

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2005

OR

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

Commission File No. 1-13219

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.)

1661 Worthington Road, Suite 100, West Palm Beach, Florida 33409

(Address of principal executive offices) (Zip Code)

(561) 682-8000

(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 ☒ No ☐.

Indicate by check mark whether the registrant is an accelerated filer (as
defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐.

Number of shares of Common Stock, \$0.01 par value, outstanding as of
July 8, 2005: 62,934,102 shares.

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 BALANCE SHEETS
(Dollars in thousands, except share data)

	June 30, 2005	December 31, 2004
	-----	-----
ASSETS		
Cash	\$ 310,233	\$ 542,891
Trading securities, at fair value		
Investment grade	2,942	86,215
Subordinates and residuals	45,343	39,527
Match funded assets (including advances on loans serviced for others of \$331,337 and \$276,626)	334,689	280,760
Advances on loans and loans serviced for others	187,423	240,430
Mortgage servicing rights	132,333	131,409
Receivables	119,943	126,719
Real estate	9,314	18,732
Affordable housing properties	4,406	5,641
Loans (net of allowance for loan losses of \$4,334 and \$4,546)	8,725	3,792
Premises and equipment	41,115	37,440
Other assets	86,181	68,976
	-----	-----
Total assets	\$ 1,282,647	\$ 1,582,532
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Match funded liabilities	\$ 284,822	\$ 244,327
Servicer liabilities	310,369	291,266
Lines of credit and other secured borrowings	52,525	50,612
Debt securities	231,249	231,249
Other liabilities	65,856	56,849
Deposits	--	290,507
Escrow deposits	--	86,084
	-----	-----
Total liabilities	944,821	1,250,894
	-----	-----
Minority interest in subsidiaries	1,742	1,530
	-----	-----
COMMITMENTS AND CONTINGENCIES (NOTE 7)		
STOCKHOLDERS' EQUITY		
Common stock, \$.01 per value; 200,000,000 shares authorized; 62,934,102 and 62,739,478 shares issued and outstanding	629	627
Additional paid-in capital	182,254	181,336
Retained earnings	153,428	148,133
Accumulated other comprehensive income (loss), net of taxes	(227)	12
	-----	-----
Total stockholders' equity	336,084	330,108
	-----	-----
Total liabilities and stockholders' equity	\$ 1,282,647	\$ 1,582,532
	=====	=====

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 periods ended June 30,	Three Months		Six Months	
	2005	2004	2005	2004
REVENUE				
Servicing and related fees	\$ 44,161	\$ 39,460	\$ 88,548	\$ 80,782
Vendor management fees	10,783	11,487	21,665	24,490
Gain (loss) on trading securities, net	(1,269)	2,503	(2,667)	1,860
Valuation gains (losses) on real estate	4	(1,974)	93	(3,825)
Gain (loss) on sales of real estate	13	81	48	(460)
Operating income (losses) from real estate	(165)	565	(339)	573
Other income	6,016	6,293	8,903	13,882
Non-interest revenue	59,543	58,415	116,251	117,302
Interest income	6,764	5,962	13,096	10,567
Interest expense	9,072	7,096	17,512	14,898
Net interest income (expense) before provision for loan losses ...	(2,308)	(1,134)	(4,416)	(4,331)
Provision for loan losses	(16)	(287)	(12)	(819)
Net interest income (expense) after provision for loan losses.....	(2,292)	(847)	(4,404)	(3,512)
Total revenue	57,251	57,568	111,847	113,790
NON-INTEREST EXPENSE				
Compensation and employee benefits	24,355	20,897	48,727	42,930
Occupancy and equipment	4,571	4,021	8,813	8,018
Technology and communication costs	7,862	6,616	15,261	13,285
Loan expenses	6,084	6,783	11,796	14,710
Professional services and regulatory fees	5,656	7,994	10,377	13,819
Loss (gain) on investments in affordable housing properties	(118)	(41)	524	(79)
Other operating expenses	3,668	2,151	8,239	5,187
Non-interest expense	52,078	48,421	103,737	97,870
Income (loss) before income taxes	5,173	9,147	8,110	15,920
Income tax expense (benefit)	2,265	55	2,815	66
Net income (loss)	\$ 2,908	\$ 9,092	\$ 5,295	\$ 15,854
EARNINGS (LOSS) PER SHARE				
Basic	\$ 0.05	\$ 0.13	\$ 0.08	\$ 0.23
Diluted	\$ 0.05	\$ 0.13	\$ 0.08	\$ 0.23
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING				
Basic	62,809,286	68,160,020	62,776,469	67,961,217
Diluted	63,709,246	69,534,999	63,864,247	69,314,392

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

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Dollars in thousands)

For the periods ended June 30,	Three Months		Six Months	
	2005	2004	2005	2004
Net income (loss)	\$ 2,908	\$ 9,092	\$ 5,295	\$ 15,854
Other comprehensive income (loss), net of taxes:				
Change in unrealized foreign currency translation adjustment				
arising during the period (1)	(541)	(954)	(239)	(1,001)
Comprehensive income (loss)	\$ 2,367	\$ 8,138	\$ 5,056	\$ 14,853
	=====	=====	=====	=====

(1) Net of tax benefit (expense) of \$305 and \$560 for the three months and of \$127 and \$588 for the six months ended June 30, 2005 and 2004, respectively.

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

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2005
(Dollars in thousands)

	Common Stock		Additional		Accumulated	
	Shares	Amount	Paid-in	Retained	Other Comprehensive	Total
	-----	-----	Capital	Earnings	Income (Loss),	-----
	-----	-----	-----	-----	Net of Taxes	-----
Balances at December 31, 2004	62,739,478	\$ 627	\$ 181,336	\$ 148,133	\$ 12	\$ 330,108
Net income	--	--	--	5,295	--	5,295
Issuance of restricted common stock						
awards to employees and directors	185,393	2	837	--	--	839
Exercise of common stock options	9,231	--	81	--	--	81
Other comprehensive income (loss), net						
of taxes	--	--	--	--	(239)	(239)
Balances at June 30, 2005	62,934,102	\$ 629	\$ 182,254	\$ 153,428	\$ (227)	\$ 336,084
	=====	=====	=====	=====	=====	=====

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 six months ended June 30,	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 5,295	\$ 15,854
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities		
Net cash provided by trading activities	73,872	5,887
Premium amortization (discount accretion) on securities, net	384	(2,122)
Amortization of servicing rights	50,045	48,669
Depreciation and other amortization	6,578	7,067
Provision for loan losses	(12)	(819)
Valuation (gains) losses on real estate	(93)	3,825
(Gain) loss on trading and match funded securities	2,667	(1,860)
Provision for losses on affordable housing properties	721	--
(Gain) loss on sale of real estate	(48)	460
(Gain) loss on sale of deposits	(1,750)	--
Increase (decrease) in servicer liabilities	19,103	64,325
(Increase) decrease in advances and match funded advances on loans and loans serviced for other	(1,704)	36,559
(Increase) decrease in receivables and other assets, net	(10,429)	(16,507)
Increase (decrease) in other liabilities, net	5,884	(4,220)
Other	2,189	(3,046)
Net cash provided (used) by operating activities	152,702	154,072
CASH FLOWS FROM INVESTING ACTIVITIES		
Principal payments received on match funded loans	499	5,031
Acquisitions of match funded loans	--	(7,119)
Proceeds from sale of affordable housing properties	--	327
Purchase of mortgage servicing rights	(50,969)	(18,348)
Principal payments received on loans	461	29,521
Purchases, originations and funded loans commitments, net	(219)	(15,975)
Proceeds from sale of real estate	--	18,910
Additions to premises and equipment	(6,828)	(5,755)
Proceeds from sale of subsidiary	4,337	--
Net cash provided (used) by investing activities	(52,719)	6,592
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in deposits and escrow deposits	(210,850)	38,861
Sale of deposits	(165,741)	--
Premium received on sale of deposits	1,500	--
Proceeds from (repayment of) lines of credit and other secured borrowings, net ..	1,913	(79,802)
Proceeds from (repayment of) match funded liabilities, net	40,495	2,351
Exercise of common stock options	42	2,317
Net cash provided (used) by financing activities	(332,641)	(36,273)
Net increase (decrease) in cash	(232,658)	124,391
Cash at beginning of period	542,891	316,167
Cash at end of period	\$ 310,233	\$ 440,558
	=====	=====

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 six months ended June 30,	2005	2004
-----	-----	-----
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for		
Interest	\$ 18,567	\$ 15,588
Income tax payments (refunds)	70	(48)
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Assumption of line of credit by purchaser of real estate	\$ --	\$ 20,000
Equipment acquired through capital leases	3,123	--
SALE OF SUBSIDIARY		
Fair value of subsidiary sold	\$ 9,200	\$ --
Financing to buyer	(4,863)	--
	-----	-----
Net cash received for subsidiary sold	\$ 4,337	\$ --
	=====	=====

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

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2005
(Dollars in thousands)

NOTE 1 BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements have been prepared in conformity with the instructions to Form 10-Q and Article 10, Rule 10-01 of Regulation S-X for interim financial statements. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles ("GAAP") for complete financial statements. The interim consolidated financial statements of Ocwen Financial Corporation ("OCN") include the accounts of OCN and its subsidiaries. At June 30, 2005, OCN owns all of the outstanding stock of its primary subsidiaries, Ocwen Loan Servicing, LLC ("OLS"), Investors Mortgage Insurance Holding Company, Ocwen Technology Xchange, Inc. ("OTX"), Ocwen Asset Investment Corp. ("OAC") and Ocwen Financial Solutions, Private Limited ("India"). OCN also owns 70% of Global Servicing Solutions, LLC ("GSS") with the remaining 30% minority interest held by ML IBK Positions, Inc. ("Merrill Lynch"). We have eliminated all significant intercompany transactions and balances in consolidation.

In our opinion, the accompanying unaudited financial statements contain all adjustments, consisting only of normal recurring accruals, necessary for a fair statement of our financial condition at June 30, 2005 and December 31, 2004, the results of our operations for the three and six months ended June 30, 2005 and 2004, our comprehensive income (loss) for the three and six months ended June 30, 2005 and 2004, our changes in stockholders' equity for the six months ended June 30, 2005 and our cash flows for the six months ended June 30, 2005 and 2004. The results of operations and other data for the three and six months ended June 30, 2005 are not necessarily indicative of the results that may be expected for any other interim period or the entire year ending December 31, 2005. The unaudited consolidated financial statements presented herein should be read in conjunction with the audited consolidated financial statements and related notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2004. Certain reclassifications have been made to the prior periods' interim consolidated financial statements to conform to the June 30, 2005 presentation.

