SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 1996

OR

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

Commission File No. 0-21341

OCWEN FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

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

THE FORUM, SUITE 1000

1675 PALM BEACH LAKES BOULEVARD, WEST PALM BEACH, FLORIDA 33401

(Address of principal executive offices) (Zip Code)

(561) 681-8000

(Registrant's telephone number, including area code)

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

Number of shares of Common Stock, $.01 par value, outstanding at the close of business on November 13, 1996: 26,741,100.

OCWEN FINANCIAL CORPORATION
FORM 10-Q

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PART I -- FINANCIAL INFORMATION

ITEM 1. INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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

	SEPTEMBER 30, 1996	DECEMBER 31, 1995
ASSETS		
Cash and amounts due from depository institutions	$ 7,278	$ 4,200
Interest bearing deposits	17,173	50,432
Federal funds sold and repurchase agreements	185,000	---
Securities available for sale, at market value	235,305	337,480
Loans available for sale, at lower of cost or market	70,248	251,790
Investment securities, net	8,902	18,665
Loan portfolio, net	369,651	295,605
Discounted loan portfolio, net	908,084	669,771
Principal, interest and dividends receivable	13,493	12,636
Investments in low income housing tax credit interests	104,246	81,362
Real estate owned, net	114,968	166,556
Investment in joint venture	60,885	---
Premises and equipment, net	29,416	25,359
Income taxes receivable	13,180	1,005
Deferred tax asset	18,173	22,263
Other assets	44,770	36,466
	$2,200,772	$1,973,590
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits	$1,650,323	$1,501,646
Advances from the Federal Home Loan Bank	70,399	70,399
Securities sold under agreements to repurchase	---	84,761
Notes, debentures and other interest bearing obligations	240,669	117,054
Accrued expenses, payables and other liabilities	66,714	60,183
Total liabilities	2,028,105	1,834,043
COMMITMENTS AND CONTINGENCIES		
Stockholders' equity:		
Preferred stock, $.01 par value; 20,000,000 shares authorized; 0 shares issued and outstanding	---	---
Common stock, $.01 par value; 200,000,000 shares authorized; 26,741,100 and 23,812,270 shares issued and outstanding at September 30, 1996 and December 31, 1995, respectively	267	238
Additional paid-in capital	23,235	10,449
Retained earnings	155,357	130,275
Unrealized loss on securities available for sale, net of taxes	(410)	(1,415)
Notes receivable on exercise of common stock options	(5,782)	---
Total stockholders' equity	172,667	139,547
	$2,200,772	$1,973,590

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

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

FOR THE THREE MONTHS ENDED SEPTEMBER 30,	1996	1995
Interest income:		
Federal funds sold and repurchase agreements	$ 1,742	$ 1,165
Securities available for sale	5,890	4,866
Loans available for sale	2,685	3,819
Mortgage-related securities held for investment	-	1,084
Loans	8,961	4,042
Discounted loans	23,794	16,800
Investment securities and other	1,073	713
	44,145	32,489
Interest expense:		
Deposits	22,879	17,908
Securities sold under agreements to repurchase	-	442
Advances from the Federal Home Loan Bank	958	64
Notes, debentures and other interest bearing obligations	3,380	3,756
Securities sold but not yet purchased	-	518
	27,217	22,688
Net interest income before provision for loan losses	16,928	9,801
Provision for loan losses	4,469	-
Net interest income after provision for loan losses	12,459	9,801
Non-interest income:		
Servicing fees and other charges	1,158	642
Gains (losses) on sales of interest-earning assets, net	7,979	(70)
Income on real estate owned, net	5,495	3,070
Other income	472	442
	15,104	4,084
Non-interest expense:		
Compensation and employee benefits	8,360	4,847
Occupancy and equipment	2,151	1,852
Hotel operations (income) expense, net	(203)	121
Savings Association Insurance Fund recapitalization assessment	7,140	-
Other operating expenses	4,041	3,454
	21,489	10,274
Equity in earnings of investment in joint venture	4,139	-
Income from continuing operations before income taxes	10,213	3,611
Income tax expense (benefit)	157	(858)
Income from continuing operations	10,056	4,469
Discontinued operations:		
Loss from operations of discontinued divisions, net of tax benefit of $886	-	(1,332)
Loss on disposal of divisions, net of tax benefit of $1,776	-	(3,204)
Net income (loss)	$ 10,056	$ (67)
Earnings per share:		
Income from continuing operations	$ 0.37	$ 0.17
Discontinued operations, net of tax benefits	-	(0.17)
Net income	$ 0.37	$ -
Weighted average common shares outstanding	26,945,303	25,567,030

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 NINE MONTHS ENDED SEPTEMBER 30,	1996	1995
Interest Income:		
Federal funds sold and repurchase agreements	$ 3,840	$ 2,913
Securities available for sale	19,954	11,809
Loans available for sale	14,169	10,973
Mortgage-related securities held for investment	---	3,427
Loans	26,734	7,986
Discounted loans	75,852	53,274
Investment securities and other	3,053	1,977
	143,602	92,359
Interest expense:		
Deposits	68,234	49,698
Securities sold under agreements to repurchase	685	641
Advances from the Federal Home Loan Bank	2,990	321
Notes, debentures and other interest-bearing obligations	10,344	5,552
Securities sold but not yet purchased	---	1,156
	82,253	57,368
Net interest income before provisions for loss losses	61,349	34,991
Provisions for loan losses	18,839	---
Net interest income after provisions for loan losses	42,510	34,991
Non-interest income:		
Servicing fees and other charges	1,945	2,447
Gains on sales of interest earning assets, net	17,580	3,286
Income on real estate owned, net	4,467	5,628
Other income	2,468	1,650
	26,460	13,011
Non-interest expense:		
Compensation and employee benefits	22,922	15,311
Occupancy and equipment	6,378	6,647
Hotel operations (income) expense, net	(146)	385
Savings Association Insurance Fund recapitalization assessment	7,140	---
Other operating expenses	10,744	9,823
	47,038	32,166
Equity in earnings of investment in joint venture	5,217	---
Income from continuing operations before income taxes	27,149	15,836
Income tax expense (benefit)	2,067	(98)
Income from continuing operations	25,082	15,934
Discontinued operations:		
Loss from operations of discontinued divisions, net of tax benefit of $2,321	---	(4,468)
Loss on disposal of divisions, net of tax benefit of $1,776	---	(3,204)
Net income	$ 25,082	$ 8,262
Earnings per share:		
Income from continuing operations	$ 0.94	$ 0.55
Discontinued operations, net of tax benefit	---	(0.26)
Net income	$ 0.94	$ 0.29
Weighted average common shares outstanding	26,596,212	29,035,610

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

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Dollars in thousands, except share data)

For the Nine Months Ended September 30, 1996 and Year Ended December 31, 1995

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	UNREALIZED LOSS ON SECURITIES AVAILABLE FOR SALE, NET OF TAXES	NOTES RECEIVABLE ON EXERCISE OF COMMON STOCK OPTIONS	TOTAL
	SHARES	AMOUNT					
Balances at December 31, 1994	32,194,710	$ 322	$ 13,652	$ 142,230	$ (2,821)	$ -	$153,383
Net income	-	-	-	25,467	-	-	25,467
Repurchase of common stock options	-	-	(132)	-	-	-	(132)
Exercise of common stock options	432,620	4	1,416	-	-	-	1,420
Repurchase of common stock	(8,815,060)	(88)	(4,487)	(37,422)	-	-	(41,997)
Change in unrealized loss on securities available for sale, net of taxes	-	-	-	-	1,406	-	1,406
Balances at December 31, 1995	23,812,270	238	10,449	130,275	(1,415)	-	139,547
Net income	-	-	-	25,082	-	-	25,082
Repurchase of common stock options	-	-	(177)	-	-	-	(177)
Exercise of common stock options	2,928,830	29	12,963	-	-	-	12,992
Change in unrealized loss on securities available for sale, net of taxes	-	-	-	-	1,005	-	1,005
Notes receivable on exercise of common stock options	-	-	-	-	-	(5,782)	(5,782)
Balances at September 30, 1996	26,741,100	$ 267	$23,235	$ 155,357	$ (410)	$ (5,782)	$172,667

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

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

FOR THE NINE MONTHS ENDED SEPTEMBER 30,	1996	1995
Cash flows from operating activities:		
Net income	$ 25,082	$ 8,262
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Net cash provided from trading activities	7,232	2,865
Proceeds from sales of loans available for sale	393,963	78,136
Purchases of loans available for sale	(237,416)	(161,646)
Origination of loans available for sale	(2,154)	(24,810)
Maturities of and principal payments received on loans available for sale	22,427	5,283
Premium amortization (discount accretion), net	1,487	(3,282)
Depreciation and amortization	5,287	4,384
Provision for loan losses	18,839	-
Provision for real estate losses	13,801	7,768
Loss on sales of premises and equipment	97	195
Gains on sales of interest earning assets, net	(17,580)	(3,286)
Gain on sale of real estate owned, net	(17,757)	(13,816)
Gain on sale of interest in tax credit partnership interests	(990)	-
Decrease (increase) in principal, interest and dividends receivable	490	(1,768)
Increase in income taxes receivable	(12,175)	-
Decrease in income taxes payable	-	(15,037)
Increase in accrued expenses, payables and other liabilities	6,728	8,625
Increase in other assets	(18,909)	(15,930)
Net cash provided (used) by operating activities	188,452	(124,057)
Cash flows from investing activities:		
Proceeds from sales of securities available for sale	169,112	799,369
Purchases of securities available for sale	(95,271)	(833,452)
Maturities of and principal payments received on securities available for sale	22,512	18,418
Maturities of and principal payments received on securities held for investment	10,000	12,755
Purchases of low income housing tax credit interests	(27,647)	(12,029)
Proceeds from low income housing tax credit interest	3,704	-
Proceeds from sales of discounted loans and loans held for investment	39,137	22,425
Purchase of discounted loans	(529,267)	(247,558)
Purchase of loans held for investment	(278)	(23,167)
Originations of loans held for investment	(171,611)	(111,508)
Investment in joint venture	(60,885)	-
Principal payments received on discounted loans and loans held for investment	285,538	143,678
Proceeds from sales of real estate owned	136,717	109,982
Purchases of real estate owned in connection with discounted loan purchases	(2,313)	(16,872)
Proceeds from sale of premises and equipment	233	-
Additions to premises and equipment	(7,600)	(19,254)
Other, net	(278)	5,897
Net cash used by investing activities	(228,197)	(151,316)

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

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Dollars in thousands)

FOR THE NINE MONTHS ENDED SEPTEMBER 30,	1996	1995
Cash flows from financing activities:		
Increase in deposits	148,677	243,678
Proceeds from issuance of notes and debentures	125,000	107,615
Payments on advances from the Federal Home Loan Bank	-	(5,000)
Decrease in securities sold under agreements to repurchase	(84,761)	-
Payments and repurchase of notes and mortgages payable	(1,385)	(209)
Loans made to executive officers	(5,782)	-
Exercise of common stock options	12,992	1,045
Repurchase of common stock options and common stock	(177)	(42,128)
Net cash provided by financing activities	194,564	305,001
Net increase in cash and cash equivalents	154,819	29,628
Cash and cash equivalents at beginning of period	54,632	36,750
Cash and cash equivalents at end of period	$ 209,451	$ 66,378
Reconciliation of cash and cash equivalents at end of period:		
Cash and amounts due from depository institutions	$ 7,278	$ 22,257
Interest bearing deposits	17,173	24,121
Federal funds sold and repurchase agreements	185,000	20,000
	$ 209,451	$ 66,378
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 76,071	$ 45,435
Income taxes	$ 4,462	$ 11,400
Supplemental schedule of non-cash investing and financing activities:		
Exchange of loans available for sale for securities	$ 219,633	$ 83,875
Real estate owned acquired through foreclosure	$ 78,818	$ 157,761

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

NOTE 1 BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements include the accounts of Ocwen Financial Corporation ("Ocwen" or the "Company") and its consolidated subsidiaries and have been prepared in conformity with the instructions to Form 10-Q and Article 10, Rule 10-01 of Regulation S-X for interim financial statements. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles ("GAAP") for complete financial statements.

Ocwen is a financial services holding company engaged in asset acquisition and resolution, residential finance, commercial finance, investment management and hotel operations through its subsidiaries. The Company owns directly and indirectly all of the outstanding common and preferred stock of its primary subsidiaries, Ocwen Federal Bank FSB, (formerly Berkeley Federal Bank & Trust FSB) (the "Bank") and Investors Mortgage Insurance Holding Company ("IMI"), which are included in the Company's consolidated financial statements. 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"). IMI's primary subsidiaries are engaged in hotel operations and other real estate related ventures.

In the opinion of management, the accompanying financial statements contain all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the Company's results for the interim periods. The result of operations and other data for the three and nine month periods ended September 30, 1996 are not necessarily indicative of the results that may be expected for any other interim periods or for the entire year ending December 31, 1996. The unaudited consolidated financial statements presented herein should be read in conjunction with the audited consolidated financial statements and related notes thereto included in the Company's financial statements for the year ended December 31, 1995.

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

NOTE 2 VALUATION ALLOWANCES ON ASSETS HELD FOR DISPOSITION AND RESOLUTION

As a result of the historical and expected future growth in the discounted loan portfolio and associated real estate owned, particularly in the commercial segment, and as requested by the OTS, the Company has modified its methodology for valuing certain assets held for disposition and resolution beginning in the first quarter of 1996. This methodology results in a valuation allowance which supplements the Company's practice of adjusting these assets to the net present value of expected cash flows discounted at the effective interest rate in the case of discounted loans and fair value less estimated disposition costs in the case of real estate owned. Beginning in 1996 the Company has recorded charge-offs on discounted loans against the allowance for loan losses. Previously these amounts were deducted from interest income.

