOSF (2019 Data)
Performing reflects OCN current run-rate estimate
Non-performing reflects default expenses per defaulted loans

*Ocwen continues to be one of the best servicers for non-performing loans with decades of experience that will help us assist homeowners and investors in the current environment*

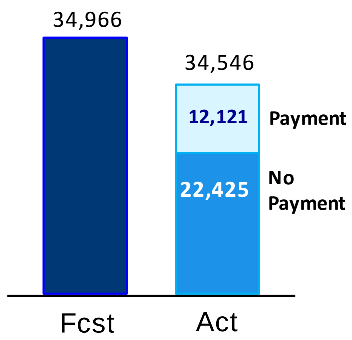
(a) Adjusted Pre-Tax Income (Loss) excluding Amortization of NRZ Lump-sum Payments. See Slides 14-18 for discussion of non-GAAP measures

# COVID-19 forbearance plan requests diminishing, total plan levels below our base case forecast, and agency plans compare favorably to industry

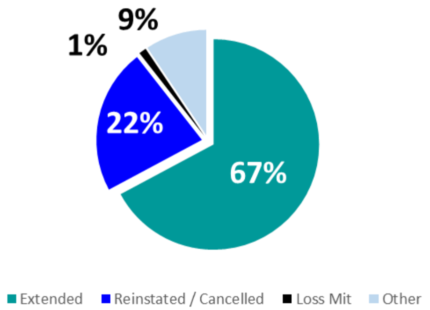
**As of July 13th approximately 112,000 active forbearance plans[(a)] – new requests diminishing**



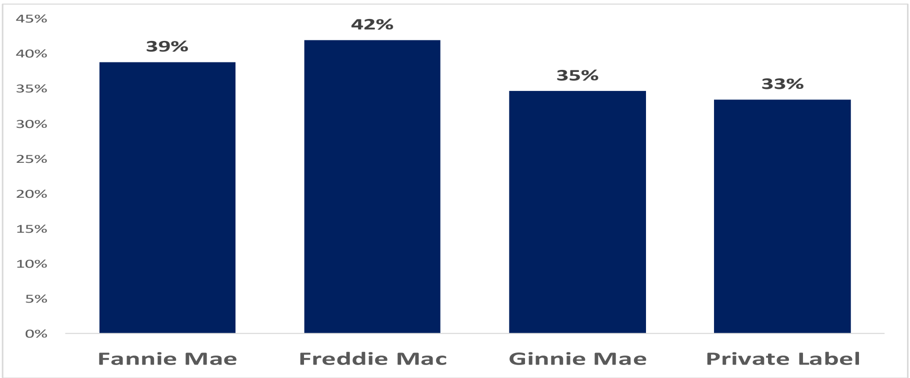

FB[(b)] plans where OCN advances 36% below forecast



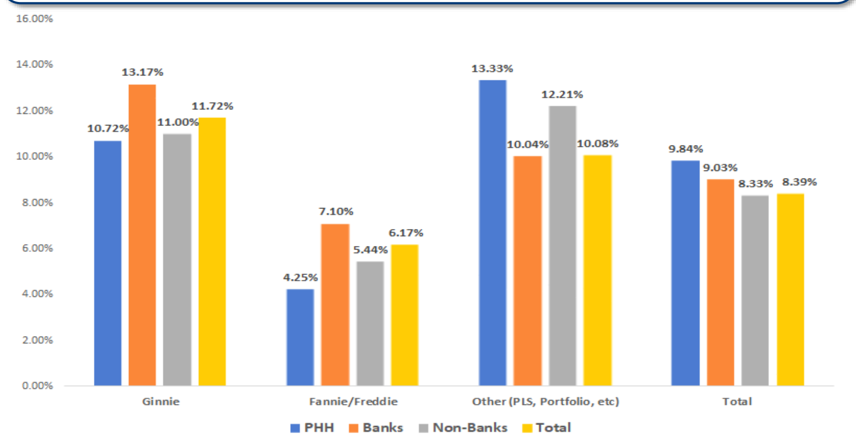

22% of maturing FB plans reinstated; 1% moving to loss mit[(c)]




~35% of Borrowers on Forbearance Plans[(d)] Continuing to Make Payments




**Agency Forbearance Plan Levels Compare Favorably to Industry – PLS Levels Reflect Pre-Crisis Subprime Borrower Credit Profile**