In preparing the consolidated financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the balance sheet and revenues and expenses for the periods covered. Material estimates that are particularly significant in the near or medium term relate to our determination of allowances for loans, servicing advances, and receivables, as well as our valuation of securities, affordable housing properties, servicing rights, intangibles and deferred tax assets. Actual results could differ from those estimates and assumptions.

NOTE 2 CURRENT ACCOUNTING PRONOUNCEMENTS

Statement of Financial Accounting Standards ("SFAS") No. 123 (R), "Share-Based Payment". This Statement was issued by the Financial Accounting Standards Board ("FASB") on December 16, 2004 and is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation". This Statement also supersedes Accounting Principles Board ("APB") Opinion No. 25 and its related implementation guidance.

SFAS No. 123 (R) requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award - the requisite service period (usually the vesting period). No compensation cost is recognized for equity instruments for which employees do not render the requisite service. The fair value of an award is not re-measured after its initial estimation on the grant date (except in the case of a liability award or if the award is subsequently modified). The grant-date fair value of employee share options and similar instruments will be estimated using option-pricing models adjusted for the unique characteristics of those instruments (unless observable market prices for the same or similar instruments are available). The notes to financial statements will disclose information to assist users of financial information to understand the nature of share-based payment transactions and the effects of those transactions on the financial statements.

SFAS No. 123 (R) eliminates the alternative to use Opinion 25's intrinsic value method of accounting that was provided in SFAS No. 123 as originally issued. Under APB Opinion No. 25, issuing stock options to employees generally resulted in recognition of no compensation cost, except with respect to options that were granted with an exercise price that was less than fair value of the stock at the date of grant.

On April 14, 2005, the Securities and Exchange Commission ("SEC") approved a new rule that delays the effective date of SFAS 123 (R) for public companies. Under the SEC's rule, SFAS 123 (R) is now effective for public companies for annual, rather than interim, periods that begin after June 15, 2005. SFAS 123 (R) applies to all awards granted after the required effective date and to awards modified, repurchased, or cancelled after that date. The cumulative effect of initially applying this Statement, if any, is recognized as of the required effective date.

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
JUNE 30, 2005
(Dollars in thousands)

As of the required effective date, all public entities will apply this Statement using a modified version of prospective application. Under that transition method, compensation cost is recognized on or after the required effective date for the portion of outstanding awards for which the requisite service has not yet been rendered, based on the grant-date fair value of those awards calculated under Statement 123 for either recognition or pro forma disclosures. For periods before the required effective date, public entities may elect to apply a modified version of retrospective application under which financial statements for prior periods are adjusted on a basis consistent with the pro forma disclosures required for those periods by SFAS No. 123.

We have not yet determined which transition method we will apply or the cumulative effect of initially adopting this Statement. We have determined that awards we have granted to date will be classified as equity awards (versus liability awards) because their terms contain service conditions. Therefore, the fair value of these awards will not be re-measured after our initial estimation on the grant date. We currently account for our stock option plans based on the intrinsic value method set forth in APB Opinion No. 25. Therefore, we anticipate that the amount of compensation expense we recognize in connection with our stock option awards will increase under the fair value based method of SFAS Nos. 123 and 123(R).

Earnings Per Share - An Amendment of SFAS No. 128. The FASB has decided to defer the issuance of a final standard on EPS until the third quarter of 2005. When issued, the provisions of the final standard are expected to require retrospective application for all prior periods presented. When computing diluted EPS for year-to-date periods, it is expected that companies will be required to use the year-to-date average stock price to compute the number of treasury shares that could theoretically be purchased with the proceeds from exercise of share contracts such as options or warrants. The year-to-date computation would be performed independently from the quarterly computations. The old method required companies to calculate an average of the potential incremental common shares computed for each quarter when computing year-to-date incremental shares. This amendment is expected to impact Ocwen as we use the treasury stock method to determine the number of incremental shares from the assumed exercise of stock options to be included in the denominator of diluted EPS computations. Under the treasury stock method, the proceeds from the assumed exercise of options are assumed to be used to purchase common stock at the average market price during the period. The incremental shares (the difference between the number of shares assumed issued and the number of shares assumed purchased) are included in the denominator of the diluted EPS computation.

Statement of Position 03-3, "Accounting for Certain Loans for Debt Securities Acquired in a Transfer" ("SOP 03-3"), which was issued by the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants in December 2003, requires acquired impaired loans for which it is probable that the investor will be unable to collect all contractually required payments receivable to be recorded at the present value of expected cash flows. Under SOP 03-3, it is not appropriate to create or carry over a valuation allowance at the time of acquisition. SOP 03-3 was issued in December 2003 and is effective for loans acquired on or after January 1, 2005. Our total net investment in loans at June 30, 2005 amounted to \$8,725 and other than to repurchase single family residential loans previously sold, we have not acquired any loans since 2000; therefore, the application of SOP 03-3 did not have a significant impact on our consolidated financial statements.

NOTE 3 BASIC AND DILUTED EARNINGS PER SHARE

Basic EPS excludes common stock equivalents and is calculated by dividing net income by the weighted average number of common shares outstanding during the year. We calculate diluted EPS by dividing net income, as adjusted to add back interest expense on the 3.25% Convertible Notes (if dilutive), by the weighted average number of common shares outstanding, including the dilutive potential common shares related to outstanding stock options, restricted stock awards and the Convertible Notes.

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
JUNE 30, 2005
(Dollars in thousands)

The following is a reconciliation of the calculation of basic EPS to diluted EPS for the periods ended:

	Three Months		Six Months	
For the periods ended June 30,	2005	2004	2005	2004
Basic EPS:				
Net income (loss)	\$ 2,908	\$ 9,092	\$ 5,295	\$ 15,854
	=====	=====	=====	=====
Weighted average shares of common stock	62,809,286	68,160,020	62,776,469	67,961,217
	=====	=====	=====	=====
Basic EPS	\$ 0.05	\$ 0.13	\$ 0.08	\$ 0.23
	=====	=====	=====	=====
Diluted EPS:				
Net income (loss)	\$ 2,908	\$ 9,092	\$ 5,295	\$ 15,854
	=====	=====	=====	=====
Weighted average shares of common stock	62,809,286	68,160,020	62,776,469	67,961,217
	=====	=====	=====	=====
Effect of dilutive elements:				
Convertible Notes (1)	--	--	--	--
Stock options (2)	798,015	1,113,009	856,606	1,083,721
Restricted stock awards	101,945	261,970	231,172	269,454
	=====	=====	=====	=====
Dilutive weighted average shares of common stock	63,709,246	69,534,999	63,864,247	69,314,392
	=====	=====	=====	=====
Diluted EPS	\$ 0.05	\$ 0.13	\$ 0.08	\$ 0.23
	=====	=====	=====	=====

(1) Conversion of the Convertible Notes into shares of common stock is not assumed for purposes of computing diluted EPS for the second quarter and first six months of 2005 because the effect would be anti-dilutive. The effect is anti-dilutive whenever interest expense on the Convertible Notes, net of income tax, per common share obtainable on conversion exceeds basic EPS.

(2) Excludes the effect of an average of 1,629,171 and 1,006,205 of options that were anti-dilutive for the second quarter of 2005 and 2004, respectively, because their exercise price was greater than the average market price of our stock. Year to date, an average of 1,630,605 and 1,006,205 options were anti-dilutive for 2005 and 2004, respectively.

NOTE 4 FOREIGN CURRENCY EXCHANGE RATE RISK MANAGEMENT

We entered into foreign currency derivatives to hedge our net investments in foreign subsidiaries that own residual securities backed by subprime residential loans originated in the United Kingdom ("U.K.") and that owned a shopping center located in Halifax, Nova Scotia. During the first quarter of 2005, we sold our foreign subsidiary that owned the shopping center. However, in connection with the sale, OCN extended a short-term Canadian Dollar loan in the amount of C\$6,000 (\$4,898 U.S. Dollar equivalent at June 30, 2005) to the buyer. We are managing our exposure to foreign currency exchange rate risk related to this foreign currency-denominated transaction through the use of currency futures. Our principal exposure to foreign currency exchange rates exists with the British Pound versus the U.S. dollar and the Canadian Dollar versus the U.S. dollar. Our policy is to periodically adjust the amount of foreign currency derivative contracts we have entered into in response to changes in our recorded investment as well as to changes in our assets denominated in a foreign currency. Our net exposures are subject to gain or loss if foreign currency exchange rates fluctuate. Currency futures are commitments to either purchase or sell foreign currency at a future date for a specified price. We have determined that the local currency of our investment in U.K. residuals is the functional currency. The foreign currency derivative financial instrument related to our foreign subsidiary that owns the residual securities was designated as a hedge. Accordingly, for this instrument we include the gains or losses in the net unrealized foreign currency translation in accumulated other comprehensive income in stockholders' equity. The foreign currency derivative financial instrument related to our Canadian Dollar-denominated loan was not designated as a hedge. Gains and losses from this instrument are included in earnings as an offset to the related foreign currency transaction gain or loss arising from remeasurement of the loan.

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
JUNE 30, 2005
(Dollars in thousands)

The following table sets forth the terms and values of these foreign currency financial instruments at the dates indicated:

	Position	Maturity	Notional Amount (1)	Strike Rate	Fair Value
June 30, 2005:					
Canadian Dollar currency futures.....	Short	Sept. 2005	C\$ 6,000	0.7985	\$ (107)
British Pound currency futures.....	Short	Sept. 2005	(pound) 15,250	1.8143	427

					\$ 320
					=====
December 31, 2004:					
Canadian Dollar currency futures.....	Short	March 2005	C\$ 11,500	0.8416	\$ 109
British Pound currency futures.....	Short	March 2005	(pound) 17,000	1.9248	301

					\$ 410
					=====

(1) The U.S. Dollar equivalent notional amounts of the Canadian Dollar currency futures and British Pound currency futures at June 30, 2005 were \$4,898 and \$27,319, respectively. At December 31, 2004, the U.S. Dollar equivalent notional amounts were \$9,570 and \$32,609, respectively.

Foreign currency futures contracts are exchange traded. Holders of these instruments look to the exchange for performance under these contracts and not the entity holding the offsetting futures contract, thereby minimizing the risk of nonperformance. Accordingly, the notional principal amount does not represent our exposure to credit loss.

NOTE 5 REGULATORY MATTERS

Effective June 30, 2005, Ocwen Federal Bank FSB (the "Bank"), a wholly owned subsidiary, terminated its status as a federal savings bank. This process, which we have referred to as "debanking," began on November 24, 2004, when the Bank filed an Application for Voluntary Dissolution with the Office of Thrift Supervision ("OTS"). Prior to returning its original thrift charter to the OTS on July 1, 2005, the Bank operated as a federal savings bank organized under the Home Owners' Loan Act (the "Act"), and OCN was a registered savings and loan holding company. We were subject to extensive federal and state regulation under the Act, as well as other U.S. federal and state laws. Our primary regulatory authority was the OTS.