NOTE 3 DISCONTINUED OPERATIONS

In September 1995, the Company announced its decision to dispose of its automated banking division and related activities. The sale and disposition of this division was substantially complete at December 31, 1995. The Company's Consolidated Statement of Operations have been restated for the three and nine months ended September 30, 1995 to reflect the discontinuance of these operations.

NOTE 4 ADOPTION OF RECENTLY ISSUED ACCOUNTING STANDARDS

On January 1, 1996, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," which requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Additionally, SFAS No. 121 requires that long-lived assets and certain identifiable intangibles to be disposed of be reported at the lower of carrying amount or fair value less cost to sell, except for certain assets. The adoption of SFAS No. 121 did not have a material effect on the Company's financial condition or results of operations.

On January 1, 1996, the Company adopted SFAS No. 122, "Accounting for Mortgage Servicing Rights", which requires that an institution engaged in mortgage banking activities recognize as a separate asset rights to service mortgage loans for others, regardless of the manner in which those servicing rights are acquired. Upon sale or securitization of loans with servicing rights retained, the Company is required to capitalize the cost associated with the mortgage servicing rights based on their relative fair values. SFAS No. 122 also requires that an institution assess its capitalized mortgage servicing rights for impairment based on the fair value of those rights. Impairment is recognized through a valuation allowance. See note 7 for disclosures regarding capitalized mortgage servicing rights as required by SFAS No. 122.

On January 1, 1996, the Company also adopted SFAS No. 123, "Accounting for Stock-Based Compensation", which requires that the fair value of employee stock-based compensation plans be recorded as a component of compensation expense in the statement of operations as of the date of grant of awards related to such plans or that the impact of such fair value on net income and earnings per share be disclosed on a pro forma basis in a footnote to financial statements for awards granted after December 15, 1994, if the accounting for such awards continues to be in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25). The Company will continue such accounting under the provisions of APB 25 and disclose the pro forma information as required by SFAS No. 123.

In June 1996, SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", was issued. SFAS No. 125 (i) sets forth the criteria for (a) determining when to recognize financial and servicing assets and liabilities; and (b) accounting for transfers of financial assets as sales or borrowings; and (ii) requires (a) liabilities and derivatives related to a transfer of financial assets to be recorded at fair value; (b) servicing assets and retained interests in transferred assets carrying amounts be determined by allocating carrying amounts based on fair value; (c) amortization of servicing assets and liabilities be in proportion to net servicing income; (d) impairment measurement based on fair value; and (e) pledged financial assets to be classified as collateral.

SFAS No. 125 provides implementation guidance for assessing isolation of transferred assets and for accounting for transfers of partial interests, servicing of financial assets, securitizations, transfers of sales-type and direct financing lease receivables, securities lending transactions, repurchase agreements including "dollar rolls", "wash sales", loan syndications and participations, risk participations in banker's acceptances, factoring arrangements, transfers of receivables with recourse and extinguishments of liabilities. SFAS No. 125 is effective for transfers of servicing of financial assets and extinguishments of liabilities occurring after December 31, 1996, and is to be applied prospectively.

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 5 INTEREST RATE RISK MANAGEMENT INSTRUMENTS

The Company enters into short sales of Eurodollar and U.S. Treasury interest rate futures contracts as part of its overall interest rate risk management activity. Interest rate futures contracts are commitments to either purchase or sell designated financial instruments at a future date for a specified price and may be settled in cash or through delivery. Terms and other information on the interest rate futures sold short are as follows:

SEPTEMBER 30, 1996:	Maturity	Notional Principal	Fair Value
Eurodollar futures	1996	$ 87,000	$ (116)
	1997	365,000	(211)
	1998	40,000	(50)
U.S. Treasury futures	1996	385,400	(1,482)
DECEMBER 31, 1995:			
Eurodollar futures	1996	$386,000	$(1,598)
	1997	26,000	(168)
U.S. Treasury futures	1996	11,100	(80)

Because 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.

NOTE 6 INVESTMENT IN JOINT VENTURE

On March 22, 1996, the Company was notified by the U.S. Department of Housing and Urban Development ("HUD") that BCBF, L.L.C., a newly-formed limited liability company ("LLC") in which the Company and a co-investor each have a 50% interest, was the successful bidder to purchase 16,196 single-family residential loans offered by HUD. On April 10, 1996 the LLC consummated the acquisition of the HUD Loans.

The Company's investment in the LLC is 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 all dividends received by the investor from the investee. The Company services loans on behalf of the LLC for a fee, and all intercompany transactions between the Company and the LLC are eliminated for financial reporting purposes to the extent of the Company's ownership in the LLC. At September 30, 1996, the Company's investment in the LLC amounted to $60,885. Because the LLC is a pass-through entity for federal income tax purposes, provisions for income taxes will be established separately by each of the Company and its co-investor and not the LLC.

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

Set forth below is the unaudited statement of financial condition of the LLC at September 30, 1996 and a statement of operations for the period from the date of acquisition of the HUD Loans through September 30, 1996 and for the three months ended September 30, 1996.

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

	SEPTEMBER 30, 1996
Assets:	
Cash	$ 10
Discounted loans, net	533,940
Real estate owned, net	6,671
Other assets	24,476
Total assets	$565,097
Liabilities:	
Note payable	$441,151
Other liabilities	2,176
Total liabilities	443,327
Equity:	
The Company	60,885
Co-investor	60,885
Total equity	121,770
Total liabilities and equity	$565,097

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

BCBF, L.L.C.
STATEMENT OF OPERATIONS

	FOR THE THREE MONTHS ENDED SEPTEMBER 30, 1996	FOR THE PERIOD APRIL 10, 1996 THROUGH SEPTEMBER 30, 1996
Interest income	$17,315	$29,537
Interest expense	8,906	17,185
Net interest income before provision for loan losses	8,409	12,352
Provision for loan losses	8	2,921
Net interest income after provision for loan losses	8,401	9,431
Non-interest income:		
Gain on sale of discounted loans	-	1,324
Loss on real estate owned, net	(63)	(63)
Loan fees	9	16
	(54)	1,277
Operating expenses:		
Loan servicing fees	2,497	4,500
Other loan expenses	69	273
	2,566	4,773
Net income	$ 5,781	$ 5,935

The Company's equity in earnings of the LLC includes 50% of the net income of the LLC plus 50% of the loan servicing fees which are paid to the Company. The 50% of the servicing fees not eliminated in consolidation is reported in servicing fees and other charges in the Company's Consolidated Statement of Operations.

On October 15, 1996, the LLC completed a $502,600 securitization of the majority of the loans purchased from HUD. The Company sold a portion of its share of the securities totaling approximately $136,100 and recognized a gain of approximately $22,000 which will impact fourth quarter net income by approximately $11,600. The Company continues to service such loans and is paid a servicing fee.

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 7 MORTGAGE SERVICING RIGHTS

The unamortized balance of mortgage servicing rights which are included in other assets is as follows:

	SEPTEMBER 30, 1996	DECEMBER 31, 1995
Unamortized balance	$ 3,747	$3,433
Valuation allowance	(1,630)	-
	$ 2,117	$3,433

Periodically, the Company evaluates the recoverability of mortgage servicing rights based on the projected value of future net servicing income. Future prepayment rates are estimated based on current interest rates and various portfolio characteristics, including loan type, interest rate, and market prepayment estimates. If the estimated recovery is lower than the current amount of mortgage servicing rights, a reduction to mortgage servicing rights is recorded through an increase in the valuation allowance. Valuation allowances were established through charges to servicing fees and other charges during the first and third quarters of 1996 primarily as a result of higher than projected prepayment rates.

NOTE 8 NOTES

On September 25, 1996 the Company completed the public offering of $125,000 aggregate principal of 11.875% Notes due October 1, 2003 ("the Notes") with interest payable semi-annually 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%

In addition, the Company may redeem, at its option, up to 35% of the original aggregate principal amount of the Notes at any time and from time to time until October 1, 1999 with the net cash proceeds received by the Company from one or more public or private equity offerings at a redemption price of 111.875% of the principal amount thereof, plus accrued and unpaid interest.

The indenture governing the Notes requires the Company to maintain unencumbered liquid assets with a value equal to 100% of the required interest payments due on the Notes on the next two succeeding semi-annual interest payment dates. 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.

Proceeds from the offering of the Notes amounted to approximately $120,156 (net of underwriting discount). On September 30, 1996, the Company contributed $50,000 of such proceeds to the Bank to support future growth. The remainder of the proceeds retained by the Company are available for general corporate purposes.

NOTE 9 STOCKHOLDERS' EQUITY

On September 25, 1996, certain stockholders of Ocwen completed an initial public offering of 2,300,000 shares of Ocwen common stock. Prior to this offering, there had been no public trading market for the common stock. The common stock is quoted on The Nasdaq Stock Market under the symbol "OCWN". The Company did not receive any of the proceeds from the common stock offering.

On July 12, 1996 stockholders of the Company approved an amendment to the Company's articles of incorporation to increase the authorized number of common shares from 20,000,000 to 200,000,000 shares, to increase the authorized number of preferred shares from 250,000 to 20,000,000 shares and to decrease the par value of the authorized preferred shares from $1.00 to $0.01 per share. On July 30, 1996, the Company's Board of Directors declared a 10 for 1 stock split for each share of common stock then outstanding in the form of a stock dividend which was paid to holders of record on July 31, 1996. All references in the interim consolidated financial statements to the number of shares and per share amounts have been adjusted retroactively for the recapitalization and stock split.

During September 1996, 2,928,200 shares of common stock were issued in connection with the exercise of vested stock options by certain of the Company's and the Bank's current and former officers and directors. The Company loaned $6,654 to certain of such officers to fund their exercise of the stock options. Such notes, which are presented as a reduction of shareholders' equity, have an unpaid principal balance of $5,782 at September 30, 1996, bear interest at 10.5% per annum, are payable in two equal installments on March 1, 1998 and March 1, 1999 and are secured by the related shares of common stock.

NOTE 10 REGULATORY REQUIREMENTS

The Bank is a federally chartered savings bank regulated by the OTS and is subject to Federal laws and regulations including regulations that require institutions to comply with minimum regulatory capital requirements.

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

A comparison of the Bank's regulatory capital to its regulatory capital requirements at September 30, 1996 and related additional discussion follows:

	TANGIBLE CAPITAL	CORE CAPITAL	RISK-BASED CAPITAL
GAAP capital	$199,477	$199,477	$199,477
Nonallowable assets:			
Implementation of Financial Accounting Standard No. 115	411	411	411
Excess qualifying mortgage servicing rights	(212)	(212)	(212)
Additional capital items:			
Subordinated debentures	--	--	100,000
General valuation allowances	--	--	15,755
Regulatory capital-computed	199,676	199,676	315,431
Minimum capital requirement	34,620	69,239	185,027
Regulatory capital excess	$165,056	$130,437	$130,404
CAPITAL RATIOS:			
Required	1.50%	3.00%	8.00%
Actual	8.65%	8.65%	13.64%

The OTS has promulgated a regulation governing capital distributions. The Bank is considered to be a Tier 1 association under this regulation because it met or exceeded its fully phased-in capital requirements at September 30, 1996. A Tier 1 association that before and after a proposed capital distribution meets or exceeds its fully phased-in capital requirements may make capital distributions during any calendar year equal to the greater of (i) 100% of net income for the calendar year to date plus 50% of its "surplus capital ratio" at the beginning of the year or (ii) 75% of its net income over the most recent four-quarter period. In order to make these capital distributions, the Bank must submit written notice to the OTS thirty days in advance of making the distribution. In addition, the indenture governing the Bank's Debentures limits the declaration or payment of dividends and the purchase or redemption of the Bank's common or preferred stock in the aggregate to the sum of 50% of the Bank's consolidated net income and 100% of all capital contributions and proceeds from the issuance or sale of common stock, since the date the Debentures were issued.

NOTE 11 COMMITMENTS AND CONTINGENCIES

At September 30, 1996 the Company had commitments to fund (i) $60,042 on multi-family residential loans, (ii) $10,530 on loans secured by office buildings, (iii) $53,277 on loans secured by hotel properties and (iv) $5,575 on a loan secured by land. Additionally, the Company had commitments of $88,595 to purchase residential discounted loans. In connection with its acquisition of Berkeley Federal Savings Bank in 1993, the Company has a recourse obligation of $3,979 on single-family residential loans sold to the Federal Home Loan Mortgage Corporation. The Company, through its investment in subordinated securities and REMIC residuals which had a book value of $42,545 at September 30, 1996, supports senior classes of mortgage-related securities having an outstanding principal balance of $682,510.

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

NOTE 12 NON-RECURRING EXPENSE

Included in the 1996 results of operations is a non-recurring expense of $7,140 related to the Federal Deposit Insurance Corporation's ("FDIC") assessment to recapitalize the Savings Association Insurance Fund ("SAIF") as a result of federal legislation passed into law on September 30, 1996.

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

Ocwen Financial Corporation ("Ocwen" or the "Company") is a financial services company which is primarily engaged in the acquisition and resolution of troubled loans and in diverse mortgage lending activities. The activities of the Company are conducted primarily through Ocwen Federal Bank FSB (formerly Berkeley Federal Bank & Trust FSB) (the "Bank"), a federally-chartered savings bank and a wholly-owned subsidiary of the Company.

The following discussion of Ocwen's consolidated financial condition and results of operations and capital resources and liquidity should be read in conjunction with the Interim Consolidated Financial Statements and related Notes included elsewhere herein.