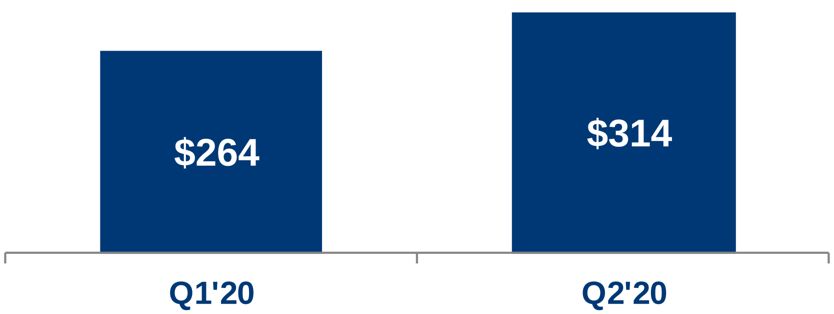

(a) Chart reflects granted plans, ~153,000 active plans net of ~41,000 plans closed
(b) Forecast reflects only those FB plans requiring advances, Actual through Jun 30th reflects total active plans
(c) Reinstated reflects maturing plans through July 13th that exited FB and made at least one payment since their FB plan was initiated
(d) Percentages reflect those borrowers that made a payment in June

Source: MBA's Forbearance and Call Volume Survey (July 6, 2020)

# Significant cash balance increase driven by efficient cash management practices and lower than projected servicing advance levels

## Cash and Equivalents

($ millions)

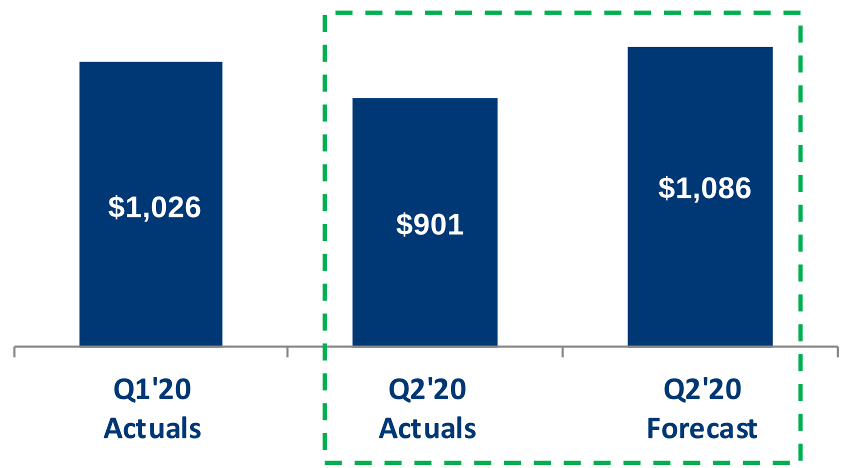



- Optimization actions realized in 2Q; remaining balance sheet optimization actions underway[(a)]
- GNMA advance financing line in place
- Committed availability under financing facilities
- Executing 1:25 reverse split; broad-based analyst and investor outreach scheduled for 3Q / 4Q

**~$140 million of incremental servicing advances[(b)]**

- ~$115 million anticipated funding on advance lines
- ~$25 million cash need

### Servicing Advance Trend




(a) Additional initiatives expected to be realized in 2020

(b) Current incremental servicing advances estimated to peak in Q4'20; current peak advances lower than initially forecasted

# Interest rate environment and forbearance plan levels driving growth opportunities in both performing and special servicing

## Near-term opportunity in originations and performing servicing

- Interest rate levels driving industry origination volume of $2.0T+ for 2020/21
- Strength in both purchase and refinancing markets
- Current market dynamics driving historically high origination margins
- Shift from REITs and financial investors and low rates presents near-term growth opportunity and may sustain higher margins
- Opportunity to acquire high credit quality MSRs at ~15% unlevered yield compared to ~8-9% pre-COVID for strong operators that can manage the risk of forbearance and delinquency