In connection with our debanking process, on February 4, 2005, OCN and the Bank entered into a Branch Purchase and Deposit Assumption Agreement (the "Branch Purchase Agreement") with Marathon National Bank of New York ("Marathon"). Pursuant to the Branch Purchase Agreement, Marathon agreed to assume the deposit liabilities of the accounts associated with the Bank's branch facility in Fort Lee, New Jersey. In addition, Marathon agreed to take over the lease and other contracts and acquire the assets related to the branch. We agreed to make a cash payment to Marathon, which is calculated based upon, among other things, the amount of those deposit account liabilities as of the closing. On June 13, 2005, the OTS approved our plan of voluntary dissolution for the Bank subject to certain conditions, including, among other things, our entering into a guaranty of the obligations of the Bank (other than the deposit and other liabilities to be assumed by Marathon in connection with the Branch Purchase Agreement), a cash collateral agreement and a collateral trust agreement, all on terms acceptable to the OTS.

Following receipt of OTS approval, OCN entered into an Assignment and Assumption Agreement, dated June 28, 2005, with its subsidiaries Investors Mortgage Insurance Holding Company, Rocaille Acquisition Subsidiary, Inc., the Bank and OLS whereby the Bank assigns to OLS, directly or indirectly, all of its assets, liabilities and business remaining after the consummation of the transactions contemplated by the Branch Purchase Agreement (the "Assignment").

On the same date, pursuant to the conditions set forth in the OTS Approval, OCN entered into a Guaranty, dated June 28, 2005, in favor of the OTS and any holders of claims with respect to liabilities assumed by OLS from the Bank in connection with the Assignment (the "Assumed Liabilities"). Assumed Liabilities include all legal actions against the Bank. The Guaranty contains affirmative covenants relating to the maintenance of a cash collateral account, reporting requirements, transactions with affiliates, preservation of the existence of our subsidiaries and maintenance of not less than \$35,000 of unencumbered assets. Pursuant to the Guaranty, we also agreed that we and our subsidiaries would not, among other things:

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
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- o incur debt (as defined) if, following the incurrence of such debt, the ratio of our consolidated debt to our tangible net worth (as defined) for the most recent fiscal quarter exceeds 7.25:1.00;
- o enter into any merger transaction or sale of all or substantially all of our assets, except for certain mergers among us and our subsidiaries or with an entity with a specified minimum credit rating that agrees to assume our obligations under the Guaranty, and provided that we maintain a specified minimum net worth;
- o sell, lease, transfer or otherwise dispose of any assets, except in exchange for consideration of at least 85% cash for fair value and provided that, after giving effect to any such sale, lease, transfer or disposition, the ratio of our consolidated debt to our tangible net worth for the most recent fiscal quarter does not exceed 7.25:1.00; or
- o declare or pay any dividends or acquire any of our capital stock or ownership interests or make any distributions or return of capital to our stockholders, partners or members, except for (i) such dividends or distributions that are payable only in OCN's common stock, (ii) such declarations, dividends, acquisitions, distributions or returns of capital in cash if we maintain a minimum net worth of \$333,000 and rating of B2 from Moody's and B- from S&P on our unsecured, non credit-enhanced debt and any such capital distributions do not exceed our consolidated net income for the year plus our retained earnings for the two preceding years or (iii) cash dividends paid by a subsidiary of OCN to OCN or to any of OCN's wholly owned subsidiaries of which such entity is a subsidiary.

The Guaranty will remain in effect until the later of (a) the sixth anniversary of the date on which the Bank's federal bank charter was cancelled or (b) the date on which we have paid in full (i) any obligations that arise out of the Assumed Liabilities with respect to which a claim has been asserted on or prior to the sixth anniversary of the date on which the Bank's federal bank charter was cancelled and (ii) all other amounts payable by us under the Guaranty.

OCN also entered into a Cash Collateral Agreement and a Collateral Trust Agreement, each dated June 28, 2005, with the Bank of New York pursuant to which we established a collateral trust account to secure payment of our obligations under the Guaranty. We have agreed to maintain in the cash collateral account a minimum of \$5,000. The Cash Collateral Agreement and the Collateral Trust Agreement will terminate upon termination of the Guaranty and receipt of proper notice of such termination. This cash collateral deposit is included with other assets in the consolidated balance sheet.

On June 30, 2005, we completed our divestiture to Marathon of the deposit liabilities of the accounts associated with the branch and our assignment of the remaining assets, liabilities and business of the Bank to OLS. We recognized a gain of \$1,750 from the sale of our branch deposit liabilities to Marathon. In addition, we recorded a one-time provision of \$1,124, which is net of a related adjustment to the deferred tax asset valuation allowance, arising from the recapture of bad debt reserves in connection with our termination of the Bank's status as a federal savings bank.

Effective June 30, 2005, the Supervisory Agreement (the "Agreement") that the Bank and OTS had entered into on April 19, 2004 terminated because we are no longer an FDIC-insured institution. The OTS retains, for a period of six years after termination of the Agreement, the right to bring enforcement actions in respect of any breach or noncompliance by the Bank with the Agreement, or other applicable regulations, that may have occurred prior to debanking.

We are continuing the Bank's non-depository businesses, including its residential mortgage servicing business, under OLS, which is a licensed servicer in fifty states, the District of Columbia and Puerto Rico. As a result of debanking, we are no longer able to take deposits in the United States or benefit from federal preemption with regard to post-debanning activities.

Bankhaus Oswald Kruber GmbH & Co. KG ("BOK"), our German banking subsidiary that we acquired on September 30, 2004, is licensed as a credit institution (Kreditinstitut) under the laws of the Federal Republic of Germany and is supervised and regulated in Germany by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht - BaFin), the German Central Bank (Deutsche Bundesbank) and, in respect of minimum reserves on deposits, the European Central Bank.

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
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Although currently not significant to our operations, BOK, under its license, may engage not only in a number of traditional banking activities such as deposit and lending business, but also in investment banking, underwriting and securities trading transactions, both for its own account and for customers.

German regulatory requirements applicable to BOK concern in particular the maintenance of adequate regulatory capital and liquidity, the monitoring of, and limitations on, large credit exposures, limitations on equity and equity-like participations in other companies, the protection of depositors and the adoption of certain accounting standards and business practices. The German Federal Financial Supervisory Authority and the German Central Bank monitor compliance with the applicable German banking laws, rules and regulations largely upon the basis of extensive reporting requirements as well as through general and specific audits. BOK is in compliance in all material respects with the German regulatory requirements that are applicable to its business.

NOTE 6 BUSINESS SEGMENT REPORTING

An operating segment is defined as a component of an enterprise that (a) engages in business activities from which it may earn revenues and incur expenses, (b) whose operating results are regularly reviewed by the enterprise's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and (c) for which discrete financial information is available. In the first quarter of 2005, we redefined our segment reporting. We have restated prior periods to conform to the new segment structure. A brief description of our segments at June 30, 2005 follows.

- o Residential Servicing. Through this business we provide loan servicing, including asset management and resolution services, to third party owners of subprime residential mortgage and high loan-to-value loans for a fee. We acquire the rights to service loans and obtain such rights by purchasing them outright or by entering into sub-servicing contracts. This segment also includes our residential loan servicing system product (REALServicing).
- o Residential Origination Services. This business provides various loan origination services, including residential property valuation services (Ocwen Realty Advisors, or ORA), mortgage due diligence, title services, loan refinancing for Residential Servicing customers and our internet-based vendor management system (REALTrans). This segment also includes the results of our subprime residual trading securities that were reported as a separate segment (Subprime Finance) prior to 2005.
- o Commercial Servicing. This segment includes the results of both our domestic and international servicing of primarily commercial assets (loans and real estate), as well as our commercial loan servicing system product (REALSynergy). International servicing is conducted through GSS.
- o Business Process Outsourcing. Business Process Outsourcing provides outsourcing services to third parties including mortgage underwriting, data entry, call center services and mortgage research.
- o Ocwen Recovery Group. This business conducts collection activities for third party owners of unsecured receivables and for a portfolio of unsecured credit card receivables that we acquired at a discount in 1999 and 2000.
- o Corporate Items and Other. This segment includes certain items of revenue and expense that are not directly related to a business, including business activities that are individually insignificant, interest income on short-term investments of cash and the related costs of financing these investments and certain other corporate expenses.

Based on the relative insignificance of the assets remaining in the following segments, the remaining assets of these businesses and any related income or loss arising from their resolution have been included in the Corporate Items and Other segment beginning January 1, 2005.

- o Commercial Assets. This segment comprised operations to acquire sub-performing commercial loans at a discount, as well as operations to invest in and reposition under-performing real estate assets. No assets have been acquired since 2000; since that time, this business has consisted of the repositioning, management and resolution of the remaining non-core assets.
- o Affordable Housing. Includes our investments, primarily through limited partnerships, in qualified low-income rental housing for the purpose of obtaining Federal income tax credits pursuant to Section 42 of the Internal Revenue Code of 1986, as amended. Except to complete those projects in which an investment had already been made, we ceased making investments in properties in 2000.

We allocate interest income and expense to each business segment for the investment of funds raised or funding of investments made. We also make allocations of non-interest expense generated by corporate support services to each business segment.

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
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Financial information for our segments is as follows for the dates indicated:

	Total Assets	
	June 30, 2005	December 31, 2004
Core businesses:		
Residential Servicing	\$ 686,165	\$ 687,233
Residential Origination Services ..	66,580	49,348
Commercial Servicing	12,425	13,659
Business Process Outsourcing	1,245	2,502
Ocwen Recovery Group	880	541
	767,295	753,283
Non-core businesses:		
Commercial Assets	--	24,149
Affordable Housing	--	36,715
	--	60,864
Corporate Items and Other (1)	515,352	768,385
	\$ 1,282,647	\$ 1,582,532
	=====	=====

(1) Includes cash of \$303,363 and \$535,733 at June 30, 2005 and December 30, 2004, respectively.