SUMMARY

Ocwen's net income for the third quarter of 1996 amounted to $10.1 million or $0.37 per share compared to a net loss of $67,000 for the third quarter of 1995. Included in net income for the third quarter of 1996 is a net after-tax charge of $4.0 million or $0.15 per share related to the Federal Deposit Insurance Corporation's ("FDIC") assessment to recapitalize the Savings Association Insurance Fund ("SAIF") as a result of federal legislation passed into law on September 30, 1996. Exclusive of the SAIF assessment, net income for the third quarter would have been $14.0 million or $0.52 per share. Highlights include:

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,		
	1996	1995	% CHANGE FAVORABLE (UNFAVORABLE)
	(DOLLARS IN THOUSANDS)		
Net interest income	$ 16,928	$ 9,801	73%
Provision for loan losses	4,469	--	--
Non-interest income	15,104	4,084	270%
SAIF assessment	7,140	--	--
Other non-interest expense	14,349	10,274	(40)%
Income from continuing operations	10,056	4,469	125%
Net income (loss)	10,056	(67)	15,109%
Average interest-earning assets	1,558,563	1,225,034	27%
Average interest-bearing liabilities	1,701,987	1,356,414	(25)%
Interest rate spread:			
Yield on interest-earning assets	11.33%	10.61%	7%
Cost of interest-bearing liabilities	6.40%	6.69%	4%
Interest rate spread	4.93%	3.92%	26%
Annualized return on average assets (1)	2.89%	1.15%	151%
Annualized return on average equity (1)	34.70%	14.75%	135%
Efficiency ratio (2)	47.69%	73.99%	36%

(1) Before discontinued operations and SAIF assessment.
(2) Before provision for loan losses and SAIF assessment.

The Company's net income for the nine months ended September 30, 1996 amounted to $25.1 million or $0.94 per share as compared to $8.3 million or $0.29 per share for the same period in 1995. Exclusive of the SAIF assessment, net income year to date would have been $29.1 or $1.09 per share. The Company's earnings for the nine months ended September 30, 1996 include a provision for loan losses of $18.8 million and a general valuation on real estate owned of $2.9 million as compared to $-0- for both during the same period of 1995. The provisions recognized in 1996 include $14.5 million related to a modification in the Company's methodology for valuing assets held for disposition and resolution.

RESULTS OF OPERATIONS

NET INTEREST INCOME. The operations of the Company are substantially dependent on its net interest income, which is the difference between the interest income received from its interest-earning assets, including federal funds sold and repurchase agreements, investment securities, mortgage-backed and related securities, the discounted loan portfolio, the loan portfolio and loans available for sale, and the interest expense paid on its interest-bearing liabilities, including deposits, Federal Home Loan Bank ("FHLB") advances, the 11.875% Notes due 2003 ("Notes"), the Bank's 12% Subordinated Debentures due 2005 ("Debentures") and other interest bearing obligations. Net interest income is determined by an institution's net interest rate 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.

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

	THREE MONTHS ENDED SEPTEMBER 30,					
	1996			1995		
	AVERAGE BALANCE	INTEREST	AVERAGE YIELD/RATE(1)	BALANCE	INTEREST	AVERAGE YIELD/RATE(1)
	(DOLLARS IN THOUSANDS)					
AVERAGE ASSETS:						
Federal funds sold and repurchase agreements	$ 126,121	$ 1,742	5.52%	$ 74,954	$ 1,165	6.22%
Securities available for sale	255,547	5,890	9.22	246,771	4,866	7.89
Loans available for sale (2)	116,806	2,685	9.19	157,858	3,819	9.68
Investment securities and other (3)	45,503	1,073	9.43	45,843	713	6.22
Mortgage-related securities held for investment	--	--	--	81,535	1,084	5.32
Loan portfolio (2)	325,830	8,961	11.00	159,358	4,042	10.15
Discounted loan portfolio	688,756	23,794	13.82	458,715	16,800	14.65
Total interest-earning assets, interest income	1,558,563	44,145	11.33	1,225,034	32,489	10.61
Non-interest earning cash	6,639			19,746		
Allowance for loan losses	(14,048)			(1,076)		
Investments in low-income housing tax credit interests	100,015			66,182		
Investment in Joint Venture	62,192			--		
Real estate owned, net	126,458			160,469		
Other assets	103,272			88,471		
Total assets	$1,943,091			$1,558,826		
AVERAGE LIABILITIES AND STOCKHOLDERS' EQUITY:						
Interest-bearing demand deposits	$ 46,444	425	3.66	$ 50,386	301	2.39
Savings deposits	3,505	20	2.28	21,083	123	2.33
Certificates of deposit	1,464,844	22,434	6.13	1,093,959	17,484	6.39
Total interest-bearing deposits	1,514,793	22,879	6.04	1,165,428	17,908	6.15
Notes, debentures and other	115,696	3,380	11.69	127,554	3,756	11.78
Securities sold under agreements to repurchase	--	--	--	30,045	442	5.88
Securities sold but not yet purchased	--	--	--	30,488	518	6.80
Federal Home Loan Bank advances	71,498	958	5.36	2,899	64	8.83
Total interest-bearing liabilities, interest expense	1,701,987	27,217	6.40	1,356,414	22,688	6.69
Non-interest bearing deposits	15,966			4,571		
Escrow deposits	12,493			9,880		
Other liabilities	50,767			66,739		
Total liabilities	1,781,213			1,437,604		
Stockholders' equity	161,878			121,222		
Total liabilities and stockholders' equity	$1,943,091			$1,558,826		
Net interest income before provision for loan losses		$16,928			$ 9,801	
Net interest rate spread			4.93%			3.92%
Net interest rate margin			4.34%			3.20%
Ratio of interest-earning assets to interest-bearing liabilities	92%			90%		

	NINE MONTHS ENDED SEPTEMBER 30,					
	1996			1995		
	AVERAGE BALANCE	INTEREST	AVERAGE YIELD/RATE(1)	BALANCE	INTEREST	AVERAGE YIELD/RATE(1)
	(DOLLARS IN THOUSANDS)					
AVERAGE ASSETS:						
Federal funds sold and repurchase agreements	$ 90,709	$ 3,840	5.64%	$ 59,768	$ 2,913	6.50%
Securities available for sale	284,934	19,954	9.34	193,725	11,809	8.13
Loans available for sale (2)	198,941	14,169	9.50	147,332	10,973	9.93
Investment securities and other (3)	40,951	3,053	9.94	47,782	1,977	5.52
Mortgage-related securities held for investment	--	--	--	92,617	3,427	4.93
Loan portfolio (2)	305,458	26,734	11.67	103,657	7,986	10.27
Discounted loan portfolio	640,585	75,852	15.79	460,066	53,274	15.44
Total interest-earning assets, interest income	1,561,578	143,602	12.26	1,104,947	92,359	11.14
Non-interest earning cash	6,461			7,908		
Allowance for loan losses	(9,554)			(1,125)		
Investments in low-income housing tax credit interests	92,767			62,136		
Investment in Joint Venture	39,442			--		
Real estate owned, net	143,819			134,878		
Other assets	99,561			110,121		
Total assets	$1,934,074			$1,418,865		
AVERAGE LIABILITIES AND STOCKHOLDERS' EQUITY:						
Interest-bearing demand deposits	$ 48,073	785	2.18	$ 52,586	778	1.97
Savings deposits	3,458	60	2.31	21,677	378	2.33
Certificates of deposit	1,455,305	67,389	6.17	1,031,575	48,542	6.27
Total interest-bearing deposits	1,506,836	68,234	6.04	1,105,838	49,698	5.99
Notes, debentures and other	115,992	10,344	11.89	63,999	5,552	11.57
Securities sold under agreements to repurchase	15,862	685	5.76	14,468	641	5.91
Securities sold but not yet purchased	--	--	--	22,718	1,156	6.78
Federal Home Loan Bank advances	70,765	2,990	5.63	4,566	321	9.37
Total interest-bearing liabilities, interest expense	1,709,455	82,253	6.42	1,211,589	57,368	6.31
Non-interest bearing deposits	9,352			13,219		
Escrow deposits	11,452			9,680		
Other liabilities	52,759			54,468		
Total liabilities	1,783,018			1,288,956		
Stockholders' equity	151,056			129,909		
Total liabilities and stockholders' equity	$1,934,074			$1,418,865		
Net interest income before provision for loan losses		$ 61,349			$34,991	
Net interest rate spread			5.84%			4.83%
Net interest margin			5.24%			4.22%
Ratio of interest-earning assets to interest-bearing liabilities	91%			91%		

(1) Presented on an annualized basis.

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

(3) Included in interest income on investment securities and other is interest income earned on that portion of the deferred tax asset which relates to tax residuals. Inclusive of the average balance of the deferred tax asset related to tax residuals as investment securities and other, the average yield for the three months ended September 30, 1996 and 1995 would have been 7.43% and 4.69%, respectively, and the average yield for the nine months ended September 30, 1996 and 1995 would have been 7.28% and 4.45%, respectively.

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

	THREE MONTHS ENDED SEPTEMBER 30, 1996 VS 1995 INCREASE (DECREASE) DUE TO			NINE MONTHS ENDED SEPTEMBER 30, 1996 VS 1995 INCREASE (DECREASE) DUE TO		
	RATE	VOLUME	TOTAL	RATE	VOLUME	TOTAL
	(DOLLARS IN THOUSANDS)					
INTEREST-EARNING ASSETS:						
Federal funds sold and repurchase agreement	$ (142)	$ 719	$ 577	$(423)	$1,350	$927
Securities available for sale	846	178	1,024	1,956	6,189	8,145
Loans available for sale	(182)	(952)	(1,134)	(498)	3,694	3,196
Mortgage-related securities held for investment	(542)	(542)	(1,084)	(1,714)	(1,713)	(3,427)
Loan portfolio	367	4,552	4,919	1,224	17,524	18,748
Discounted loan portfolio	(1,002)	7,996	6,994	1,228	21,350	22,578
Investment securities and other	365	(5)	360	1,393	(317)	1,076
Total interest-earning assets	(290)	11,946	11,656	3,166	48,077	51,243
INTEREST-BEARING LIABILITIES:						
Interest-bearing demand deposits	149	(25)	124	77	(70)	7
Savings deposits	(3)	(100)	(103)	(2)	(316)	(318)
Certificates of deposit	(757)	5,707	4,950	(786)	19,633	18,847
Total interest-bearing deposits	(611)	5,582	4,971	(711)	19,247	18,536
Notes, debentures and other	(29)	(347)	(376)	160	4,632	4,792
Securities sold under agreements to repurchase	(221)	(221)	(442)	(17)	61	44
Securities sold but not yet purchased	(259)	(259)	(518)	(578)	(578)	(1,156)
Federal Home Loan Bank advances	(35)	929	894	(178)	2,847	2,669
Total interest-bearing liabilities	(1,155)	5,684	4,529	(1,324)	26,209	24,885
Increase in net interest income	$ 865	$ 6,262	$ 7,127	$4,490	$21,868	$26,358

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1996 VERSUS THREE AND NINE MONTHS ENDED SEPTEMBER 30, 1995

The Company's net interest income before provision for loan losses increased by $7.1 million or 73% during the three months ended September 30, 1996 as compared to the comparable period in the prior year. The increase resulted from a $11.7 million or 36% increase in interest income due to a $333.5 million or 27% increase in the Company's average interest-earning assets from period to period combined with a 72 basis point increase in the average yield earned, offset in part by a $4.5 million or 20% increase in interest expense due to a $345.6 million or 25% increase in the Company's average interest-bearing liabilities net of a 29 basis point decrease in the weighted average rate paid on these liabilities. Net interest income of $61.3 million for the nine months ended September 30, 1996 increased $26.3 million or 75% over the comparable period of the prior year. The increase resulted from the $456.6 million or 41% increase in average interest-earning assets from period to period combined with a 112 basis point increase in the weighted average yield earned on those assets, net of the $497.9 million or 41% increase in the average interest-bearing liabilities combined with a 11 basis point increase in the weighted average rate paid on those liabilities.

The increase in interest income during the nine months ended September 30, 1996, as compared to the comparable period in the prior year, reflects substantial increases in the average balances of the discounted loan portfolio and the loan portfolio as a result of the Company's increased emphasis on multi-family residential and commercial real estate loans in recent periods, as well as an increase in the average balance of loans available for sale as a result of the Company's recent emphasis on single-family residential loans to non- conforming borrowers. The Company's emphasis on multi-family residential and commercial real estate loans also was a significant factor in the increase in the weighted average yield on the loan portfolio during the nine months ended September 30, 1996, as compared to the comparable period in the prior year, which was also enhanced during 1996 by $2.1 million of fees earned in connection with the repayment of hotel loans.

Interest income on the discounted loan portfolio increased by $7.0 million or 42% in the three months ended September 30, 1996 from the three months ended September 30, 1995 as a result of a $230.0 million or 50% increase in the average amount of the discounted loan portfolio offset in part by an 83 basis point decline in the weighted average yield earned. For the nine months ended September 30, 1996 as compared to the same period in 1995, interest income on the discounted loan portfolio increased $22.6 million or 42% due to a $180.5 million or 39% increase in the average amount of the discounted loan portfolio and a 35 basis point increase in the weighted average yield. Had chargeoffs been included as a reduction of interest income in 1996, the weighted average yield on the discounted loan portfolio for the three and nine months ended September 30, 1996 would have been 12.79% and 14.64%, respectively.

Interest income on the loan portfolio increased by $4.9 million or 122% in the third quarter of 1996 from the comparable period in 1995 primarily due to an increase in the average balance of the loan portfolio for the three months ended September 30, 1996 of $166.5 million or 104% over that of the same period in 1995 combined with an 85 basis point increase in the weighted average yield earned. For the nine months ended September 30, 1996, interest income on the loan portfolio increased $18.7 million or 235% over that of the same period in 1995 as a result of $201.8 million or 195% increase in the average amount of the loan portfolio and a 140 basis point increase in the weighted average yield earned on the portfolio. The increase in the average balance is primarily a result of the Company's origination of mortgage loans on hotel, office, multi-family construction and multi-family residential properties.