## Long-term opportunity in non-performing servicing

- Double-digit industry PLS and GNMA forbearance levels with lower credit quality customers and layered risk products
- MSR's are widely held through banks, hedge funds, independent mortgage banks and REITs
- As loans come off FB, not all holders / sub servicers are equipped to deal with the loss mitigation volume to come
- Ocwen's lower cost and strong performance on non-performing loans will drive better outcomes and higher returns
- Opportunities in non-performing assets: GNMA/FHA MSRs, EBOs, non-QM servicing and special servicing

*Ocwen is an industry leader in special servicing with a scalable, well-controlled platform and a growing originations platform supporting a balanced, cost-efficient business model*

# Well positioned to manage the resolution of current COVID-19 forbearance volumes with minimal business impact

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## Advance Requirements

| | |
|---|---|
| **PLS** | P&I advances up to 30 days of delinquency |
| **GSE** | P&I advances up to 120 days of delinquency |
| **GNMA** | P&I advances uncapped throughout delinquency |

## Q2 Revenue Impact

Deferred servicing fees ~$3M until resolution of forbearance or loss mitigation

Deferred servicing fees ~$1M until resolution of forbearance or loss mitigation; offset by FHFA incentive plan

Deferred servicing fees ~$1M until resolution of forbearance or loss mitigation

## Sensitivity Analysis - Forbearance plans ending in foreclosure sale

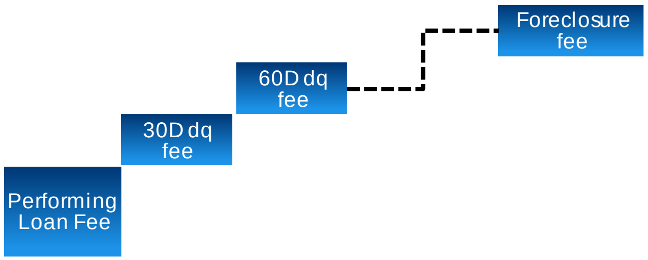
*Sufficient capacity … processing ~3k average quarterly foreclosure sales prior to COVID moratorium*

| # Loans | Assumptions |
|---|---|
| 112,000 | Approximately 112k active forbearance plans as of July 13th |
| (39,200) | 35% of Borrowers on active fb plans paying today |
| (44,800) | Expect another 40% to reinstate after all extensions exhausted in 12 months |
| 28,000 | Remaining 25% of 112k to be evaluated for loss mitigation options |
| 7,000 | 25% of those evaluated for loss mitigation to go through foreclosure sale |

*Foreclosure timelines vary by state, ranging up to ~ 3 years to complete*

## Subservicing compensation increases as loans progress through delinquency

Subservicers receive higher compensation when a loan is in default – which we believe largely offsets the increased cost associated with default loans



# A balanced business model with growth capacity, plus … core competencies and scale to capitalize on emerging opportunities

1. **Profitable core business with strong growth and turnaround momentum.** Execution of key business priorities has improved profitability, positioned Ocwen for growth and reduced key risks
2. **Multi-channel originations capacity with scale capability… just scratching the surface.** Building low-cost infrastructure to maximize profitability
3. **Strong core competency in servicing defaulted loans** and creating a more flexible and scalable operating platform than other servicers
4. **History of managing servicing advances and delinquencies** on PLS book positions Ocwen better relative to peers with little such experience
5. **Increased demand for servicing and subservicing with experience in managing through delinquencies**
6. **Consumer-friendly philosophy with a strong track record of customer service** with approximately 800,000 modifications to enable consumer home retention
7. **Strong Investment discipline based on analytics and market knowledge;** Intentionally limited the size of the Ginnie Mae portfolio due to asset risks and historical mispricing
8. **Compliance culture with robust controls that allows for operations to maintain quality** while undergoing increases in volume and rapid change

# Appendix

- Notes Regarding Non-GAAP Financial Measures
- Expense Notables
- Income Statement Notables
- Expense Notables by Segment
- Income Statement Notables by Segment

# Note Regarding Adjustments to GAAP Expenses and Pre-tax Income (Loss)

In the following slides, we present supplemental information (including reconciliations) relating to certain illustrative adjustments to GAAP expenses, and pre-tax income (loss). We believe this information is instructive as an alternative way to view certain aspects of our business. In addition, management believes that these presentations may assist investors with understanding and evaluating our continuous cost and productivity improvement efforts and other initiatives to drive improved financial performance. However, the adjustments we make to GAAP expenses and pre-tax income (loss) should not be analyzed in isolation or as a substitute to analysis of our GAAP expenses and pre-tax income (loss). There are certain limitations on the analytical usefulness of the adjustments we make to GAAP expenses and pre-tax income (loss) and, accordingly, we rely primarily on our GAAP results and use these adjustments only for purposes of supplemental analysis. Readers are cautioned not to place undue reliance on analysis of the adjustments we make to GAAP expenses and pre-tax income (loss).