	Non-Interest Revenue	Net Interest Income (Expense) after Provision for Loan Losses	Non-Interest Expense	Pre-Tax Income (Loss)
	-----	-----	-----	-----
For the three months ended June 30, 2005				
Core businesses:				
Residential Servicing	\$ 34,392	\$ (5,208)	\$ 26,585	\$ 2,599
Residential Origination Services	12,092	2,891	13,258	1,725
Commercial Servicing	4,757	(7)	4,415	335
Business Process Outsourcing	2,858	(19)	2,575	264
Ocwen Recovery Group	3,296	--	3,052	244
	57,395	(2,343)	49,885	5,167
Corporate Items and Other	2,148	51	2,193	6
	\$ 59,543	\$ (2,292)	\$ 52,078	\$ 5,173
	=====	=====	=====	=====
For the three months ended June 30, 2004				
Core businesses:				
Residential Servicing	\$ 38,444	\$ (5,390)	\$ 25,614	\$ 7,440
Residential Origination Services	10,834	3,354	9,831	4,357
Commercial Servicing	3,908	(1)	4,418	(511)
Business Process Outsourcing	2,193	(5)	1,480	708
Ocwen Recovery Group	3,179	--	2,290	889
	58,558	(2,042)	43,633	12,883
Non-core businesses:				
Commercial Assets	252	767	829	190
Affordable Housing	17	(473)	731	(1,187)
	269	294	1,560	(997)
Corporate Items and Other	(412)	901	3,228	(2,739)
	\$ 58,415	\$ (847)	\$ 48,421	\$ 9,147
	=====	=====	=====	=====

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
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	Non-Interest Revenue	Net Interest Income (Expense) after Provision for Loan Losses	Non-Interest Expense	Pre-Tax Income (Loss)
	-----	-----	-----	-----
For the six months ended June 30, 2005				
Core businesses:				
Residential Servicing	\$ 69,099	\$ (9,312)	\$ 54,240	\$ 5,547
Residential Origination Services	23,026	5,851	24,319	4,558
Commercial Servicing	9,505	(51)	9,097	357
Business Process Outsourcing	5,443	(52)	5,030	361
Ocwen Recovery Group	7,190	--	6,441	749
	-----	-----	-----	-----
	114,263	(3,564)	99,127	11,572
	-----	-----	-----	-----
Corporate Items and Other	1,988	(840)	4,610	(3,462)
	-----	-----	-----	-----
	\$ 116,251	\$ (4,404)	\$ 103,737	\$ 8,110
	=====	=====	=====	=====
For the six months ended June 30, 2004				
Core businesses:				
Residential Servicing	\$ 75,517	\$ (10,662)	\$ 51,922	\$ 12,933
Residential Origination Services	21,998	6,090	20,697	7,391
Commercial Servicing	7,800	(2)	8,351	(553)
Business Process Outsourcing	4,348	(8)	3,237	1,103
Ocwen Recovery Group	6,658	--	4,368	2,290
	-----	-----	-----	-----
	116,321	(4,582)	88,575	23,164
	-----	-----	-----	-----
Non-core businesses:				
Commercial Assets	(2,042)	983	1,991	(3,050)
Affordable Housing	17	(853)	1,323	(2,159)
	-----	-----	-----	-----
	(2,025)	130	3,314	(5,209)
	-----	-----	-----	-----
Corporate Items and Other	3,006	940	5,981	(2,035)
	-----	-----	-----	-----
	\$ 117,302	\$ (3,512)	\$ 97,870	\$ 15,920
	=====	=====	=====	=====

NOTE 7 COMMITMENTS AND CONTINGENCIES

Under the terms of the sales agreements entered into in connection with the sale of certain of our affordable housing properties, we have a commitment to fund cash deficits that may arise from the operations of those properties. The remaining term of these commitments ranges from two to five years. The obligation under these commitments was \$4,656 and \$4,813 as of June 30, 2005 and December 31, 2004, respectively. Any operating deficits we fund are supported by a promissory note to be repaid to us from future cash flows of the property. In addition, we have provided to the purchasers of certain affordable housing properties guaranties against the possible recapture of future tax credits. We have never experienced a recapture of tax credits on any of the affordable housing properties in which we invested or sold. We have not recognized these guaranties as a liability because the probability of recapture is considered remote.

As discussed in Note 5, under the terms of the Assignment and Assumption agreement OLS has become the successor to the Bank with respect to all legal actions. Therefore, any references to the Bank in connection with the following legal matters pertain to OLS as successor.

On April 13, 2004 the United States Judicial Panel on Multi-District Litigation granted our petition to transfer and consolidate a number of lawsuits against the Bank, OCN and various third parties arising out of the servicing of plaintiffs' mortgage loans into a single case to proceed in the United States District Court for the Northern District of Illinois under caption styled: In re Ocwen Federal Bank FSB Mortgage Servicing Litigation, MDL Docket No. 1604 (the "MDL Proceeding"). The consolidated lawsuits in which the Bank and/or OCN are defendants involve 54 mortgage loans currently or previously serviced by the Bank. Additional similar lawsuits have been brought in other courts, some of which may be transferred and consolidated in the MDL Proceeding.

The borrowers in these lawsuits seek class action certification. No class has been certified in the MDL Proceeding or any related lawsuits. On August 23, 2004, plaintiffs in the MDL Proceeding filed a Consolidated Complaint containing various claims under federal statutes, including the Real Estate Settlement Procedures Act and Fair Debt Collection Practices Act, state deceptive trade practices statutes and common law. The claims are generally based on allegations of improper loan servicing practices, including (i) charging borrowers allegedly improper or unnecessary fees such as breach letter fees, hazard insurance premiums, foreclosure-related fees, late fees and property inspection fees; (ii) untimely posting and misapplication of borrower payments; and (iii) improperly treating borrowers as in default on their loans. While some of the individual borrowers had set forth specific damage allegations in their lawsuits prior to their being consolidated into the MDL Proceeding (e.g., the complaint in Unatiben Gandabhai and Dineshan Tandel v. Ocwen Federal Bank FSB, Case No.

3:04-2582 (N.D. Cal.) claimed actual damages of \$61; the complaint in Kweku Hanson v. Ocwen Federal Bank, Ocwen Financial Corporation, William Erbey, Litton Loan Servicing LP, Moss, Codilis, Stawiarski, Morris, Schneider & Prior, LLP, Moss, Pite & Duncan, LLP, Gerald R. Moss, Codilis & Stawiarski, P.C., Ernie Codilis, Leo C. Stawiarski, Jr., Morris, Schneider & Prior, LLC, Arthur J. Morris, Thomas E. Prior, Randolph Schneider, Fein, Such, Khan & Shepard, P.C., Alan F. Such, Weltman, Weinberg & Reis Co., LPA, Larry R. Rothenberg, Boles, Boles & Ryan, P.L.C., William R. Boles, Jr., Case No. 02-CV-860 (D. Conn.) claimed actual damages of \$150,000 and punitive and exemplary damages of \$1,500,000), the Consolidated Complaint in the MDL Proceeding does not set forth any specific amounts of claimed damages. The absence of any specification of damages in the Consolidated Complaint does not, however, preclude plaintiffs in the MDL Proceeding from requesting leave from the court to amend the Consolidated Complaint or from otherwise seeking damages should the matter proceed to trial. On April 25, 2005, the court entered an Opinion and Order granting partial summary judgment to defendants finding that, as a matter of law, the mortgage loan contracts signed by plaintiffs authorize the imposition of breach letter fees and other legitimate default or foreclosure related expenses. The court explained that its ruling was in favor of defendants to the specific and limited extent that plaintiffs' claims challenge the propriety of the above-mentioned fees. The court has not yet ruled on any other claims presented in the MDL Proceeding. We cannot currently determine the ultimate outcome of the MDL Proceeding or the other matters described above and have not established a reserve in respect thereof. We believe the allegations in the MDL Proceeding and the other matters described above are without merit and will continue to vigorously defend against them.

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
JUNE 30, 2005
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On November 3, 2004, the trial judge in litigation brought by Cartel Asset Management, Inc. ("Cartel") against OCN, the Bank and OTX in federal court in Denver, Colorado entered final judgment in the amount of \$520 against OTX and nominal damages of two dollars against the Bank. No damages were entered against OCN. By the November 3, 2004 order, the judge reduced a prior jury verdict in the amount of \$9,320 after trial on this matter involving allegations of misappropriation of trade secrets and contract-related claims brought by a former vendor. The litigation does not relate to our core Residential Loan Servicing business practices. Notwithstanding the nominal damage award against the Bank, it was assessed a statutory award to Cartel of attorneys' fees in an additional amount of \$170, and the Bank and OTX were further assessed costs in the amount of \$9. Cartel and defendants are pursuing cross-appeals in the United States Court of Appeals for the Tenth Circuit. We intend to continue to vigorously defend this matter.

On February 8, 2005, a jury in Circuit Court for Palm Beach County, Florida returned verdicts of \$1,000 and \$1,056 in compensatory damages in favor of two former employees of the Bank in a lawsuit against OCN and the Bank. The jury rejected plaintiffs' request for punitive damages. The plaintiffs brought claims under the Florida Civil Rights Act, the Florida Whistleblower Act and state tort law, arising out of an alleged invasion of privacy and related incidents allegedly committed by other former employees of the Bank in 1998 for which plaintiffs sought to hold the Ocwen defendants vicariously liable. We believe the verdicts, which were reduced to final judgments on May 20, 2005, are against the weight of evidence and contrary to law. On June 16, 2005 we filed a notice to take an appeal to the Florida Court of Appeals for the Fourth District and, in connection therewith, an appeal bond has been posted in the amount of \$2,397 to cover the amount of the judgments plus interest that may accrue during the period of the appeal. Also pending in the trial court is plaintiffs' motion for an award of attorneys' fees in the amount of \$1,100 as to which we have objected and requested a full accounting. We intend to continue to vigorously defend this matter.

On March 9, 2005, the Bank was served with a complaint filed in Superior Court for Los Angeles County, California, by Banco Popular North America, successor by merger to Quaker City Bank ("Banco Popular"), which claims to be a holder of residual interest in two mortgage loan trusts for which the Bank provides loan servicing. The case was subsequently removed upon the Bank's motion to the United States District Court for the Central District of California. In this lawsuit, Banco Popular challenges the Bank's fee charges for recoveries on charged-off loans. The complaint variously alleges breach of contract, conversion, breach of fiduciary duty and fraud, and seeks declaratory and equitable relief, along with claimed compensatory damages in excess of \$3,000 and punitive damages in an unspecified amount. We believe the allegations are without merit and were prepared to vigorously defend this matter if necessary. The parties have reached a settlement agreement in principle pursuant to which a stipulation is to be filed dismissing all claims with prejudice. The settlement is subject to the parties finalizing a mutually acceptable written definitive agreement. We do not expect the amount of the settlement to have any material effect on our financial condition, results of operations or cash flows.