As a result of the Company's continued use of certificates of deposit to fund its asset growth, the average amount of the Company's certificates of deposit increased from $1.09 billion during the three months ended September 30, 1995 to $1.46 billion during the three months ended September 30, 1996. For the nine months ended September 30, 1996, the average amount of the certificates of deposit increased by $423.7 million over the same period in 1995.

PROVISIONS FOR LOAN LOSSES. Provisions for loan losses amounted to $4.5 million for the third quarter of 1996, as compared to $-0- for the third quarter of 1995. The $4.5 million provision is comprised of $0.6 million related to the loan portfolio and $3.9 million related to discounted loans. Prior to the nine months ended September 30, 1996, provisions for losses on loans were not established in connection with the discounted loan portfolio because adjustments to reduce the carrying value of discounted loans to the lower of amortized cost or the fair market value of the properties securing the loans discounted at the effective interest rate were recorded in interest income on discounted loans. Beginning in 1996 the Company has recorded charge-offs on the discounted loan portfolio against the allowance for losses on discounted loans. During the nine months ended September 30, 1996, the Company's provision for loan losses amounted to $18.8 million, $17.1 million related to the discounted loan portfolio and $1.7 million related to its loan portfolio. Based on the types of lending activities currently emphasized by the Company, the Company anticipates that in the future it will establish provisions for loan losses on each of its loan portfolios on a quarterly basis.

Although management utilizes its best judgment in providing for possible loan losses, changing economic and business conditions, fluctuations in local markets for real estate, future changes in nonperforming asset trends, large upward movements in market interest rates or other factors could affect the Company's future provisions for loan losses. In addition, as noted above, the OTS, as an integral part of its examination process, periodically reviews the adequacy of the Bank's allowances for losses on loans and discounted loans and such agency may require the Company to recognize changes to such allowances for losses based on its judgment about information available to it at the time of examination. For further discussion and analysis regarding the increase in the provisions, see "Changes in Financial Condition - Allowances for Losses".

NON-INTEREST INCOME. Non-interest income for the third quarter of 1996 increased by $11.0 million or 270% from that of the third quarter of 1995. Income on real estate owned, net of carrying costs, increased by $2.4 million as detailed in the table below. Gains on sales of interest-earning assets, net, increased by $8.0 million as a result of a $2.5 million gain on the securitization and sale of sub-prime single-family residential loans held for sale, a $2.0 million gain on the sale of a subordinated security, a $4.5 million gain on the sale of a commercial discounted loan, a $539,000 loss on the sale of multi-family loans and a $492,000 adjustment to record delinquent single-family residential loans to non-conforming borrowers carried as available for sale to the lower of cost or market. Servicing fees and other charges increased $516,000 during the third quarter of 1996 as compared to the same period of 1995 due primarily to a $1.4 million increase in servicing fees offset in part by a $702,000 valuation adjustment to mortgage servicing rights as a result of an increase in prepayments of the underlying loans. The increase in servicing fees primarily due to fees earned from the joint venture which acquired discounted single-family residential loans from HUD in April 1996. As of September 30, 1996 Ocwen serviced 10,432 loans for other investors of which 7,539 were sub-performing or non-performing. In addition, during October 1996 Ocwen entered into agreements to service approximately 13,800 loans for other investors; the majority of which are sub-performing or NON-PERFORMING.

Non-interest income for the first nine months of 1996 as compared to the first nine months of 1995 increased by $13.4 million or 103%. Gains on sales of interest-earning assets increased by $14.3 million and income on real estate owned, net of carrying costs, decreased by $1.2 million as detailed in the table below.

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1996	1995	1996	1995
	(DOLLARS IN THOUSANDS)			
Gains on sales	$ 9,730	$ 4,679	$17,758	$13,816
Provision for loss in fair value	(4,013)	(2,733)	(13,801)	(7,768)
Carrying costs, net of rental income	(222)	1,124	510	(420)
Income (loss) on real estate owned, net	$ 5,495	$ 3,070	$ 4,467	$ 5,628

Included in gains on sales of real estate owned for the three months ended September 30, 1996 is a gain of $4.4 million on the sale of an apartment complex for $9.8 million and gains of $1.0 million on the sales of cooperative units.

NON-INTEREST EXPENSE. Non-interest expense increased $11.2 million in the third quarter of 1996 as compared to the same period of 1995. The SAIF assessment accounted for $7.1 million of this increase. Compensation and employee benefits increased by $3.5 million or 72% during this period largely as a result of a $1.5 million increase in the accrual for profit sharing expense and an increase in the average number of employees by 79 from 323 in the third quarter of 1995 to 402 in the third quarter of 1996.

Non-interest expense increased $14.9 million or 46% in the nine months ended September 30, 1996 as compared to the same period in 1995. The SAIF assessment accounted for $7.1 million of this increase. Compensation and employee benefits increased by $7.6 million or 50% during this period primarily due to a $4.2 million increase in profit-sharing expense and an increase in the average number of employees by 17 from 351 in 1995 to 368 in 1996.

EQUITY IN EARNINGS OF JOINT VENTURE. Equity in earnings of joint venture relates to the recently-formed joint venture to acquire discounted single-family residential loans from HUD in April 1996. The Company's $4.1 million and $5.2 million of earnings from this joint venture during the three and nine months ended September 30, 1996, respectively, consisted of 50% of the joint venture's net income during these respective periods plus 50% of the loan servicing fee received from the joint venture during these periods. (The remainder of the loan servicing fee received from the joint venture during this period has been included in servicing fees and other charges. Income of the joint venture is primarily attributable to interest on discounted loans, which had an annualized weighted average yield of 11.0% during the period

from the date of acquisition by the joint venture to September 30, 1996. See note 6 to the Interim Consolidated Financial Statements.

INCOME TAX EXPENSE (BENEFIT). Income tax expense (benefit) amounted to $157,000 and $(858,000) during the three months ended September 30, 1996 and 1995, respectively, and $2.1 million and $(98,000) during the nine months ended September 30, 1996 and 1995, respectively. The Company's effective tax rate amounted to 1.5% and 7.6% during the three months and nine months ended September 30, 1996, respectively. The Company's low effective tax rates were attributable to tax credits resulting from the Company's investment in low-income housing tax credit interests, which amounted to $2.1 million and $1.9 million during the three months ended September 30, 1996 and 1995, respectively, and $6.2 million and $5.7 million during the nine months ended September 30, 1996 and 1995, respectively. Exclusive of such amounts, the Company's effective tax rate amounted to 33.4% and 29.9% during the three months ended September 30, 1996 and 1995, respectively, and 34.3% and 35.4% during the nine months ended September 30, 1996 and 1995, respectively.

CHANGES IN FINANCIAL CONDITION

GENERAL. From December 31, 1995 to September 30, 1996 total assets increased by $227.2 million or 12%. This increase was primarily due to a $154.8 million increase in cash and cash equivalents, a $238.3 million increase in discounted loans, a $74.0 million increase in the loan portfolio, a $60.9 million investment in joint venture and a $22.9 million increase in investments in low-income housing tax credit interests, offset by a $102.2 million decrease in securities available for sale, a $181.5 million decrease in loans available for sale, and a $51.6 million decrease in real estate owned. Total liabilities increased by $194.1 million from December 31, 1995 to September 30, 1996. This increase was primarily due to a $148.7 million increase in deposits and the issuance of the $125.0 million Notes, offset by the $84.8 million decrease in securities sold under agreements to repurchase..

SECURITIES AVAILABLE FOR SALE. At September 30, 1996, an aggregate of $410,000 of net unrealized losses (net of related taxes) on securities classified as available for sale were included in stockholders' equity, as compared to $1.4 million of net unrealized losses (net of related taxes) at December 31, 1995. The Company's securities available for sale were comprised of the following at the dates indicated.

	SEPTEMBER 30, 1996	DECEMBER 31, 1995
	(DOLLARS IN THOUSANDS)	
Mortgage-related securities:		
Single-family residential:		
Privately issued CMOs - AAA rated	$ 80,290	$138,831
Interest only	12,833	11,774
Principal only	6,900	8,218
Subordinates	--	27,310
PAC securities	--	574
REMIC residuals	19,405	472
Futures contracts	(575)	(1,598)
	118,853	185,581
Multi-family residential and commercial:		
Interest only	92,379	109,193
Subordinates	24,174	42,954
Futures contracts	(101)	(248)
	116,452	151,899
Total	$235,305	$337,480

The Company's securities available for sale of $235.3 million at September 30, 1996 decreased by $27.9 million in the third quarter and $102.2 million from December 31, 1995 due primarily to the sales of short duration collateralized mortgage obligations ("CMOs") and subordinate securities offset in part by the acquisition of two REMIC residual securities from the Company's securitizations of $219.6 million of single-family residential loans as discussed below.

LOANS AVAILABLE FOR SALE. The Company's loans available for sale at September 30, 1996, which are carried at the lower of cost or fair value, decreased by $181.5 million or 72.1% from December 31, 1995 and consist primarily of single-family residential loans to sub-prime borrowers.

	SEPTEMBER 30, 1996	DECEMBER 31, 1995
	(DOLLARS IN THOUSANDS)	
Single-family residential	$55,738	$221,927
Multi-family	13,695	28,694
Consumer	815	1,169
	$70,248	$251,790

During the third quarter of 1996 the Company purchased and originated $98.2 million single-family residential loans to sub-prime borrowers. The Company also sold $92.3 million of single-family residential loans and $14.9 million of multi-family residential loans during the third quarter of 1996 for a gain of $2.5 million and a loss of $539,000, respectively. Of the loans sold during the quarter, $84.8 million were underwritten and securitized by an unaffiliated investment banking firm.

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1996	1995	1996	1995
	(DOLLARS IN THOUSANDS)			
Balance at beginning of period	$ 84,078	$130,024	$251,790	$102,293
Purchases:				
Single-family residential	95,266	69,591	226,960	151,231
Multi-family residential	--	--	10,456	10,056
Total loans purchased	95,266	69,591	237,416	161,287
Originations:				
Single-family residential	1,434	360	2,154	360
Multi-family residential	--	--	--	23,696
Total loans originated	1,434	360	2,154	24,056
Sales	(107,267)	(664)	(392,440)	(83,376)
Lower of cost or market reserve	(492)	--	(2,282)	--
Loans transferred to loan portfolio	---	(4,153)	(9)	(4,353)
Principal repayments, net of capitalized interest	(1,109)	(2,647)	(23,552)	(7,396)
Transfer to real estate owned	(1,662)	--	(2,829)	--
Net (decrease) increase in loans	(13,830)	62,487	(181,542)	90,218
Balance at end of period	$ 70,248	$192,511	$ 70,248	$192,511

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

	SEPTEMBER 30, 1996	DECEMBER 31, 1995
	(DOLLARS IN THOUSANDS)	
Non-performing loans:		
Single-family	$15,251	$7,833
Consumer	180	101
	$15,431	$7,934

Non-performing loans increased by $7.5 million or 94% from December 31, 1995 to September 30, 1996, of which $7.2 million resulted from the Company's loans to sub-prime borrowers. The Company's systems and procedures which are used to resolve discounted loans are applied to delinquent loans to sub-prime borrowers, and the Company does not expect to sell such delinquent loans in connection with its performing loan sales.

INVESTMENT SECURITIES. Investment securities, which are held by the Company for investment purposes, decreased by $9.8 million from December 31, 1995 to September 30, 1996 primarily due to the maturity of $10.0 million of U.S. Treasury securities. At September 30, 1996 investment securities consisted entirely of required holdings of FHLB stock.

DISCOUNTED LOAN PORTFOLIO.

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

	SEPTEMBER 30, 1996	DECEMBER 31, 1995
	(DOLLARS IN THOUSANDS)	
Single-family residential	$ 354,926	$376,501
Multi-family residential	387,201	176,259
Commercial real estate	458,117	388,566
Other	2,762	2,203
Total discounted loans	1,203,006	943,529
Unaccreted discount	(283,318)	(273,758)
Allowance for loan losses	(11,604)	--
Discounted loans, net	908,084	669,771
Investment in LLC (1)	60,885	--
Total discount loan portfolio	$ 968,969	$669,771

(1) The $60.9 million represents the Company's equity interest in the LLC and does not include that portion of discounted loans held by the LLC which are funded by third party indebtedness. Had the Company's pro rata interest in such loans been included, Ocwen's total discounted loan portfolio would have amounted to $1.18 billion at September 30, 1996. See "Changes in Financial Condition - Investment in Joint Venture" below.

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

	THREE MONTHS ENDED SEPTEMBER 30,			
	1996		1995	
	BALANCE	NO. OF LOANS	BALANCE	NO. OF LOANS
	(DOLLARS IN THOUSANDS)			
Balance at beginning of period	$830,321	3,344	$626,999	3,898
Acquisitions (1)	509,819	2,507	170,006	362
Resolutions and repayments	(76,380)	(310)	(56,467)	(269)
Loans transferred to real estate owned	(47,767)	(232)	(67,394)	(233)
Sales	(12,987)	(3)	--	--
Balance at end of period	$1,203,006	5,306	$673,144	3,758

	NINE MONTHS ENDED SEPTEMBER 30,			
	1996		1995	
	BALANCE	NO. OF LOANS	BALANCE	NO. OF LOANS
	(DOLLARS IN THOUSANDS)			
Balance at beginning of period	$ 943,529	4,543	$785,434	3,894
Acquisitions (1)	671,630	2,651	364,547	1,486
Resolutions and repayments	(265,160)	(952)	(203,356)	(644)
Loans transferred to real estate owned	(107,380)	(676)	(240,379)	(794)
Sales	(39,613)	(260)	(33,102)	(184)
Balance at end of period	$1,203,006	5,306	$673,144	3,758

(1) The purchase price of loans acquired was $408,677 and $122,861 for the three months ended September 30, 1996 and 1995, respectively, and $529,267 and $247,558 for the nine months ended September 30, 1996 and 1995, respectively.