Beginning with the three months ended June 30, 2020, we refined our definitions of Expense Notables, which we previously referred to as "Expenses Excluding MSR Valuation Adjustments, net, and Expense Notables," and Income Statement Notables in order to be more descriptive of the types of items included.

The slide titled "Expense Notables" adjusts GAAP operating expenses for the following factors (1) expenses related to severance, retention and other actions associated with continuous cost and productivity improvement efforts, (2) significant legal and regulatory settlement expense items[(a)], (3) NRZ consent process expenses related to the transfer of legal title in MSRs to NRZ, (4) PHH acquisition and integration planning expenses, and (5) certain other significant activities including, but not limited to, insurance related expense and settlement recoveries, compensation or incentive compensation expense reversals and non-routine transactions (collectively, Other) consistent with the intent of providing management and investors with a supplemental means of evaluating our expenses.

On the slide titled "Income Statement Notables", we show certain adjustments to GAAP pre-tax loss for the following factors (1) Expense Notables, (2) changes in fair value of our Agency and Non-Agency MSRs due to changes in interest rates, valuation inputs and other assumptions, net of hedge positions, (3) offsets to changes in fair value of our MSRs in our NRZ financing liability due to changes in interest rates, valuation inputs and other assumptions, (4) changes in fair value of our reverse originations portfolio due to changes in interest rates, valuation inputs and other assumptions, (5) certain other non-routine transactions, including but not limited to pension benefit cost adjustments and gains related to exercising servicer call rights and fair value assumption changes on other investments (collectively, Other) and (6) amortization of NRZ lump-sum cash payments consistent with the intent of providing management and investors with a supplemental means of evaluating our net income/(loss).

(a) Including however not limited to CFPB, Florida Attorney General/Florida Office of Financial Regulations and Massachusetts Attorney General litigation related legal expenses, state regulatory action related legal expenses and state regulatory action settlement related escrow analysis costs (collectively, CFPB and state regulatory defense and escrow analysis expenses)

# Expense Notables

| $ Millions | Q2'18 | Q2'20[c] | | |
|---|---|---|---|---|
| | OCN + PHH (Annualized) | OCN | OCN (Annualized) | |
| I Expenses (as reported)[a] | 1,107 | | | |
| II Reclassifications[b] | 5 | | | |
| III Deduction of MSR valuation adjustments, net | (132) | | | |
| IV Operating Expenses (I+II+III) | 979 | 145 | 579 | |
| Adjustments for Notables | | | | |
| Re-engineering costs | (32) | (9) | | |
| Significant legal and regulatory settlement expenses | (20) | (1) | | |
| CFPB & state regulatory defense & escrow analysis costs | (22) | (0) | | |
| NRZ consent process expenses | (2) | - | | |
| PHH acquisition and integration planning expenses | (8) | - | | |
| Expense recoveries | 23 | 7 | | |
| Covid-19 Related Expenses | - | (6) | | |
| Other | (1) | 1 | | Annualized Savings |
| V Expense Notables | (63) | (9) | | |
| VI Adjusted Expenses (IV+V) | 916 | 135 | 542 | (374) |

(a) Q2'18 expenses as per OCN Form 10-Q of $206 filed on July 26, 2018 and PHH Form 10-Q of $71 filed August 3, 2018, annualized to equal $1,107 on a combined basis

(b) Reclassifications made to PHH reported expenses to conform to Ocwen presentation

(c) OCN changed the presentation of expenses in Q4' 19 to separately report MSR valuation adjustments, net from operating expenses