On August 5, 2005, the trial judge in County Court for Nueces County, Texas, entered an Agreed Order of Dismissal ("Dismissal Order"), dismissing with prejudice all claims brought by two investor plaintiffs whose mortgage loan on an investment property was serviced by the Bank. After a trial in February, 2005, the jury returned a verdict in favor of plaintiffs for compensatory and statutory damages in the amount of \$140. The jury rejected plaintiffs' request for punitive damages but awarded plaintiff attorneys' fees of \$2,900. In April, 2005, we filed an opposition to plaintiffs' request for entry of judgment and a motion to instead set aside or substantially reduce the attorneys' fee award as unsupported by the evidence and impermissibly excessive under the controlling legal authorities. The parties subsequently entered into a definitive settlement agreement disposing of all claims. In entering the Dismissal Order, the court ordered that the attorneys' fee award is "null and void" and is to be "disregarded and deemed stricken." The amount of the settlement was within the reserve amount established for the case.

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
JUNE 30, 2005
(Dollars in thousands)

OCN and the Bank are also subject to various other pending legal proceedings. In our opinion, the resolution of these proceedings will not have a material effect on our financial condition, results of operations or cash flows.

We continuously monitor the status of our litigation, including advice from external legal counsel, and perform periodic assessments of our litigation for potential accrual of litigation reserves and disclosure. We have accrued and maintain litigation reserves where it is probable that a liability had been incurred and the amount of loss can be reasonably estimated.

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

(Dollars in thousand, except share data)

GENERAL

OCN is a diversified financial services holding company with headquarters in West Palm Beach, Florida and operations in Canada, China, Germany, India, Japan and Taiwan. We are principally engaged in servicing and origination processing services for the loan industry. Our five core business segments, aligned within our two areas of focus - servicing and loan processing services, were as follows at June 30, 2005:

Servicing

- Residential Servicing
- Commercial Servicing
- Ocwen Recovery Group

Loan Processing Services

- Residential Origination Services
- Business Process Outsourcing

Based on the relative insignificance of the assets remaining in the Commercial Assets and Affordable Housing segments, the remaining assets of these businesses and any related income or loss arising from their resolution have been included in the Corporate Items and Other segment beginning January 1, 2005. See Note 6 to the Interim Consolidated Financial Statements and "Results of Operations - Segment Results" for additional information regarding segments.

Key elements of our business strategy are summarized as follows:

- o continue to grow our residential servicing business, including the opportunistic acquisition of servicing and sub-servicing rights;
- o grow our residential loan origination services, including mortgage due diligence, mortgage loan processing, property valuation and loan refinancing;
- o continue our globalization efforts through both the expansion of our international facilities and the expansion of the potential client base for our products and services; and
- o expand our other core businesses, such as unsecured debt collection and business process outsourcing.

As disclosed in Note 5 to the Interim Consolidated Financial Statements, we have terminated the Bank's status as a federal savings bank, which eliminates the restrictions imposed on the amount of mortgage servicing rights that we may obtain and, therefore, provides us more flexibility to grow our residential servicing business. As a result of debanking, we are no longer able to take deposits in the United States or benefit from federal preemption.

OVERVIEW OF RISKS AND RELATED CRITICAL ACCOUNTING POLICIES

Risks Relating to Our Business. We include a discussion of the principal risk factors that relate to our businesses and that may affect future results on pages 13 through 18 of Management's Discussion and Analysis of Operations and Financial Conditions in our Annual Report on Form 10-K for the year ended December 31, 2004.

Critical Accounting Policies. Our strategy to grow our core businesses is affected by risks in the marketplace. Further, our ability to measure and report our operating results and financial position is heavily influenced by the need to estimate the impact or outcome of these risks or other future events. Our critical accounting policies are those that relate to the estimation and measurement of these risks; an understanding of these policies is fundamental to understanding Management's Discussion and Analysis of Results of Operations and Financial Condition. We summarize our more subjective and complex accounting policies as they relate to our overall business strategy on pages 18 through 21 of Management's Discussion and Analysis of Results of Operations and Financial Condition in our Annual Report on Form 10-K for the year ended December 31, 2004. We discuss our significant accounting policies in detail in Note 1 to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2004.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)
(Dollars in thousand, except share data)

The following discussion of our consolidated financial condition, results of operations, capital resources and liquidity should be read in conjunction with the Interim Consolidated Financial Statements and related Notes.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables present selected consolidated financial information at the dates and for the periods indicated.

Financial Condition Data	June 30, 2005	December 31, 2004	Increase (Decrease)	
			\$	%
Total assets	\$ 1,282,647	\$ 1,582,532	\$ (299,885)	(19)%
Cash	\$ 310,233	\$ 542,891	\$ (232,658)	(43)%
Trading securities:				
Investment grade	\$ 2,942	\$ 86,215	\$ (83,273)	(97)%
Subordinate and residuals	\$ 45,343	\$ 39,527	\$ 5,816	15%
Match funded assets, net	\$ 334,689	\$ 280,760	\$ 53,929	19%
Advances on loans and loans serviced for others ...	\$ 187,423	\$ 240,430	\$ (53,007)	(22)%
Mortgage servicing rights	\$ 132,333	\$ 131,409	\$ 924	1%
Receivables	\$ 119,943	\$ 126,719	\$ (6,776)	(5)%
Total liabilities	\$ 944,821	\$ 1,250,894	\$ (306,073)	(24)%
Match funded liabilities	\$ 284,822	\$ 244,327	\$ 40,495	17%
Servicer liabilities	\$ 310,369	\$ 291,266	\$ 19,103	7%
Lines of credit and other secured borrowings	\$ 52,525	\$ 50,612	\$ 1,913	4%
Debt securities	\$ 231,249	\$ 231,249	\$ --	--%
Deposits	\$ --	\$ 290,507	\$ (290,507)	(100)%
Escrow deposits	\$ --	\$ 86,084	\$ (86,084)	(100)%
Stockholders' equity	\$ 336,084	\$ 330,108	\$ 5,976	2%

Operations Data	For the Three Months Ended June 30,			
	2005	2004	Favorable/(Unfavorable)	
			\$	%
Net income (loss)	\$ 2,908	\$ 9,092	\$ (6,184)	(68)%
Non-interest revenue	\$ 59,543	\$ 58,415	\$ 1,128	2%
Net interest income (expense)	\$ (2,308)	\$ (1,134)	\$ (1,174)	(104)%
Provision for loan losses	\$ (16)	\$ (287)	\$ (271)	(94)%
Non-interest expense	\$ 52,078	\$ 48,421	\$ (3,657)	(8)%
Income tax expense (benefit)	\$ 2,265	\$ 55	\$ (2,210)	(4,018)%
Net income (loss) per share:				
Basic	\$ 0.05	\$ 0.13	\$ (0.08)	(62)%
Diluted	\$ 0.05	\$ 0.13	\$ (0.08)	(62)%

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)
(Dollars in thousand, except share data)

Operations Data	For the Six Months Ended June 30,			
			Favorable/(Unfavorable)	
	2005	2004	\$	%
Net income (loss)	\$ 5,295	\$ 15,854	\$ (10,559)	(67)%
Non-interest revenue	\$ 116,251	\$ 117,302	\$ (1,051)	(1)%
Net interest income (expense)	\$ (4,416)	\$ (4,331)	\$ (85)	(2)%
Provision for loan losses	\$ (12)	\$ (819)	\$ (807)	(99)%
Non-interest expense	\$ 103,737	\$ 97,870	\$ (5,867)	(6)%
Income tax expense (benefit)	\$ 2,815	\$ 66	\$ (2,749)	(4,165)%
Net income (loss) per share:				
Basic	\$ 0.08	\$ 0.23	\$ (0.15)	(65)%
Diluted	\$ 0.08	\$ 0.23	\$ (0.15)	(65)%

RESULTS OF OPERATIONS

Overview. Net income declined \$6,184 or 68% to \$2,908 in the second quarter of 2005, compared with \$9,092 in the second quarter of 2004. For the first six months of 2005, net income declined \$10,559 or 67% to \$5,295, compared with \$15,854 in the first six months of 2004. The decrease in our earnings primarily reflects a decline in pre-tax income of the Residential Servicing and Residential Origination Services segments, an increase in non-interest expenses in both the Ocwen Recovery Group and Business Process Outsourcing segments and an increase in income tax expense.

- o Residential Servicing's pre-tax income declined \$4,841 and \$7,386 in the second quarter and first six months of 2005, respectively, as compared to the same periods in 2004. The declines in pre-tax income of this segment reflects the net impact of declines in the results of our servicing for the United States Department of Veteran's Affairs ("VA") due to reduced transaction volumes and the absence of one-time REALServicing fees of \$2,900 recorded in the second quarter of 2004, offset in part by an improvement in the results of our Loan Servicing group.
- o Residential Origination Services' pre-tax income declined \$2,632 and \$2,833 in the second quarter and first six months of 2005, respectively, as compared to the same periods in 2004. Results for this segment reflect unrealized losses on unrated subprime residual securities of \$(1,380) and \$(2,708) in the second quarter and first six months of 2005, respectively, compared with unrealized gains of \$1,110 and \$325 in the same periods of 2004. An increase in revenues associated with the mortgage fulfillment center and due diligence operation that we acquired in December 2004 was offset by an increase in related staffing and other operating expenses.
- o Despite growth in revenue in 2005, costs in both the Ocwen Recovery Group and Business Process Outsourcing segments increased, reflecting increased staffing levels.
- o Results for the second quarter and first six months of 2005 are net of income tax expense of \$2,265 and \$2,815, respectively, as compared to \$55 and \$66 for the same periods of 2004. Income tax expense for 2005 includes a \$1,124 provision recorded in the second quarter to recognize the tax effect of recapturing base year bad debt reserves at the Bank as a result of debanking.

We discuss the results of our segments in detail in the Segment Results section, which follows.

Segment Results. In general, we have ceased conducting any new business activities related to our non-core businesses, although we are actively engaged in the sale or other resolution of the remaining non-core assets. These assets are comprised of loans, real estate and an affordable housing property.

The following is a discussion of income (loss) before income taxes for each of our business segments.