Significant discounted loan acquisitions during the third quarter of 1996 included the acquisition in August 1996 of discounted multi-family residential loans with an unpaid principal balance of $225.0 million from HUD and discounted commercial real estate loans with an unpaid principal balance of $138.7 million from another third party. In addition to the foregoing, in September 1996 the Company and a co-investor acquired 4,591 single-family residential loans with an aggregate unpaid principal balance of $258.1 million auctioned by HUD. The Company acquired $112.9 million of such loans and the right to service all of such loans.

Of the $671.6 million of principal balance of discounted loans purchased during the nine months ended September 30, 1996, 22% were secured by single-family residential properties, 44% were secured by multi-family residential properties and 34% were secured by other commercial properties. The following table sets forth certain information relating to the payment status of loans in the Company's discounted loan portfolio at the dates indicated.

	SEPTEMBER 30, 1996	DECEMBER 31, 1995
	(DOLLARS IN THOUSANDS)	
LOAN STATUS:		
Current	$ 645,899	$351,630
Less than 90 days past due	44,406	86,838
Greater than 90 days past due	512,701	385,112
Acquired and servicing not yet transferred	--	119,949
	$1,203,006	$943,529

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

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

	SEPTEMBER 30, 1996	DECEMBER 31, 1995
	(DOLLARS IN THOUSANDS)	
Single-family residential	$76,166	$75,928
Multi-family residential:		
Permanent	46,948	41,306
Construction	84,167	7,741
Total multi-family residential	131,115	49,047
Commercial real estate:		
Hotel:		
Permanent	133,399	125,791
Construction	26,387	--
Office	101,361	61,262
Land	10,961	24,904
Other	26,853	2,494
Total commercial real estate	298,961	214,451
Commercial	1,500	--
Consumer	456	3,223
Total loans	508,198	342,649
Undisbursed loan funds	(129,424)	(39,721)
Unaccreted discount	(5,723)	(5,376)
Allowance for loan losses	(3,400)	(1,947)
Loans, net	$369,651	$295,605

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1996	1995	1996	1995
	(DOLLARS IN THOUSANDS)			
Balance at beginning of period	$389,124	$133,696	$342,649	$ 61,194
Originations:				
Single-family residential	3,125	8,284	10,681	9,767
Multi-family residential	67,515	8,492	112,764	23,243
Commercial real estate	80,595	21,306	135,511	78,954
Commercial loan	1,500	--	1,500	--
Total loans originated	152,735	38,082	258,456	111,964
Purchases:				
Single-family residential	278	18,555	278	18,555
Commercial real estate	--	--	--	2,245
Consumer	--	1,818	--	1,966
Total loans purchased	278	20,373	278	22,766
Loans transferred from available for sale	--	4,153	6	4,353
Principal repayments, net of capitalized interest	(33,332)	(6,318)	(92,026)	(10,240)
Transfer to REO	(607)	--	(1,165)	(51)
Net increase in loans	119,074	56,290	165,549	128,792
Balance at end of period:	$508,198	$189,986	$508,198	$189,986

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

	SEPTEMBER 30, 1996	DECEMBER 31, 1995
	(DOLLARS IN THOUSANDS)	
Non-performing loans:		
Single-family	$2,447	$2,923
Multi-family	174	731
Consumer	54	202
	$2,675	$3,856
Significant ratios:		
Non-performing loans as a percentage of:		
Loans	.71%	1.27%
Total assets	.12%	.20%
Allowances for loan losses as a percentage of:		
Loans	.91%	0.65%
Non-performing loans	127.10%	50.49%

ALLOWANCES FOR LOSSES. The allowance for estimated loan losses on the Company's loan portfolio is maintained at a level that management, based upon an evaluation of known and inherent risks in the portfolio, considers adequate to provide for potential 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. Valuation allowances are also established for the inherent risks in the loan portfolio which have yet to be specifically identified. 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 all amounts due according to the contractual terms of the loan agreement on a timely basis. Management's periodic evaluation of the allowance for estimated losses is based upon 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.

As a result of the historical and expected future growth in the discounted loan portfolio and associated real estate owned, particularly in the commercial segment, and as requested by the OTS, the Company has modified its methodology for valuing its assets held for disposition and resolution beginning in the first quarter of 1996. This methodology results in a valuation allowance which supplements the Company's practice of adjusting discounted loans to the lower of the recorded investment or the net present value of expected cash flow discounted at the effective yield through direct charges to interest income. Beginning in 1996 the Bank has recorded charge-offs on the discounted loan portfolio against the allowance for loan losses. Prior to such date these amounts were deducted from interest income. The Company established an aggregate of $17.1 million of provisions for losses on discounted loans during the nine months ended September 30, 1996 pursuant to this change in methodology.

The following table sets forth the allocation of the Company's allowance for loan losses at September 30, 1996 and December 31, 1995 by loan category and property type:

	SEPTEMBER 30, 1996			DECEMBER 31, 1995		
	ALLOWANCE	GROSS LOAN BALANCE	PERCENT OF ALLOWANCE TO LOAN BALANCE	ALLOWANCE	GROSS LOAN BALANCE	PERCENT OF ALLOWANCE TO LOAN BALANCE
	(DOLLARS IN THOUSANDS)					
Loan portfolio:						
Single-family	$ 383	$ 74,762	.51%	$346	$74,401	.47%
Multi-family	1,245	69,547	1.79%	683	45,818	1.49%
Commercial	1,751	228,648	.77%	875	175,052	.50%
Consumer	21	94	22.34%	43	2,281	1.89%
	$ 3,400	$373,051	.91%	$1,947	$297,552	.65%
Discounted loans:						
Single-family	$ 3,872	$279,960	1.38%	$ --	$271,246	--%
Multi-family	3,459	299,638	1.15%	--	128,718	--%
Commercial	4,273	340,090	1.26%	--	269,807	--%
	$11,604	$919,688	1.26%	$ --	$669,771	--%

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

The following table summarizes activity in the allowance for loan losses by portfolio and property type during the nine months ended September 30, 1996.

	BALANCE DECEMBER 31, 1995	ADDITIONS	CHARGE-OFFS	RECOVERIES	BALANCE SEPTEMBER 30, 1996
			(DOLLARS IN THOUSANDS)		
Loan portfolio:					
Single-family	$ 346	$ 247	$ (210)	$ --	$ 383
Multi-family	683	569	(7)	--	1,245
Commercial	875	876	--	--	1,751
Consumer	43	7	(29)	--	21
	$1,947	$ 1,699	$(246)	$ --	$3,400
Discounted loans:					
Single-family	$ --	$ 7,714	$(3,936)	$ 94	$3,872
Multi-family	--	4,070	(611)	--	3,459
Commercial	--	5,356	(1,083)	--	4,273
	$ --	$17,140	$(5,630)	$ 94	$11,604

INVESTMENTS IN LOW-INCOME HOUSING TAX CREDIT INTERESTS. At September 30, 1996 the Company had $104.2 million of investments in low-income housing tax credit interests as compared to $81.4 million at December 31, 1995, an increase of $22.9 million or 28%.

Investments by the Company in low-income housing tax credit interests made on or after May 18, 1995 in which the Company invests solely as a limited partner, which amounted to $10.5 million at September 30, 1996, are accounted for using the equity method in accordance with the consensus of the Emerging Issues Task Force through issue number 94-1. For the Company's limited partnership investments made prior to this date, which amounted to $56.6 million at September 30, 1996, the Company records its receipt of tax credits and other tax benefits on a level yield basis over the 15-year obligation period and reports the earned tax credits and tax benefits as a reduction of income tax expense. Low-income housing tax credit partnerships in which the Company invests as both a limited and, through a subsidiary, general partner amounted to $37.1 million at September 30, 1996 and are presented on a consolidated basis.

The Company's investments in low-income housing tax credit interests provide tax credits, which can be claimed over a ten-year period on a straight-line basis once the underlying multi-family residential properties are placed in service, to reduce the Company's 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.

INVESTMENT IN JOINT VENTURE. GENERAL. On March 22, 1996, the Company was notified by HUD that the LLC in which the Company and a co-investor each have a 50% interest was the successful bidder to purchase 16,196 single-family residential loans offered by HUD at an auction (the "HUD Loans"), and on April 10, 1996 the LLC consummated the acquisition of the HUD Loans. Many of the loans, which had an aggregate unpaid principal balance of $741.2 million, were not performing in accordance with the terms of the loans or an applicable forbearance agreement.

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

On October 15, 1996, the LLC completed a $502.6 million securitization of the majority of the loans purchased from HUD. The Company sold a portion of its share of the securities totaling approximately $136.1 million and recognized a gain of approximately $22.0 million which will impact fourth quarter net income by approximately $11.6 million. The Company continues to service such loans and is paid a servicing fee.

DESCRIPTION OF THE HUD LOANS. All of the HUD Loans are secured by first mortgage liens on single-family residential properties. The HUD Loans were acquired by HUD pursuant to various assignment programs of the FHA. Under programs of the FHA, a lending institution may assign a FHA-insured loan to HUD because of an economic hardship on the part of the borrower which precludes the borrower from making the scheduled principal and interest payment on the loan. FHA-insured loans also are automatically assigned to HUD upon the 20th anniversary of the mortgage loan. In most cases, loans assigned to HUD after this 20-year period are performing under the original terms of the loan. Once a loan is assigned to HUD, the FHA insurance has been paid and the loan is no longer insured. As a result, none of the HUD Loans acquired by the LLC are insured by the FHA.

HUD assistance to borrowers is provided 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 original monthly payment to make up for arrearages. Forbearance agreements are 12 months in duration and the borrower may be granted up to a maximum of three consecutive 12-month plans. Under the terms of the contract governing the sale of the HUD Loans, the LLC and the Company, as the servicer of the HUD Loans, are obligated to comply with the terms of the forbearance agreements, which may be written or verbal in nature, until the term of the forbearance agreement expires or there is a default under the forbearance agreement.

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

	SEPTEMBER 30, 1996	
	AMOUNT	% OF HUD LOANS
	(DOLLARS IN THOUSANDS)	
HUD Loans without Forbearance Agreements:		
Current	$ 70,186	11.2%
Past due less than 90 days	7,626	1.2
Past due 90 days or more	150,955	24.0
	228,767	36.4
HUD Loans with Forbearance Agreements:		
Current	13,641	2.2
Past due less than 90 days	9,255	1.5
Past due 90 days or more	376,817	59.9
	399,713	63.6
Total	$628,480	100.0%

Discounted loans, net, of the LLC consist of the following (dollars in thousands):

	SEPTEMBER 30, 1996
Single-family residential	$ 628,480
Unaccreted discount	(91,843)
Allowance for losses	(2,697)
Discounted loans, net	$ 533,940

The following table sets forth the activity in the gross discounted loan portfolio of the LLC during the periods indicated.

	THREE MONTHS ENDED SEPTEMBER 30, 1996		APRIL 10, 1996 THROUGH SEPTEMBER 30, 1996	
	BALANCE	NO. OF LOANS	BALANCE	NO. OF LOANS
	(DOLLARS IN THOUSANDS)			
Balance at beginning of period	$660,946	14,209	$ --	--
Acquisitions	--	--	741,176	16,196
Resolutions and repayments	(22,993)	(454)	(41,205)	(808)
Loans transferred to real estate owned	(9,473)	(151)	(9,606)	(153)
Sales	--	--	(61,885)	(1,631)
Balance at end of period	$628,480	13,604	$628,480	13,604

In connection with the acquisition of the HUD Loans, the LLC established an allowance for loan losses based primarily on the Company's evaluation of credit risk inherent in the HUD loans and the methodology adopted by the Company during 1996 for establishing an allowance for loan losses related to its discounted loan portfolio. Provisions for loan losses are based on numerous factors, including the state of national and regional economies, real estate values in the areas in which the properties which secure the HUD loans are located and the performance of the HUD loans.

The following table summarizes activity in the allowance for loan losses of the LLC during the following periods (dollars in thousands):

	THREE MONTHS ENDED SEPTEMBER 30, 1996	APRIL 10, 1996 THROUGH SEPTEMBER 30, 1996
Balance at beginning of period	2,819	--
Additions	8	$2,921
Charge-offs	(130)	(224)
Recoveries	--	--
Balance at end of period	2,697	2,697

REAL ESTATE OWNED ("REO"). Properties acquired through foreclosure or by deed-in-lieu thereof are valued at the lower of amortized cost or fair value. Properties included in the Company's real estate owned are periodically re-evaluated to determine that they are being carried at the lower of cost or fair value less estimated costs to sell. Holding and maintenance costs related to properties are recorded as expenses in the period incurred. Deficiencies 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. In addition, beginning in 1996, the Company has also established a $2.9 million general valuation allowance to supplement its existing policy for valuing real estate owned, to account for the inherent imprecision in the estimation of fair value on individual properties.

Real estate owned, net of specific market valuation allowances, is held for sale and was comprised of the following at the dates indicated:

	SEPTEMBER 30, 1996	DECEMBER 31, 1995
	(DOLLARS IN THOUSANDS)	
Discounted loan portfolio:		
Single-family residential	$ 56,245	$ 75,144
Multi-family	19,430	59,932
Commercial real estate	36,478	31,218
Total discounted loan portfolio	112,153	166,294
Loan portfolio	600	262
Loans available for sale portfolio	2,215	--
	$114,968	$166,556

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

	THREE MONTHS ENDED SEPTEMBER 30, 1996	THREE MONTHS ENDED SEPTEMBER 30, 1995	NINE MONTHS ENDED SEPTEMBER 30, 1996	NINE MONTHS ENDED SEPTEMBER 30, 1995
	(DOLLARS IN THOUSANDS)			
Balance at beginning of period	$ 9,736	$ 3,874	$4,606	$3,937
Provision for loss in fair value	4,013	2,733	13,801	7,768
Charge-offs and sales	(2,776)	(1,654)	(7,434)	(6,752)
Balance at end of period	$10,973	$ 4,953	$10,973	$ 4,953

The following table sets forth the activity in the real estate owned portfolio during the periods indicated.