# Income Statement Notables

| ($millions) | Q2'18 | Q2'20 | |
|---|---|---|---|
| | **OCN + PHH (Annualized)** | **OCN** | **OCN (Annualized)** |
| **I Reported Pre-Tax Income / (Loss)[(a)]** | **(253)** | **(6)** | **(25)** |
| **Adjustments for Notables** | | | |
| Expense Notables (from prior slide) | | 9 | |
| Non-Agency MSR FV Change[(b)] | | 3 | |
| Agency MSR FV Change, net of macro hedge[(b)] | | 3 | |
| NRZ MSR Liability FV Change (Interest Expense) | | (1) | |
| Reverse FV Change | | 6 | |
| Other | | 3 | |
| **II Total Income Statement Notables** | **72** | **24** | |
| **III Adjusted Pre-tax Income (Loss) (I+II)** | **(181)** | **18** | **71** |
| **IV** Amortization of NRZ Lump-sum Cash Payments | (141) | (10) | |
| **V Adjusted Pre-Tax Income (Loss) excluding Amortization of NRZ Lump-sum Payment (III+IV)[(c)]** | **(322)** | **8** | **31** |

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(a) Q2'18 pre-tax loss as per respective Forms 10-Q filed on July 26, 2018 and August 3, 2018, respectively

(b) FV changes that are driven by changes in interest rates, valuation inputs or other assumptions, net of unrealized gains / (losses) on macro hedge. Non-Agency = Total MSR excluding GNMA & GSE MSRs. Agency = GNMA & GSE MSRs. The adjustment does not include $14 million valuation gains of certain MSRs that were opportunistically purchased in disorderly transactions due to the market environment in Q2 2020 (nil in Q2 2018).

(c) Represents OCN and PHH combined adjusted pre-tax income (loss) excluding amortization of NRZ lump-sum cash payments, annualized to equal $(322) million on a combined basis

# Expense Notables by Segment

| $ Millions | Q1'20 | | Q2'20 | |
|---|---|---|---|---|
| | Servicing | Originations | Servicing | Originations |
| **I Operating Expenses** | **80** | **27** | **83** | **29** |
| **Adjustments for Notables** | | | | |
| Re-engineering costs | (2) | (0) | (0) | (0) |
| Significant legal and regulatory settlement expenses | 1 | - | 0 | - |
| CFPB & state regulatory defense & escrow analysis costs | - | - | - | - |
| NRZ consent process expenses | 1 | - | - | - |
| PHH acquisition and integration planning expenses | - | - | - | - |
| Expense recoveries | - | - | 7 | - |
| Covid-19 Related Expenses | - | - | (3) | (0) |
| Other | 1 | - | 0 | (0) |
| **II Expense Notables** | **1** | **(0)** | **4** | **(1)** |
| **III Adjusted Expenses (I+II)** | **82** | **27** | **87** | **28** |

# Income Statement Notables by Segment

| $ Millions | Q1'20 | | Q2'20 | |
|---|---|---|---|---|
| | **Servicing** | **Originations** | **Servicing** | **Originations** |
| **I Reported Pre-Tax Income / (Loss)** | **(56)** | **10** | **10** | **29** |
| **Adjustments for Notables** | | | | |
| Expense Notables (from prior table) | (1) | 0 | (4) | 1 |
| Non-Agency MSR FV Change[(a)] | (10) | - | 3 | - |
| Agency MSR FV Change, net of macro hedge[(a)] | 133 | - | 2 | 0 |
| NRZ MSR Liability FV Change (Interest Expense) | (32) | - | (1) | - |
| Reverse FV Change | - | (12) | - | 6 |
| Other | 2 | - | (0) | 1 |
| **II Total Income Statement Notables** | **91** | **(12)** | **(0)** | **8** |
| **III Adjusted Pre-tax Income (Loss) (I+II)** | **35** | **(1)** | **10** | **38** |
| IV Amortization of NRZ Lump-sum Cash Payments | (25) | - | (10) | - |
| **V Adjusted Pre-Tax Income (Loss) excluding Amortization of NRZ Lump-sum Payment (III+IV)** | **10** | **(1)** | **0** | **38** |

(a) FV changes that are driven by changes in interest rates, valuation inputs or other assumptions, net of unrealized gains / (losses) on macro hedge. Non-Agency = Total MSR excluding GNMA & GSE MSRs. Agency = GNMA & GSE MSRs. The adjustment does not include $14 million valuation gains of certain MSRs that were opportunistically purchased in disorderly transactions due to the market environment in Q2 2020 (nominal in Q1 2020).