CORE BUSINESSES

Residential Servicing. Through this business we earn fees for providing loan servicing, including asset management and resolution services, to third party owners of subprime and "high loan to value" residential mortgage loans. Subprime residential mortgages comprise the vast majority of loans we service. We acquire the rights to service loans by purchasing them outright or by entering into sub-servicing contracts. Increases in short-term interest rates have had a positive impact on float earnings in 2005; however, mortgage interest rates remain low, and as a result prepayments in our servicing portfolio remain high. Not only do prepayments result in the loss of future servicing fees, they also result in increases to the rate at which we amortize the balance of our servicing rights. Prepayments also create an obligation for us to pay compensating interest expense to investors for the full month of interest on loans that are repaid before the end of a calendar month.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)
(Dollars in thousand, except share data)

Selected information	2005		2004	
Number of loans at June 30	346,708		333,722	
Unpaid principal balance at June 30	\$ 38,662,177		\$ 34,768,367	
Average unpaid principal balance for the following periods:				
Three months ended June 30	\$ 37,624,152		\$ 35,676,776	
Six months ended June 30	\$ 37,210,939		\$ 36,370,943	

	Three Months		Six Months	
For the periods ended June 30,	2005	2004	2005	2004
Pre-tax income (loss)	\$ 2,599	\$ 7,440	\$ 5,547	\$ 12,933
Net interest income (expense)	\$ (5,208)	\$ (5,390)	\$ (9,312)	\$ (10,662)
Non-interest revenue:				
Servicing and related fees:				
Fees	\$ 62,952	\$ 64,301	\$ 125,607	\$ 132,279
Amortization of servicing rights	(24,930)	(23,009)	(50,045)	(48,669)
Compensating interest expense	(6,158)	(8,899)	(11,814)	(17,111)
Total servicing and related fees	31,864	32,393	63,748	66,499
Vendor management fees	1,753	2,117	3,841	4,227
Other	775	3,934	1,510	4,791
Total non-interest revenue	\$ 34,392	\$ 38,444	\$ 69,099	\$ 75,517
Non-interest expense	\$ 26,585	\$ 25,614	\$ 54,240	\$ 51,922

- o The decline in fees in the 2005 periods, as compared to 2004, reflects declines in servicing fees, prepayment penalties and late charges, offset in large part by an increase in interest on float balances (see below). The decline in servicing fees was due in large part to a decline in fees associated with our contract with the VA, as discussed below.
- o Earnings on funds that we have received from borrowers that are held on deposit with an unaffiliated bank (float balances) amounted to \$6,558 and \$13,065 for the second quarter and first six months of 2005, respectively, as compared to \$2,750 and \$5,763 for the same periods of 2004. The increase in earning is primarily due to an increase in short-term interest rates. The yield we earned on float balances averaged 2.07% and 2.29% during the second quarter and first six months of 2005, respectively, as compared to 0.85% and 0.90% for the same periods of 2004.
- o Servicing fees for the second quarter of 2005 and 2004 include \$3,405 and \$5,994, respectively, of real estate property management fees associated with our contract with the VA. VA servicing fees for the first six months of 2005 and 2004 were \$7,361 and \$10,412, respectively. The decline in fees in 2005 is primarily due to reduced transaction volumes.
- o The decline in other non-interest revenue in the 2005 periods as compared to 2004 is primarily the result of \$2,900 of one-time fees recognized in the second quarter of 2004 in connection with a service contract for the use of our REALServicing system.

See "Non-Interest Revenue - Servicing and Related Fees" for a detail of the principal components of servicing and related fees.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)
(Dollars in thousand, except share data)

Residential Origination Services. This business provides various loan origination services, including residential property valuation services, mortgage due diligence, title services, loan refinancing for Residential Servicing customers and our internet-based vendor management system (REALTrans). This segment also includes the results of our subprime residual trading securities.

Selected information

For the periods ended June 30,	Three Months		Six Months	
	2005	2004	2005	2004
Pre-tax income (loss)	\$ 1,725	\$ 4,357	\$ 4,558	\$ 7,391
Non-interest income (expense):				
Servicing and related fees	\$ 3,850	\$ 345	\$ 7,311	\$ 441
Vendor management fees	9,020	9,372	17,805	20,271
Gain (loss) on trading securities	(1,380)	1,110	(2,708)	325
Other	602	7	618	961
Total non-interest revenue	\$ 12,092	\$ 10,834	\$ 23,026	\$ 21,998
Net interest income (expense)	\$ 2,891	\$ 3,354	\$ 5,851	\$ 6,090
Non-interest expense	13,258	9,831	24,319	20,697

- o Servicing and related fees for this business are primarily comprised of mortgage due diligence fees and loan refinancing fees related to loans held for resale. We acquired a mortgage fulfillment center and due diligence operation in December 2004. Our loan refinancing program for Residential Servicing customers began earning fees in the second quarter of 2004. See "Non-Interest Revenue - Servicing and Related Fees" for a detail of the principal components of servicing and related fees.
- o Vendor management fees are primarily comprised of fees for residential property valuation services. Also includes title services and other fees earned across the business groups in this segment from vendors in our REALTrans network. See "Non-Interest Revenue - Vendor Management Fees" for a detail of the principal components of vendor management fees.
- o Gains (losses) on trading securities during the periods primarily represent unrealized gains and losses on unrated residual securities backed by subprime residential loans originated in the U.K.
- o The increase in non-interest expense in the 2005 periods is in large part due to increased staffing and other operating expenses associated with the mortgage fulfillment center and due diligence operation we acquired in December 2004.

Commercial Servicing. This segment includes the results of both our domestic and international servicing of commercial assets, as well as our commercial loan servicing system product (REALSynergy). International servicing is conducted through GSS, our joint servicing venture with Merrill Lynch. We have established servicing offices in Tokyo, Japan, Taipei, Taiwan and Toronto, Canada. We have also established consulting operations in the U. K., Germany and China. At June 30, 2005, this segment serviced a total of 8,842 loans with an aggregate unpaid principal balance of \$13,006,830, of which our office in Japan serviced 8,093 loans with an unpaid principal balance of \$11,669,561.

Selected information

For the periods ended June 30,	Three Months		Six Months	
	2005	2004	2005	2004
Pre-tax income (loss)	\$ 335	\$ (511)	\$ 357	\$ (553)
Net interest income (expense)	\$ (7)	\$ (1)	\$ (51)	\$ (2)
Non-interest revenue:				
Servicing and related fees	\$ 2,700	\$ 2,103	\$ 5,774	\$ 4,632
Other	2,057	1,805	3,731	3,168
Total non-interest revenue	\$ 4,757	\$ 3,908	\$ 9,505	\$ 7,800
Non-interest expense	\$ 4,415	\$ 4,418	\$ 9,097	\$ 8,351

- o The majority of servicing and related fees recorded by this segment were earned through our international offices of GSS, primarily Japan. See "Non-Interest Revenue - Servicing and Related Fees".
- o Other non-interest revenue is primarily comprised of fees for providing due diligence and underwriting services in Germany as well as fees and cost reimbursements related to our international consulting operations. See "Non-Interest Revenue - Other Income".

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)
(Dollars in thousand, except share data)

Business Process Outsourcing. Business Process Outsourcing provides outsourcing services to third parties, including mortgage underwriting, data entry, call center services and mortgage research.

Selected information

For the periods ended June 30,	Three Months		Six Months	
	2005	2004	2005	2004
Pre-tax income (loss)	\$ 264	\$ 708	\$ 361	\$ 1,103
Net interest income (expense)	\$ (19)	\$ (5)	\$ (52)	\$ (8)
Servicing and related fees	\$ 2,858	\$ 2,193	\$ 5,443	\$ 4,348
Non-interest expense	\$ 2,575	\$ 1,480	\$ 5,030	\$ 3,237

- o The increase in non-interest expense for the 2005 periods as compared to 2004 reflects our continued investment in this business. Sales and marketing costs are higher in 2005, and staffing levels have also increased.

Ocwen Recovery Group. This core business conducts collection activities for third party owners of unsecured receivables and for a portfolio of unsecured credit card receivables that we acquired at a discount in 1999 and 2000. On collections for third party owners, we generally earn a fee based upon a percentage of the amount collected.

Selected information

For the periods ended June 30,	Three Months		Six Months	
	2005	2004	2005	2004
Pre-tax income (loss)	\$ 244	\$ 889	\$ 749	\$ 2,290
Non-interest revenue:				
Servicing and related fees	\$ 2,906	\$ 2,655	\$ 6,361	\$ 5,630
Other	390	524	829	1,028
Total non-interest revenue	\$ 3,296	\$ 3,179	\$ 7,190	\$ 6,658
Non-interest expense	\$ 3,052	\$ 2,290	\$ 6,441	\$ 4,368

- o Pre-tax income declined in the second quarter of 2005 in spite of an increase in non-interest revenue, reflecting both a reduction in collections on our aging portfolio of receivables, which yielded high margins, and increased staffing costs.
- o Servicing and related fees for this business represent fees earned for collection activities on behalf of third party owners of unsecured receivables. Other revenue is primarily comprised of recoveries of unsecured credit card receivables we own.
- o The increase in non-interest expense in 2005 is largely due to an increase in staffing levels, primarily in India.

Corporate Items and Other. Pre-tax results for this segment include certain items of revenue and expense that are not directly related to a business, including business activities that are individually insignificant, interest income on short-term investments of cash and the related costs of financing these investments and certain other corporate expenses. The table below presents the more significant amounts included in each of the periods indicated.

Selected information

For the periods ended June 30,	Three Months		Six Months	
	2005	2004	2005	2004
Pre-tax income (loss)	\$ 6	\$ (2,739)	\$ (3,462)	\$ (2,035)
Net interest income (expense)	35	868	(852)	914
Non-interest revenue	2,148	(412)	1,988	3,006
Non-interest expense	2,193	3,228	4,610	5,981

- o Net interest expense for the 2005 periods includes a portion of interest on the \$175,000 of 3.25% Convertible Notes that we issued in July 2004.
- o Non-interest revenue includes \$554 and \$71 of interest income recognized during the second quarter of 2005 and 2004, respectively, on federal income tax refund claims. Year to date, \$951 and \$3,746 of interest income was recognized on the refund claims for 2005 and 2004, respectively. See "Changes in Financial Condition - Receivables" for

additional information regarding these claims.

- o Non-interest revenue for 2005 also includes a gain of \$1,750 we recognized in the second quarter in connection with the assumption of our customer deposit liabilities on June 30, 2005 by Marathon National Bank.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)
(Dollars in thousand, except share data)

NON-CORE BUSINESSES

Based on the relative insignificance of the assets remaining in the following segments, the remaining assets of these businesses and any related income or loss arising from their resolution have been included in the Corporate Items and Other segment beginning January 1, 2005.

Commercial Assets. Results for this segment reflect our continuing exit from the commercial loan and real estate businesses. We have not purchased any commercial assets since 2000. Since then, this business has consisted of the management, repositioning and resolution of the remaining non-core assets. At December 31, 2004 the \$21,560 of non-core assets remaining in this business consisted of four real estate assets (a shopping center, parcel of land and two partnership interests) and one unrated subordinate security.