	THREE MONTHS ENDED SEPTEMBER 30, 1996 AMOUNT	1996 NO. OF PROPERTIES	1995 AMOUNT	1995 NO. OF PROPERTIES
	(DOLLARS IN THOUSANDS)			
Balance at beginning of period	$133,604	1,024	$152,489	1,153
Properties acquired through foreclosure or deed-in-lieu thereof	35,559	253	42,725	243
Acquired in connection with acquisitions of discounted loans	674	4	3,454	27
Sales	(53,632)	(373)	(30,574)	(250)
Change in allowance	(1,237)	--	(1,079)	--
Balance at end of period	$114,968	908	$167,015	1,173

	NINE MONTHS ENDED SEPTEMBER 30,			
	1996		1995	
	AMOUNT	NO. OF PROPERTIES	AMOUNT	NO. OF PROPERTIES
	(DOLLARS IN THOUSANDS)			
Balance at beginning of period	$166,556	1,070	$96,667	1,018
Properties acquired through foreclosure or deed-in-lieu thereof	78,818	716	157,761	827
Acquired in connection with acquisitions of discounted loans	2,314	7	16,872	236
Sales	(126,353)	(885)	(103,269)	(908)
Change in allowance	(6,367)	--	(1,016)	--
Balance at end of period	$114,968	908	$167,015	1,173

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

	SEPTEMBER 30, 1996	DECEMBER 31, 1995
	(DOLLARS IN THOUSANDS)	
One to two months	$ 28,719	$ 25,398
Three to four months	12,218	22,671
Five to six months	11,638	25,742
Seven to twelve months	17,107	76,817
Over twelve months	45,286	15,928
	$114,968	$166,556

DEFERRED TAX ASSET. At September 30, 1996 the deferred tax asset, net of deferred tax liabilities, amounted to $18.2 million, a decrease of $4.1 million from the $22.3 million net deferred tax asset at December 31, 1995. Beginning in the second quarter of 1996, the Company reclassified its deferred tax assets associated with its tax residuals as deferred tax assets. Previously such amounts were included as mortgage-related securities. The statement of financial condition at December 31, 1995 has also been restated to reflect this change. At September 30, 1996, the gross deferred tax asset amounted to $32.0 million and consisted primarily of $19.8 million related to tax residuals and deferred income thereon, $2.1 million mark-to-market adjustments and reserves related to real estate owned, and $2.1 million of deferred interest expense on the discounted loan portfolio, $1.9 million of net deferred state taxes, $1.5 million mark-to-market on securities available for sale, and the gross deferred tax liability amounted to $13.8 million and consisted primarily of $4.9 million of bad debt reserves established for tax purposes in excess of book reserves and $6.7 million of deferred interest income on the discounted loan portfolio. At December 31, 1995, the gross deferred tax asset amounted to $30.6 million, of which $26.3 million related to tax residuals and deferred income thereon, and the gross deferred liability amounted to $9.6 million and consisted primarily of $6.8 million of bad debt reserves established for tax purposes in excess of book reserves and $2.4 million of deferred interest income on the discounted loan portfolio.

As a result of the Company's earnings history, current tax position and taxable income projections, management believes that the Company will generate sufficient taxable income in future years to realize the deferred tax asset which existed at September 30, 1996. In evaluating the expectation of sufficient future taxable income, management considered future reversals of temporary differences and available tax planning strategies that could be implemented, if required. A valuation allowance was not required at September 30, 1996 because it was management's assessment that, based on available information, it is more likely than not that all of the deferred tax asset will be realized. A valuation allowance will be established in the future to the extent of a change in management's assessment of the amount of the net deferred tax asset that is expected to be realized.

DEPOSITS. Deposits increased by $148.7 million or 10% from December 31, 1995 to September 30, 1996. Of the Company's $1.65 billion of deposits at September 30, 1996, $1.10 billion or 67% were certificates of deposit originated through investment banking firms while $421.5 million or 26% were certificates of deposit originated internally on a direct and co-broker basis to institutional investors. At September 30, 1996 the Company had $132.0 million of certificates of deposit in amounts of $100,000 or more, including $33.2 million of deposits of states and political subdivisions in the U.S. which are secured or collateralized as required under state law. For additional information, see "-Liquidity, Commitments and Off-Balance Sheet Risks" below.

SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE. Although securities sold under agreements to repurchase averaged $15.9 million during the nine months ended September 30, 1996 and had a maximum month-end balance of $84.3 million during the nine months ended September 30, 1996, the Company had no reverse repurchase agreements outstanding at September 30, 1996.

NOTES AND SUBORDINATED DEBENTURES. On September 25, 1996, Ocwen completed the public offering of $125.0 million of 11.875% Notes due 2003 at 100% with interest payable semi-annually on April 1 and October 1 of each year, commencing April 1, 1997. Proceeds from the offering of the Notes amounted to approximately $120,156 (net of underwriting discount). On September 30, 1996, $50.0 million of the proceeds were contributed to the Bank to support future growth. The remainder of the proceeds retained by the Company are available for general corporate purposes. For additional information, see Note 8 to the Interim Consolidated Financial Statements.

STOCKHOLDERS' EQUITY. Stockholders' equity increased by $33.1 million or 24% from December 31, 1995 to September 30, 1996. The increase in stockholders' equity during this period was primarily attributable to net income of $25.1 million for the first nine months of 1996, a decrease of $1.0 million in the unrealized loss on securities available for sale, a $13.0 million increase in common stock and additional paid-in capital due to the issuance of 2,928,200 shares of common stock in connection with the exercise of vested stock options by certain of the Company's and Bank's current and former officers and directors offset by the issuance of $5.8 million of loans to certain of these officers and directors to fund their exercise of such options. See Note 9 and the Consolidated Statements of Changes in Stockholders' Equity in the Interim Consolidated Financial Statements.

ASSET AND LIABILITY MANAGEMENT

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

The Asset/Liability Committee is authorized to utilize a wide variety of off-balance sheet financial techniques to assist it in the management of interest rate risk. These techniques include interest rate exchange agreements, pursuant to which the parties exchange the difference between fixed-rate and floating-rate interest payments on a specified principal amount (referred to as the "notional amount") for a specified period without the exchange of the underlying principal amount. Interest rate exchange agreements are utilized by the Company to protect against the decrease in value of a fixed-rate asset or the increase in borrowing cost from a short-term, fixed-rate liability, such as reverse repurchase agreements, in an increasing interest-rate environment. Although the Company had no interest rate exchange agreements outstanding during 1996, interest rate exchange agreements had the effect of increasing the Company's net interest income by $31,000 and $334,000 during the three and nine months ended September 30, 1995.

In recent periods, the Company also entered 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 adjustable-rate mortgage-backed securities and 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 multi-family residential loans and certain fixed-rate mortgage-backed and related securities available for sale in the event of an increasing interest rate environment. At September 30, 1996, the Company had entered into Eurodollar futures (short) contracts with an aggregate notional amount of $492.0 million and U.S. Treasury futures (short) contracts with an aggregate notional amount of $385.4 million. Futures contracts had the effect of decreasing the Company's net interest income by $159,000 and $540,000 during the three and nine months ended September 30, 1996, respectively, and increasing the Company's net interest income by $155,000 and $162,000 during the three and nine months ended September 30, 1995.

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

The following table sets forth the estimated maturity or repricing of the Company's interest-earning assets and interest-bearing liabilities at September 30, 1996. 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 discounted 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 discounted loans reflect the estimated timing of resolutions which result in repayment to the Company, (iv) fixed-rate loans reflect scheduled contractual amortization, with no estimated prepayments, (v) NOW and money market checking deposits and savings deposits, which do not have contractual maturities, reflect estimated levels of attrition, which are based on detailed studies of each such category of deposit by the Company, and (vi) escrow deposits and other non-interest bearing checking accounts, which amounted to $27.8 million at September 30, 1996, are excluded. Management believes that these assumptions approximate actual experience and considers them reasonable; however, the interest rate sensitivity of the Company's assets and liabilities in the table could vary substantially if different assumptions were used or actual experience differs from the historical experience on which the assumptions are based.

	SEPTEMBER 30, 1996				
	WITHIN 3 MONTHS	4 TO 12 MONTHS	MORE THAN 1 YEAR TO 3 YEARS	3 YEARS AND OVER	TOTAL
	(DOLLARS IN THOUSANDS)				
Rate-Sensitive Assets:					
Interest-earning cash, federal funds sold and repurchase agreements	$202,173	$ --	$ --	$ --	$ 202,173
Securities available for sale	15,780	45,329	52,720	121,476	235,305
Loans available for sale(1)	4,750	34,510	4,958	26,030	70,248
Investment securities, net	--	--	--	8,902	8,902
Loan portfolio, net(1)	133,689	80,191	53,317	102,454	369,651
Discounted loan portfolio, net	268,305	261,548	92,908	285,323	908,084
Total rate-sensitive assets	624,697	421,578	203,903	544,185	1,794,363
Rate-Sensitive Liabilities:					
NOW and money market checking deposits	29,329	3,369	3,818	19,132	55,648
Savings deposits	379	431	474	1,894	3,178
Certificates of deposit	379,282	444,773	329,149	413,393	1,563,597
Total interest-bearing deposits	405,990	448,573	333,441	434,419	1,622,423
FHLB advances	70,000	399	--	--	70,399
Notes, debentures and other	--	--	--	100,000	100,000
Other interest-bearing obligations	7,365	--	--	133,304	140,669
Total rate-sensitive liabilities	483,355	448,972	333,441	667,723	1,933,491
Interest rate sensitivity gap before off-balance sheet financial instruments	141,342	(27,394)	(129,538)	(123,538)	(139,128)
Off-Balance Sheet Financial Instruments:					
Futures contracts	800,791	(187,055)	(181,788)	(431,948)	--
Interest rate sensitivity gap	$942,133	$(214,449)	$(311,326)	$(555,486)	$(139,128)
Cumulative interest rate sensitivity gap	$942,133	$ 727,684	$ 416,358	$(139,128)	
Cumulative interest rate sensitivity gap as a percentage of total rate-sensitive assets	52.51%	40.55%	23.20%	(7.75)%	

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

The Company's rate-sensitive liabilities exceeded its rate-sensitive assets at September 30, 1996 primarily because rate-sensitive assets do not include $104.2 million of investments in low-income housing tax credit interests, a $60.9 million investment in joint venture and $115.0 million of real estate owned.

Exclusive of futures contracts, the Company's cumulative one-year interest rate sensitivity gap was $113.9 million or 6% of total rate-sensitive assets at September 30, 1996. The Company's futures contracts generally are intended to maintain the values of certain assets, primarily securities available for sale, in increasing interest rate environments. Also included in off-balance sheet financial instruments is $162.5 million of futures contracts related to the Company's investment in a joint venture formed to acquire discounted loans.

Although interest rate sensitivity gap is a useful measurement and contributes toward effective asset and liability management, it is difficult to predict the effect of changing interest rates based solely on that measure. As a result, and as required by OTS regulations, the Asset/Liability Committee also regularly reviews interest rate risk by forecasting the impact of alternative interest rate environments on net interest income and market value of portfolio equity ("MVPE"), which is defined as the net present value of an institution's existing assets, liabilities and off-balance sheet instruments, and evaluating such impacts against the maximum potential changes in net interest income and MVPE that is authorized by the Board of Directors of the Bank. At September 30, 1996, management estimates that the estimated percentage change in the Company's net interest income over the ensuing four quarter period as a result of a 200 basis point increase or decrease in interest rates would be an approximately 10.6% increase or decrease, respectively. In addition, at

September 30, 1996, management estimates that the estimated percentage change in the Company's MVPE over the ensuing four quarter period as a result of a 200 basis point increase or decrease in interest rates would be an approximate 2.5% decrease and 0.7% increase, respectively. The maximum potential changes in MVPE and net interest income authorized by the Board of Directors of the Company in the event of a 200 basis point change in interest rates is 30% and, thus, the Company's asset and liability position currently is in compliance with the policy adopted by its Board of Directors.

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

LIQUIDITY, COMMITMENTS AND OFF-BALANCE SHEET RISKS

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

Sources of liquidity include certificates of deposit obtained from wholesale and retail sources. At September 30, 1996 the Company had $1.56 billion of certificates of deposit, including $1.10 billion of brokered certificates of deposit. At the same date scheduled maturities of certificates of deposit during the 12 months ending September 30, 1997 and 1998 and thereafter amounted to $815.1 million, $332.9 million and $415.6 million, respectively. Brokered and other wholesale deposits generally are more responsive to changes in interest rates than core deposits and, thus, are more likely to be withdrawn from the Company upon maturity as changes in interest rates and other factors are perceived by investors to make other investments more attractive. Management of the Company believes that it can adjust the rates paid on certificates of deposit to retain deposits in changing interest rate environments, however, and that brokered and other wholesale deposits can be both a relatively cost-effective and stable source of funds. There can be no assurance that this will continue to be the case in the future. The Company's non-interest-bearing checking accounts, escrow deposits, NOW and money market checking accounts and savings accounts amounted to $86.7 million or 5% of the Company's total deposits at September 30, 1996, as compared to $69.1 million or 5% of total deposits at December 31, 1995.