Selected information

For the periods ended June 30,	Three Months		Six Months	
	2005	2004	2005	2004
Pre-tax income (loss)	\$ --	\$ 190	\$ --	\$ (3,050)
Net interest income (expense)	--	512	--	219
Provision for loan losses	--	(255)	--	(764)
Non-interest revenue	--	252	--	(2,042)
Non-interest expense	--	829	--	1,991

Affordable Housing. Historically, we invested in affordable housing properties primarily through a series of limited partnerships. Except to complete those projects in which an investment had already been made, we ceased making investments in properties in 2000 as part of our shift in strategy to fee-based businesses and because the volume of tax credits being generated was exceeding our ability to utilize them effectively. Since that time, we have been marketing these properties for sale. Our investment in affordable housing properties at December 31, 2004 consisted of one limited partnership property with a carrying value of \$5,641. In addition, this segment had \$3,198 of loans outstanding at December 31, 2004 to the one remaining limited partnership property that we do not consolidate in our financial statements.

Selected information

For the periods ended June 30,	Three Months		Six Months	
	2005	2004	2005	2004
Pre-tax income (loss)	\$ --	\$ (1,187)	\$ --	\$ (2,159)
Net interest income (expense)	--	(472)	--	(882)
Provision for loan losses	--	1	--	(29)
Non-interest expense	--	731	--	1,323

See Note 6 to the Interim Consolidated Financial Statements, for additional information related to our segments.

Non-Interest Revenue. The following table sets forth the principal components of non-interest income during the periods indicated:

For the periods ended June 30,	Three Months		Six Months	
	2005	2004	2005	2004
Servicing and related fees	\$ 44,161	\$ 39,460	\$ 88,548	\$ 80,782
Vendor management fees	10,783	11,487	21,665	24,490
Gain (loss) on trading securities, net	(1,269)	2,503	(2,667)	1,860
Valuation gains (losses) on real estate	4	(1,974)	93	(3,825)
Gain (loss) on sales of real estate	13	81	48	(460)
Operating income (losses) from real estate	(165)	565	(339)	573
Other income	6,016	6,293	8,903	13,882
	<u>\$ 59,543</u>	<u>\$ 58,415</u>	<u>\$ 116,251</u>	<u>\$ 117,302</u>
	=====	=====	=====	=====

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)
(Dollars in thousand, except share data)

Servicing and Related Fees. Our servicing and related fees are primarily comprised of fees we earned from investors for servicing residential mortgage loans on their behalf. The following table sets forth the principal components of servicing and related fees by segment for the periods indicated:

For the periods ended June 30,	Three Months		Six Months	
	2005	2004	2005	2004
Residential Servicing:				
Servicing fees (1)	\$ 44,142	\$ 45,522	\$ 87,650	\$ 91,638
Late charges	8,624	10,179	17,750	21,548
Earnings on custodial accounts (2)	6,558	2,750	13,065	5,763
Compensating interest expense (3)	(6,158)	(8,899)	(11,814)	(17,111)
Amortization of servicing rights	(24,930)	(23,009)	(50,045)	(48,669)
Prepayment and collection related fees.....	2,217	4,110	4,442	8,813
Other fees, net	1,411	1,740	2,700	4,517
	31,864	32,393	63,748	66,499
Residential Origination Services:				
Mortgage due diligence fees (4)	2,176	--	3,989	--
Loan refinancing fees (4)	1,296	342	2,556	438
Other	378	3	766	3
	3,850	345	7,311	441
Commercial Servicing:				
International servicing fees	1,942	1,297	3,672	2,657
Domestic servicing fees	758	806	2,102	1,975
	2,700	2,103	5,774	4,632
Business Process Outsourcing	2,858	2,193	5,443	4,348
Ocwen Recovery Group	2,906	2,655	6,361	5,630
Corporate Items and Other	(17)	(229)	(89)	(768)
	\$ 44,161	\$ 39,460	\$ 88,548	\$ 80,782

(1) The decline in residential loan servicing fees in 2005 as compared to 2004 primarily reflects a decline in fees associated with our contract with the V.A. See "Segment Results - Residential Servicing".

(2) Earnings on float balances during the holding period between collection of borrower payments and remittance to investors. These custodial accounts are held at an unaffiliated bank and are excluded from our balance sheet. The average balances held in these custodial accounts were approximately \$1,270,400 and \$1,336,700 for the second quarter of 2005 and 2004, respectively. Year to date, the balances in these accounts averaged approximately \$1,140,200 and \$1,208,300 for 2005 and 2004, respectively. The increase in earnings during the second quarter of 2005 and the first half of 2005 as compared to the same periods in 2004 is primarily due to an increase in short-term interest rates. See "Segment Results - Residential Servicing". The underlying servicing agreements restrict the investment of float balances to certain types of instruments. We are responsible for any losses incurred on the investment of these funds, although to date, we have not incurred any such losses.

(3) A servicer of securitized loans is typically obligated to pay the securitization trust the difference between a full month of interest and the interest collected on loans that are repaid before the end of a calendar month.

(4) We acquired a mortgage fulfillment center and due diligence operation in December 2004. Our loan refinancing program for Residential Servicing customers began earning fees in the second quarter of 2004.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)
(Dollars in thousand, except share data)

The following table sets forth information regarding loans and real estate we serviced at the dates indicated.

	Loans (1) (2) (3)		Real Estate (4)		Total	
	Amount	Count	Amount	Count	Amount	Count
Residential Loan Servicing						
June 30, 2005:						
Performing	\$ 33,325,997	282,574	\$ --	--	\$ 33,325,997	282,574
Non-performing	4,214,079	49,828	1,122,101	14,306	5,336,180	64,134
	\$ 37,540,076	332,402	\$ 1,122,101	14,306	\$ 38,662,177	346,708
	=====	=====	=====	=====	=====	=====
December 31, 2004:						
Performing	\$ 29,227,341	253,617	\$ --	--	\$ 29,227,341	253,617
Non-performing	3,971,439	48,711	1,325,711	17,857	5,297,150	66,568
	\$ 33,198,780	302,328	\$ 1,325,711	17,857	\$ 34,524,491	320,185
	=====	=====	=====	=====	=====	=====
Commercial Servicing (5)						
June 30, 2005:						
Performing	\$ 1,232,663	323	\$ --	--	\$ 1,232,663	323
Non-performing (5)	11,629,411	8,430	144,756	89	11,774,167	8,519
	\$ 12,862,074	8,753	\$ 144,756	89	\$ 13,006,830	8,842
	=====	=====	=====	=====	=====	=====
December 31, 2004:						
Performing	\$ 847,811	365	\$ --	--	\$ 847,811	365
Non-performing (5)	12,537,631	9,398	121,210	35	12,658,841	9,433
	\$ 13,385,442	9,763	\$ 121,210	35	\$ 13,506,652	9,798
	=====	=====	=====	=====	=====	=====

- (1) At June 30, 2005 we serviced 274,677 subprime loans with a total unpaid principal balance of \$32,156,955, as compared to 238,105 subprime loans with an unpaid principal balance of \$28,374,493 at December 31, 2004. Subprime loans represent residential loans we service which were made by others to borrowers who generally did not qualify under guidelines of Fannie Mae and Freddie Mac ("nonconforming loans").
- (2) Non-performing loans serviced for others have been delinquent for 90 days or more. Performing loans serviced for others are current or have been delinquent for less than 90 days.
- (3) Under sub-servicing contracts we serviced approximately 75,174 residential loans with an unpaid principal balance of \$8,898,609. This compares to approximately 58,776 residential loans with an unpaid principal balance of \$7,063,232 serviced under sub-servicing contracts at December 31, 2004.
- (4) Includes \$665,107 and \$839,654 of foreclosed residential properties serviced for the VA at June 30, 2005 and December 31, 2004, respectively.
- (5) At June 30, 2005, our international offices, primarily Japan, serviced a total of 8,392 loans with an unpaid principal balance of \$12,310,900. This compares to 9,267 loans with an unpaid principal balance of \$12,826,411 at December 31, 2004. Non-performing loans serviced by the Commercial Servicing segment include unsecured charged-off loans and deficiency loans.

Vendor Management Fees. Vendor management fees are primarily comprised of property valuation fees earned by the Residential Origination Services segment. The following table sets forth the principal components of vendor management fees by segment for the periods indicated:

	Three Months		Six Months	
For the periods ended June 30,	2005	2004	2005	2004
Residential Servicing (1)	\$ 1,753	\$ 2,117	\$ 3,841	\$ 4,227
Residential Origination Services (2)	9,020	9,372	17,805	20,271
Corporate Items and Other	10	(2)	19	(8)
	\$ 10,783	\$ 11,487	\$ 21,665	\$ 24,490
	=====	=====	=====	=====

- (1) Includes \$865 and \$1,228 of fees earned from vendors in the REALTrans network during the second quarter of 2005 and 2004, respectively. These fees amounted to \$2,107 and \$2,572 during the year to date periods of 2005 and 2004, respectively.
- (2) Includes residential property valuation fees of \$7,497 and \$7,401 earned during the second quarter of 2005 and 2004, respectively. For the year to

date periods, property valuation fees of \$14,302 and \$16,597 were earned during 2005 and 2004, respectively. The higher fees in 2004 primarily relates to the initial boarding of the VA portfolio of properties in 2004 and a decline in transaction volume in 2005. Also includes title service and other fees earned from vendors in the REALTrans network of \$1,523 and \$1,971 during the second quarter of 2005 and 2004, respectively. For the year to date periods, such fees amounted to \$3,502 and \$3,674 during 2005 and 2004, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)
(Dollars in thousand, except share data)

Gain (Loss) on Trading Securities, Net. The following table sets forth unrealized and realized gains (losses) on trading securities for the periods indicated:

For the periods ended June 30,	Three Months		Six Months	
	2005	2004	2005	2004
Unrealized gains (losses):				
Residential Origination Services (1).....	\$ (1,380)	\$ 1,061	\$ (2,708)	\$ 269
Commercial Assets (2).....	--	1,366	--	1,366
Corporate Items and Other	106	28	36	168
	(1,274)	2,455	(2,672)	1,803
Realized gains (losses):				
Residential Origination Services	--	48	--	57
Corporate Items and Other	5	--	5	--
	5	48	5	57
	\$ (1,269)	\$ 2,503	\$ (2,667)	\$ 1,860
	=====	=====	=====	=====

(1) Primarily represents unrealized gains (losses) on unrated residual securities backed by subprime residential loans originated in the U.K.

(2) Represents unrealized gains on a commercial unrated subordinate security. See "Changes in Financial Condition - Trading Securities."

Valuation Gains (Losses) on Real Estate. We regularly assess the value of our remaining real estate assets and provide valuation allowances or record impairment charges as appropriate. Valuation gains (losses) on real estate amounted to \$4 and \$93 during the second quarter and first six months of 2005, respectively, as compared to \$(1,974) and \$(3,825) for the same periods of 2004. The losses in the 2004 periods consist primarily of impairment charges and provisions for losses in fair value on three commercial assets, two of which were subsequently sold. See "Changes in Financial Condition - Real Estate."