Sources of borrowings include FHLB advances, which are required to be secured by single-family and/or multi-family residential loans or other acceptable collateral, and reverse repurchase agreements. At September 30, 1996, the Company had $70.4 million of FHLB advances outstanding, was eligible to borrow up to an aggregate of $660.2 million from the FHLB of New York to the extent assets are available to be pledged as security pursuant to the policies and programs in effect at that bank and had $79.2 million of single-family residential loans, $10.5 million of multi-family residential loans and $33.6 million of loans secured by hotel properties which could be pledged as security for such advances. At the same date, the Company had contractual relationships with 12 brokerage firms and the FHLB of New York pursuant to which it could obtain funds from reverse repurchase agreements and had $189.2 million of unencumbered mortgage-related securities which could be used to secure such borrowings.

The Company's operating activities provided cash flows of $188.5 million and used cash flows of $124.1 million during the nine months ended September 30, 1996 and 1995, respectively. During the foregoing periods 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 used cash flows totaling $228.2 million and $151.3 million during the nine months ended September 30, 1996 and 1995, respectively. During the foregoing periods, cash flows from investing activities were provided primarily by principal payments on discounted loans and loans held for investment, proceeds from sales of securities available for sale and real estate owned, and cash flows from investing activities were primarily utilized to purchase and originate discounted loans and loans held for investment and purchase securities available for sale.

The Company's financing activities provided $194.6 million and $305.0 million during the nine months ended September 30, 1996 and 1995, respectively. Cash flows from financing activities primarily relate to changes in the Company's deposits, issuance of the Notes in 1996 by the Company and issuance of the Debentures by the Bank in 1995.

On a parent-only basis, the principal source of funds of the Company has been and will continue to be the receipt of dividends and other distributions from the Bank. The Bank is permitted, subject to certain limitations under federal regulations and restrictions contained in the indenture related the Company's issuance of the Debentures, to pay dividends to the Company. At September 30, 1996, the Bank could have distributed $48.1 million to the Company under the terms of the indenture, with 30 day's notice to the OTS.

The Bank is required under applicable federal regulations to maintain specified levels of "liquid" investments in qualifying types of U.S. Government, federal agency and other investments having maturities of five years or less. Current OTS regulations require that a savings association maintain liquid assets of not less than 5% of its average daily balance of net withdrawable deposit accounts and borrowings payable in one year or less, of which short-term liquid assets must consist of not less than 1%. Monetary penalties may be imposed for failure to meet applicable liquidity requirements. The Bank's liquidity, as measured for regulatory purposes, averaged 9.63% during the nine months ended September 30, 1996, respectively, and amounted to 8.38% at September 30, 1996.

At September 30, 1996, the Company had $218.0 million of unfunded commitments related to purchases and originations of loans. Management of the Company believes that the Company has adequate resources to fund all of its commitments to the extent required and that substantially all of such commitments will be funded during 1996. For additional information relating to commitments and contingencies at September 30, 1996, see Note 11 to the Interim Consolidated Financial Statements.

REGULATORY CAPITAL REQUIREMENTS

Federally-insured savings associations such as the Bank are required to maintain minimum levels of regulatory capital. These standards generally must be as stringent as the comparable capital requirements imposed on national banks. The OTS also is authorized to impose capital requirements in excess of these standards on individual associations on a case-by-case basis.

The following table sets forth the regulatory capital ratios of the Bank at September 30, 1996.

	REQUIRED		ACTUAL		EXCESS	
	PERCENTAGE	AMOUNT	PERCENTAGE	AMOUNT	PERCENTAGE	AMOUNT
			(DOLLARS IN THOUSANDS)			
Tangible capital	1.50%	$34,620	8.65%	$199,676	7.15%	$165,056
Core (leverage) capital	3.00%	69,239	8.65%	199,676	5.65%	130,437
Risk-based capital (1)	8.00%	185,027	13.64%	315,431	5.64%	130,404

(1) Reflects the inclusion of $100 million principal amount of the Debentures and $15.8 million of general loan valuation allowances in supplementary capital.

For a reconciliation of the Bank's regulatory capital and its stockholders' equity under generally accepted accounting principles at September 30, 1996, see Note 10 to the Interim Consolidated Financial Statements.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

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

At the Company's Annual Meeting of Shareholders held on July 12, 1996, the following individuals were elected to the Board of Directors:

	Votes for	Votes Withheld
William C. Erbey	19,637,070	0
W. C. Martin	19,637,070	0
Howard H. Simon	19,637,070	0
Barry N. Wish	19,637,070	0

The following proposals were approved at the Company's Annual Meeting:

	Affirmative Votes	Negative Votes	Abstentions
1. Amendment of the Company's Articles of Incorporation to (i) increase the number of authorized shares of Common Stock to 200,000,000, (ii) increase the number of authorized shares of Preferred Stock to 20,000,000 and (iii) decrease the par value of the authorized Preferred Stock to $0.01 per share	19,637,070	0	0
2. Approve the Company's 1991 Non-Qualified Stock Option Plan	19,632,670	4,400	0
3. Approve the Company's 1996 Stock Plan for Directors	19,632,670	4,400	0
4. Ratify the appointment of Price Waterhouse LLP as independent auditors for the fiscal year ending December 31, 1996	19,637,070	0	0

ITEM 5. OTHER INFORMATION

On July 30, 1996, the Company's Board of Directors declared a ten-for-one split of the Common Stock in the form of a stock dividend which was paid to holders of record on July 31, 1996.

PART II - OTHER INFORMATION (CONT'D)

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

10 Ocwen Financial Corporation 1996 Stock Plan for Directors (replaces copy of Plan previously filed as Exhibit 10.3 to the Company's Registration Statement on Form S-1, File No. 333-05153).

27 Financial Data Schedule

(b) No reports on Form 8-K were filed during the quarter ending September 30, 1996.

SIGNATURE

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

Ocwen Financial Corporation

By: /s/ Christine A. Reich

Christine A. Reich,
Managing Director and
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial Officer)

Date: November 13, 1996

EXHIBIT 10

OCWEN FINANCIAL CORPORATION
1996 STOCK PLAN FOR DIRECTORS

SECTION 1. INTRODUCTION

1.1 ESTABLISHMENT. Ocwen Financial Corporation, a Florida corporation (the "Company"), has established the 1996 Stock Plan for Directors (the "Plan") for all Directors of the Company, including Directors who are officers or employees of the Company or its subsidiaries. The Plan provides, among other things, for the payment of the Annual Director's Fee in the form of Restricted Stock and for the payment of the Annual Committee Chair's Fee in the form of Restricted Stock. Unless otherwise provided for herein, the term Company includes Ocwen Financial Corporation and its subsidiaries.

1.2 PURPOSES. The purposes of the Plan are to encourage Directors to own shares of the Company's stock and thereby to align their interests more closely with the interests of the other shareholders of the Company, to encourage the highest level of Director performance and to provide a financial incentive that will help attract and retain the most qualified Directors.

SECTION 2. DEFINITIONS

2.1 DEFINITIONS. The following terms shall have the meanings set forth below:

(a) "ANNUAL COMMITTEE CHAIR'S FEE" means the annual amount established from time to time by the Board as the annual fee to be paid to Directors for their services as chairs of standing committees of the Board.

(b) "ANNUAL DIRECTOR'S FEE" means the annual amount (which may be prorated for a Director serving less than a full one year term, as in the case of a Director who will be retiring or not standing for reelection at the annual meeting of shareholders or a Director joining the Board after the annual meeting of shareholders) established from time to time by the Board as the annual fee to be paid to Directors for their services as directors.

(c) "ATTENDANCE PERCENTAGE" for a Director with respect to a particular Grant Year means the percentage of the aggregate of all meetings of the Board and committees of which the Director was a member held during the Grant Year (or, for Directors who are elected after the beginning of the Grant Year, Directors who retire at the next annual meeting of shareholders, Directors who do not stand for reelection at the next annual meeting of shareholders or Directors who die during the Grant Year, the aggregate of all such meetings held for the portion of the Grant Year during which the Director served as a director), which were attended by the Director. In the event that a Director ceases to be a director at any time during the Grant Year for any reason other than retirement at the annual meeting of shareholders, not standing for reelection at the annual meeting of shareholders, or death, all meetings held during the Grant Year of the

Board and committees of which he was a member at the time of termination of service will continue to be included as meetings when calculating the Attendance Percentage.

(d) "BOARD" means the Board of Directors of the Company.

(e) "CAUSE" means any act of (a) fraud or intentional misrepresentation or (b) embezzlement, misappropriation or conversion of assets or opportunities of the Company or any of its direct or indirect majority-owned subsidiaries.

(f) "CHANGE IN CONTROL" shall have the meaning assigned to it in Section 6.2 hereof.

(g) "COMMITTEE" means the Compensation Committee of the Board or any successor established by the Board.

(h) "DIRECTOR" means a member of the Board, including a member who is an officer or an employee of the Company.

(i) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended from time to time.

(j) "EXISTING PRINCIPAL STOCKHOLDERS" means, individually or collectively, William C. Erbey, Barry N. Wish and Harold D. Price and their respective estates, spouses, heirs, ancestors, lineal descendants, legatees and legal representatives of any of the foregoing, the trustee of any bona fide trust of which one or more of the foregoing are the trustees or the majority beneficiaries, and any entity of which any of the foregoing, individually or collectively, beneficially owns more than fifty percent (50%) of the voting securities thereof.

(k) "FAIR MARKET VALUE" means the mean of the high and low prices of the Stock as reported by the Nasdaq National Market (or such successor reporting system as shall be selected by the Committee) on the relevant date or, if no sale of the Stock shall have been reported for that day, the average of such prices on the next preceding day and the next following day for which there were reported sales.

(l) "GRANT DATE" means the date of grant pursuant to Section 5.1.

(m) "GRANT YEAR" means, as to a particular award, the 12 full calendar months following the date on which the award was granted.

(n) "INTERNAL REVENUE CODE" means the Internal Revenue Code of 1986, as amended from time to time.

(o) "RESTRICTED STOCK" means shares of Stock awarded to a Director pursuant to Section 5 and subject to certain restrictions in accordance with the Plan.

(p) "RESTRICTED STOCK AWARD" means an award of shares of Restricted Stock granted to a Director pursuant to Section 5 of the Plan.

(q) "STOCK" means the common stock, $0.01 par value, of the Company.

2.2 GENDER AND NUMBER. Except when otherwise indicated by the context, the masculine gender shall also include the feminine gender, and the definition of any term herein in the singular shall also include the plural.

SECTION 3. PLAN ADMINISTRATION

(a) The Plan shall be administered by the Committee. The members of the Committee shall be members of the Board appointed by the Board, and any vacancy on the Committee shall be filled by the Board.

The Committee shall keep minutes of its meetings and of any action taken by it without a meeting. A majority of the Committee shall constitute a quorum, and the acts of a majority of the members present at any meeting at which a quorum is present shall be the acts of the Committee. Any action that may be taken at a meeting of the Committee may be taken without a meeting if a consent or consents in writing setting forth the action so taken shall be signed by all of the members of the Committee. The Committee shall make appropriate reports to the Board concerning the operations of the Plan.

(b) Subject to the limitations of the Plan, the Committee shall have the sole and complete authority: (i) to impose such limitations, restrictions and conditions upon such awards as it shall deem appropriate; (ii) to interpret the Plan and to adopt, amend and rescind administrative guidelines and other rules and regulations relating to the Plan; and (iii) to make all other determinations and to take all other actions necessary or advisable for the implementation and administration of the Plan. Notwithstanding the foregoing, the Committee shall have no authority, discretion or power to select the Directors who will receive awards pursuant to the Plan, determine the awards to be granted pursuant to the Plan, the number of shares of Stock to be issued thereunder or the price thereof or the time at which such awards are to be granted, establish the duration and nature of awards or alter any other terms or conditions specified in the Plan, except in the sense of administering the Plan subject to the provisions of the Plan. The Committee's determinations on matters within its authority shall be conclusive and binding upon the Company and all other persons. The Plan shall be interpreted and implemented in a manner so that Directors will not fail, by reason of the Plan or its implementation, to be "disinterested persons" within the meaning of Rule 16b-3 under Section 16 of the Exchange Act, as such rule may be amended, or any successor rule.

(c) Notwithstanding anything to the contrary contained in the Plan, the Plan also may be administered by the Board until such time as the Stock is registered under the Exchange Act, following which time the Plan also may be administered by the Board only to the extent permitted by Rule 16b-3 of the Exchange Act, as such rule may be amended, or any successor rule. In the event of such administration by the Board, all references to the Committee in the Plan shall be deemed to refer to the Board.

(d) The Company shall be the sponsor of the Plan. All expenses associated with the Plan shall be borne by the Company.

SECTION 4. STOCK SUBJECT TO THE PLAN

4.1 NUMBER OF SHARES. 25,000 shares of Stock are authorized for issuance under the Plan in accordance with the provisions of the Plan, subject to adjustment and substitution as set forth in this Section 4. This authorization may be increased from time to time by approval of the Board and, if such approval is required, by the shareholders of the Company. The Company shall at all times during the term of the Plan retain as authorized and unissued Stock at least the number of shares from time to time required under the provisions of the Plan, or otherwise assure itself of its ability to perform its obligations hereunder.

4.2 OTHER SHARES OF STOCK. Any shares of Stock that are subject to a Restricted Stock Award and which are forfeited, and any shares of Stock that for any other reason are not issued to a Director, shall automatically become available again for use under the Plan if Rule 16b-3 under the Exchange Act, as such rule may be amended, or any successor rule, and interpretations thereof by the Securities and Exchange Commission or its staff permit such share replenishment.

4.3 ADJUSTMENTS UPON CHANGES IN STOCK. If after adoption of the Plan by the Board there shall be any change in the Stock of the Company, through merger, consolidation, division, share exchange, combination, reorganization, recapitalization, stock dividend, stock split, spinoff, split up, dividend in kind or other change in the corporate structure or distribution to the shareholders, appropriate adjustments may be made by the Committee (or, if the Company 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 Plan, and the number and kind of shares which may be issued under the Plan. Appropriate adjustments may also be made by the Committee in the terms of any awards under the Plan to reflect such changes and to modify any other terms of outstanding awards on an equitable basis as the Committee in its discretion determines.

SECTION 5. RESTRICTED STOCK AWARDS.

5.1 GRANTS OF RESTRICTED STOCK AWARDS.

(a) Each Director will receive the value of his Annual Director's Fee in the form of a Restricted Stock Award. Such Restricted Stock shall be granted automatically each year immediately following the annual meeting of shareholders and the organization meeting of the Board related to such annual meeting of shareholders, beginning with the annual meeting of shareholders and related organization meeting held in 1996, to each Director who is elected to the Board. If a person is elected to the Board at any time other than the annual meeting of shareholders, whether by action of the shareholders of the Company or the Board, such person upon becoming a Director shall be granted automatically the value of his or her Annual Director's Fee for that period remaining prior to the next annual meeting of shareholders in the form of a Restricted Stock Award immediately following such person's election to the Board.

(b) Each Director who is the chair of a standing committee of the Board will receive the value of his Annual Committee Chair's Fee in the form of a Restricted Stock Award. Such Restricted Stock shall be granted automatically each year immediately following the annual meeting of shareholders and the organization meeting of the Board related to such annual meeting of shareholders, beginning with the annual meeting of shareholders and related organization meeting held in 1996, to each Director who is elected at such organization meeting to serve as the chair of a standing committee of the Board.

(c) The total number of shares of Stock representing any such Restricted Stock Award will be the number of shares determined by dividing the amount of the Annual Director's Fee or the Annual Committee Chair's Fee, as the case may be, to be paid in the form of a Restricted Stock Award by the Fair Market Value of a share of Stock on the Grant Date, rounded up to the nearest whole share.

(d) Notwithstanding anything to the contrary contained in the Plan, (i) each Director elected at the annual meeting of shareholders held in 1996 shall receive the value of his Annual Director's Fee and each Director who is elected as the chair of a standing committee of the Board at the related organization meeting held in 1996 shall receive the value of his Annual Committee Chair's Fee in the form of a Restricted Stock Award granted automatically on the date on which the Stock is registered under the Exchange Act, and (ii) the Grant Date for each Restricted Stock Award granted under Section 5.1(d)(i) shall for all purposes under the Plan be deemed to be the date of the annual meeting of shareholders held in 1996.

(e) Restricted Stock granted pursuant to Section 5.1 shall be subject to adjustment as provided in Section 4.3.

5.2 TERMS AND CONDITIONS OF RESTRICTED STOCK. Restricted Stock granted under the Plan shall be subject to the following terms and conditions:

(a) RESTRICTION PERIOD. Restricted Stock will be subject to a Restriction Period ("Restriction Period") beginning on the Grant Date and continuing through last day of the Grant Year.

(b) VESTING.

(1) Except as set forth in Section 5.2(b)(3), a Director's right to ownership in shares of Restricted Stock granted to a Director pursuant to Section 5.1(a) will vest on the first day of the month immediately following the expiration of the Restriction Period for such shares (the "Restricted Stock Vesting Date") if the Director has an Attendance Percentage of at least seventy-five percent (75%) for the Grant Year. In the event that a Director has an Attendance Percentage of less than seventy-five percent (75%) for the Grant Year, a number of shares of Restricted Stock equal to the Director's Attendance Percentage for the Grant Year multiplied by the total number of shares of Restricted Stock granted pursuant to Section 5.1(a) during the Grant Year (rounded up to the nearest whole share) will vest on the Restricted Stock Vesting Date and

the remaining shares of Restricted Stock granted pursuant to Section 5.1(a) during the Grant Year will be forfeited as of the Restricted Stock Vesting Date.

(2) Except as set forth in Section 5.2(b)(3), a Director's right to ownership in shares of Restricted Stock granted to a committee chair pursuant to Section 5.1(b) will vest on the Restricted Stock Vesting Date.

(3) Notwithstanding anything to the contrary herein, (i) in the event that a director is removed from office for Cause prior to the Restricted Stock Vesting Date, all of such Director's shares of Restricted Stock that have not yet vested will be forfeited immediately as of the time the grantee is so removed from office and the Company will have the right to complete the blank stock power described below with respect to such shares, and (ii) upon the occurrence of a Change in Control, all shares of Restricted Stock that have not yet vested will immediately vest.

(c) ISSUANCE OF SHARES. On the Grant Date, a certificate representing the shares of Restricted Stock will be registered in the Director's name and deposited by the Director, together with a stock power endorsed in blank, with the Company. Subject to the transfer restrictions set forth in Section 5.2(d) and to the last sentence of this Section 5.2(c), the Director as owner of shares of Restricted Stock will have the rights of the holder of such Restricted Stock during the Restriction Period. Following expiration of the Restriction Period, on the Restricted Stock Vesting Date, vested shares of Restricted Stock will be redelivered by the Company to the Director and nonvested shares of Restricted Stock will be forfeited and the Company will have the right to complete the blank stock power with respect to such shares. For shares of Restricted Stock granted prior to the effective date of the Plan as set forth in Section 11, no certificate will be issued, such shares will not be issued and outstanding, and the Director will not have any of the rights of the owner of the shares until such effective date has occurred.

(d) TRANSFER RESTRICTIONS; MANDATORY HOLDING OF STOCK. Except as otherwise provided in Section 5.5 or Section 7, shares of Restricted Stock are not transferable during the Restriction Period. Once the Restriction Period lapses and shares vest, except as otherwise provided in Section 5.5 or Section 7, shares acquired as a Restricted Stock Award must be held by the grantee for a minimum of: (1) three years from the Grant Date, (2) two years from the date the grantee ceases to be a director of the Company, or (3) until the occurrence of a Change in Control, whichever first occurs (the "Restricted Shares Holding Period").

(e) RESTRICTED STOCK AGREEMENT. All Restricted Stock Awards will be confirmed by an agreement, or an amendment thereto, which will be executed on behalf of the Company by the Chief Executive Officer, the President, any Managing Director, any Senior Vice President or any Vice President and the grantee.

(f) GENERAL RESTRICTIONS.

(1) The obligation of the Company to issue shares of Restricted Stock under the Plan shall be subject to the condition that, if at any time the Company shall determine that (a) the listing, registration or qualification of shares of Restricted Stock upon any securities market or exchange or under any state or federal law, or (b) the consent or approval of any government or

regulatory body is necessary or desirable, then such Restricted Stock shall not be issued unless such listing, registration, qualification, consent or approval shall have been effected or obtained free from any conditions not acceptable to the Company.

(2) Shares of Stock for use under the provisions of this Section 5 shall not be issued until they have been duly listed, upon official notice of issuance, upon the Nasdaq system and/or such other markets or exchanges, if any, as the Board shall determine, and a registration statement under the Securities Act of 1933 with respect to such shares shall have become, and be, effective.

Subject to the foregoing provisions of this Section 5.2 and the other provisions of the Plan, any shares of Restricted Stock granted under the Plan shall be subject to such restrictions and other terms and conditions, if any, as shall be determined by the Committee, in its discretion, and set forth in the agreement referred to in Section 5.2(e), or an amendment thereto; provided, however, that in no event shall the Committee or the Board have any power or authority which would cause the Directors to cease to be "disinterested persons" or would cause transactions pursuant to the Plan to cease to be exempt from the provisions of Section 16(b) of the Exchange Act pursuant to Rule 16b-3, as such rule may be amended, or any successor rule.

5.3 ANNUAL STATEMENT. A statement will be sent to each Director as to the status of his Restricted Stock at least once each calendar year.

5.4 DESIGNATION OF A BENEFICIARY. A Director may designate a beneficiary to hold shares of Restricted Stock in accordance with the Plan in the event of the Director's death.

5.5 HOLDING PERIOD APPLICABLE TO A DECEASED GRANTEE'S ESTATE. As long as at least six months have elapsed since the Grant Date, a properly designated beneficiary, or a person holding shares of Restricted Stock under a deceased grantee's will or under the applicable laws of descent or distribution, will not be subject to the Restricted Shares Holding Period with respect to such shares of Restricted Stock.

SECTION 6. CHANGE IN CONTROL

6.1 SETTLEMENT OF COMPENSATION. In the event of a Change in Control of the Company as defined herein, to the extent not already vested, all Stock Option Awards, Restricted Stock Awards and other benefits hereunder shall be vested immediately.

6.2 DEFINITION OF CHANGE IN CONTROL. A Change in Control shall mean the occurrence of one or more of the following events:

(a) there shall be consummated (i) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of the Company's Stock would be converted into cash, securities or other property, other than a merger of the Company in which the holders of the Company's Stock immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, or (ii) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company; or

(b) the shareholders of the Company shall approve of any plan or proposal for the liquidation or dissolution of the Company; or

(c)(i) any person (as such term is defined in Section 13(d) of the Exchange Act), corporation or other entity shall purchase any Stock of the Company (or securities convertible into the Company's Stock) for cash, securities or any other consideration pursuant to a tender offer or exchange offer, unless, prior to the making of such purchase of Stock (or securities convertible into Stock), the Board shall determine that the making of such purchase shall not constitute a Change in Control, or (ii) any person (as such term is defined in Section 13(d) of the Exchange Act), corporation or other entity (other than the Existing Principal Stockholders, the Company or any benefit plan sponsored by the Company or any of its subsidiaries) shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing forty percent (40%) or more of the combined voting power of the Company's then outstanding securities ordinarily (and apart from any rights accruing under special circumstances) having the right to vote in the election of directors (calculated as provided in Rule 13d-3(d) in the case of rights to acquire any such securities), unless, prior to such person so becoming such beneficial owner, the Board shall determine that such person so becoming such beneficial owner shall not constitute a Change in Control; or

(d) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board, or whose nomination for election by the shareholders of the Company was approved by a vote of a majority of the Directors then still in office who were either Directors at the beginning of such period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority of the Directors then in office.

SECTION 7. ASSIGNABILITY

The right to receive payments or distributions hereunder (including any "derivative security" issued pursuant to the Plan, as such term is defined by the rules promulgated under Section 16 of the Exchange Act) and any shares of Restricted Stock granted hereunder during the Restriction Period shall not be transferable or assignable by a director other than by will, by the laws of descent and distribution, to a properly designated beneficiary in the event of death, or pursuant to a domestic relations order as defined by Section 414(p)(1)(B) of the Internal Revenue Code or the rules thereunder that satisfies Section 414(p)(1)(A) of the Internal Revenue Code or the rules thereunder. In addition, Stock acquired as Restricted Stock shall not be transferable prior to the end of the applicable Restricted Shares Holding Period, if any, set forth in Sections 5.2(d) and 5.5, in either case other than by will, by transfer to a properly designated beneficiary in the event of death, by the applicable laws of descent and distribution or pursuant to a domestic relations order as defined by Section 414(p)(1)(B) of the Internal Revenue Code or the rules thereunder that satisfies Section 414(p)(1)(A) of the Internal Revenue Code or the rules thereunder.

SECTION 8. RETENTION; WITHHOLDING OF TAX

8.1 RETENTION. Nothing contained in the Plan or in any Restricted Stock Award granted under the Plan shall interfere with or limit in any way the right of the Company to remove any director from the Board pursuant to the Articles of Incorporation and the Bylaws of the Company, nor confer upon any director any right to continue in the service of the Company.

8.2 WITHHOLDING OF TAX. To the extent required by applicable law and regulation, each director must arrange with the Company for the payment of any federal, state or local income or other tax applicable to any payment or any delivery of Stock hereunder before the Company shall be required to make such payment, issue or, in the case of Restricted Stock, deliver such shares under the Plan.

SECTION 9. PLAN AMENDMENT, MODIFICATION AND TERMINATION

The Board may at any time terminate, and from time to time may amend or modify, the Plan; provided, however, that no amendment or modification may become effective without approval of the amendment or modification by the shareholders if shareholder approval is required to enable the Plan to satisfy any applicable statutory or regulatory requirements and provide further, that, unless otherwise permitted by the rules under Section 16 of the Exchange Act, no amendment or modification shall be made more than once every six months that would change the amount, price, or timing of the Restricted Stock Awards hereunder, other than to comport with changes in the Internal Revenue Code, the Employee Retirement Income Security Act of 1974, as amended, or the rules promulgated thereunder.

SECTION 10. REQUIREMENTS OF LAW

10.1 FEDERAL SECURITIES LAW REQUIREMENTS. Implementation and interpretations of, and transactions pursuant to, the Plan shall be subject to all conditions required under Rule 16b-3, as such rule may be amended, or any successor rule, to qualify such transactions for any exemption from the provisions of Section 16(b) of the Exchange Act available under that rule, or any successor rule, and to permit the Directors to be "disinterested persons" within the meaning of that rule, or any successor rule, insofar as the Plan or its implementation shall impact such disinterested status.

10.2 GOVERNING LAW. The Plan and all agreements hereunder shall be construed in accordance with and governed by the laws of the State of Florida.

SECTION 11. EFFECTIVE DATE OF AMENDMENT

The Plan shall be effective on the date on which the Stock is registered under the Exchange Act. The Plan shall not preclude the adoption by appropriate means of any other compensation or deferral plan for directors.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM OCWEN FINANCIAL CORPORATION'S CONSOLIDATED STATEMENT OF FINANCIAL CONDITION AND STATEMENT OF OPERATION AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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9-MOS
DEC-31-1996
JAN-01-1996
SEP-30-1996
7,278
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2,271
5,875
94
16,200
16,200
0
0

Includes Loans Available for sale of $70,248, Loan Portfolio of $369,651, and Discounted Loan Portfolio of $908,084.
Includes Allowance for Loan Losses on Loans Available for sale of $1,196, on Loan Portfolio of $3,400 and on Discounted Loan Portfolio of $11,604.