Other Income. The following table sets forth the principal components of other income by segment for the periods indicated:

For the periods ended June 30,	Three Months		Six Months	
	2005	2004	2005	2004
Consulting fees (1)	\$ 1,669	\$ 1,309	\$ 2,776	\$ 2,278
Technology and related revenue (2)	972	4,254	1,954	5,083
Interest on federal tax refund claims (3)	554	71	952	3,746
Collections of credit card receivables (4)	363	492	712	965
Gain on sale on deposits (5)	1,750	--	1,750	--
Other	708	167	759	1,810
	\$ 6,016	\$ 6,293	\$ 8,903	\$ 13,882
	=====	=====	=====	=====

(1) Consulting fees and cost reimbursements earned by the international group of our Commercial Servicing segment.

(2) Represents service contract fees, maintenance fees, consulting revenue and other fees earned through our technology products - REALServicing, REALSynergy and REALTrans. Revenue for 2004 includes \$2,900 of one-time fees (primarily documentation fees) earned during the second quarter associated with a service contract for the use of the REALServicing system.

(3) Interest income on federal tax refund claims due from the Internal Revenue Service ("IRS"). Our policy is to recognize interest income on income tax receivable balances upon receipt of a written finding from the IRS agent that validates our claim. See "Changes in Financial Condition - Receivables".

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)
(Dollars in thousand, except share data)

- (4) Comprised of collections of credit card receivables accounted for under the cost recovery method. See "Segment Results - Ocwen Recovery Group".
- (5) As disclosed in Note 5 to the Interim Consolidated Financial Statements, Marathon National Bank assumed the Bank's customer deposit liabilities on June 30, 2005. We earned \$1,750 as consideration for the sale of these deposits.

Net Interest Income (Expense). Net interest income (expense) is the difference between the interest income earned from our interest-earning assets and the interest expense incurred on our interest-bearing liabilities. Our net interest income has been negative (i.e., net interest expense) since 2001 because the operations of our core businesses require a significant investment in non-interest-earning assets, primarily advances on loans serviced for others and mortgage servicing rights, that are funded by interest-bearing liabilities. In addition to interest income reported in this caption, we also earn interest on the custodial accounts we hold in connection with our Residential Servicing business. These amounts are reported as a component of servicing fees and are not included in the following information. The following table presents the components of net interest income (expense) for each category of our interest-earning assets and interest-bearing liabilities for the periods indicated:

For the periods ended June 30,	Three Months		Six Months	
	2005	2004	2005	2004
Interest income:				
Interest earning cash and other	\$ 544	\$ 225	\$ 1,159	\$ 339
Federal funds sold and repurchase agreements	155	350	399	742
Trading securities				
Investment grade (1)	1,571	15	3,115	30
Subordinates and residuals	4,187	4,300	8,104	7,523
	5,758	4,315	11,219	7,553
Match funded loans	140	362	140	763
Loans	167	710	179	1,170
Total interest income	6,764	5,962	13,096	10,567
Interest expense:				
Match funded liabilities				
Advances on loans serviced for others (2)	3,688	958	6,336	1,860
Loans	140	111	140	236
	3,828	1,069	6,476	2,096
Lines of credit and other secured borrowings	493	820	1,160	2,028
Debt securities				
3.25% Convertible Notes (3)	1,760	--	3,531	--
10.875% Capital Securities	1,529	1,529	3,059	3,059
	3,289	1,529	6,590	3,059
Deposits (4)	1,462	3,678	3,286	7,715
Total interest expense	9,072	7,096	17,512	14,898
Net interest income (expense) before provision for loan losses	\$ (2,308)	\$ (1,134)	\$ (4,416)	\$ (4,331)
	=====	=====	=====	=====

- (1) The increase in interest income on investment grade securities in the 2005 periods as compared to 2004 resulted primarily from our increased investment in CMOs to meet the Qualified Thrift Lender requirements of the Bank prior to debanking.
- (2) The increase in interest expense on match funded advances in the 2005 periods is primarily due to an increase in the outstanding balance of match funded liabilities as a result of a servicing advance securitization that we executed in November 2004. See "Changes in Financial Condition - Match Funded Liabilities".
- (3) In July 2004, we issued \$175,000 of 3.25% Contingent Convertible Senior Unsecured Notes that are due in 2024. See "Changes in Financial Condition - Debt Securities".
- (4) The decrease in interest expense on deposits in the 2005 periods is primarily due to a decline in the balance of deposits outstanding as a result of maturing certificates of deposit, reflecting reduced reliance on deposits as a source of financing our operations prior to debanking.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)
(Dollars in thousand, except share data)

Non-Interest Expense. The following table sets forth the principal components of our non-interest expense during the period indicated:

For the periods ended June 30,	Three Months		Six Months	
	2005	2004	2005	2004
Compensation and employee benefits	\$ 24,355	\$ 20,897	\$ 48,727	\$ 42,930
Occupancy and equipment	4,571	4,021	8,813	8,018
Technology and communication costs	7,862	6,616	15,261	13,285
Loan expenses	6,084	6,783	11,796	14,710
Professional services and regulatory fees	5,656	7,994	10,377	13,819
Loss (gain) on investments in affordable housing properties	(118)	(41)	524	(79)
Other operating expenses	3,668	2,151	8,239	5,187
	<u>\$ 52,078</u>	<u>\$ 48,421</u>	<u>\$ 103,737</u>	<u>\$ 97,870</u>
	=====	=====	=====	=====

Compensation and Employee Benefits. The following table presents the principal components of compensation and benefits we incurred for the period indicated:

For the periods ended June 30,	Three Months		Six Months	
	2005	2004	2005	2004
Salaries (1)	\$ 16,673	\$ 14,592	\$ 33,385	\$ 28,697
Bonuses (2)	2,812	2,514	5,421	5,209
Payroll taxes	1,045	968	2,836	2,702
Commissions	1,783	1,328	3,100	2,567
Insurance	793	702	1,595	1,227
Severance	236	70	236	978
Other (3)	1,013	723	2,154	1,550
	<u>\$ 24,355</u>	<u>\$ 20,897</u>	<u>\$ 48,727</u>	<u>\$ 42,930</u>
	=====	=====	=====	=====

- (1) Salaries include fees paid for the services of temporary employees.
- (2) Bonus expense includes compensation related to employee incentive awards of restricted stock and stock options.
- (3) Other consists primarily of recruiting expenses, matching contributions to our 401(K) plan, other benefits and payments to independent contractors.

The increase in compensation and benefits in the second quarter and first six months of 2005 as compared to the same periods of 2004 is primarily due to increases in salaries. The increase in salaries has occurred primarily because of an increase in the average number of our full-time employees, both in the U.S. and our India offices. Our total combined workforce (domestic and international) averaged 3,278 employees in the second quarter of 2005 as compared to 2,733 for the second quarter of 2004. For the year to date periods, our total combined workforce averaged 3,218 and 2,603 during 2005 and 2004, respectively. An average of 2,286 and 1,624 employees were based in our India locations during the second quarter of 2005 and 2004, respectively. For the first six months of 2005 and 2004, our India workforce averaged 2,173 and 1,553, respectively. Severance for the first quarter of 2004 includes a one-time payment of \$750 to the former president of OTX in accordance with the terms of his employment agreement.

Occupancy and Equipment. The following table presents the principal components of occupancy and equipment costs for the period indicated:

For the periods ended June 30,	Three Months		Six Months	
	2005	2004	2005	2004
Postage and mailing	\$ 1,581	\$ 1,284	\$ 2,761	\$ 2,843
Rent	938	679	1,837	1,388
Depreciation	617	671	1,333	1,368
Other	1,435	1,387	2,882	2,419
	<u>\$ 4,571</u>	<u>\$ 4,021</u>	<u>\$ 8,813</u>	<u>\$ 8,018</u>
	=====	=====	=====	=====

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)
(Dollars in thousand, except share data)

Technology and Communication Costs. The following table presents the principal components of technology and communication costs for the years indicated:

For the periods ended June 30,	Three Months		Six Months	
	2005	2004	2005	2004
Depreciation:				
Hardware	\$ 1,649	\$ 1,522	\$ 3,128	\$ 3,095
Software	860	728	1,705	1,434
Other	184	146	370	288
	2,693	2,396	5,203	4,817
Telecommunications	1,929	1,803	3,497	3,290
Document imaging	759	411	1,482	894
Maintenance and other	2,481	2,006	5,079	4,284
	\$ 7,862	\$ 6,616	\$ 15,261	\$ 13,285
	=====	=====	=====	=====

Loan Expenses. Loan expenses for the second quarter of 2005 and 2004 included \$4,951 and \$5,015, respectively, of appraisal fees incurred in connection with property valuation services we provided through the Residential Origination Services segment. Year to date, such appraisal fees amounted to \$9,005 and \$12,110 for 2005 and 2004, respectively. The decline in appraisal fees in 2005 primarily relates to the initial boarding of the VA portfolio of properties in 2004 and reduced transaction volumes in 2005. Loan expenses also include other miscellaneous expenses incurred in connection with the refinancing and servicing of loans for others.

Professional Services and Regulatory Fees. The following table presents the principal components of professional services and regulatory fees for the periods indicated:

For the periods ended June 30,	Three Months		Six Months	
	2005	2004	2005	2004
Legal fees and settlements (1)	\$ 2,876	\$ 5,673	\$ 5,090	\$ 9,007
Consulting fees (non-technology)	1,040	656	1,571	1,258
Audit and accounting fees (2)	854	578	1,755	1,132
Insurance	328	526	874	962
Other	558	561	1,087	1,460
	\$ 5,656	\$ 7,994	\$ 10,377	\$ 13,819
	=====	=====	=====	=====

(1) Legal fees for 2004 include \$4,000 (\$2,000 recorded during the second quarter) to establish a reserve for multiple breach fees that were charged to borrowers but may no longer be collectible.

(2) The increase in audit and accounting fees in the 2005 periods is primarily due to additional fees incurred in connection with our compliance with Section 404 of the Sarbanes-Oxley Act of 2002.

Other Operating Expenses. The following table presents the principal components of other operating expenses for the periods indicated:

For the periods ended June 30,	Three Months		Six Months	
	2005	2004	2005	2004
Bad debt expense (1)	\$ 828	\$ 119	\$ 3,032	\$ 1,769
Travel, lodging, meals and entertainment	1,118	955	2,192	1,617
Amortization of deferred costs	33	160	321	424
Deposit related expense	212	127	437	324
Other	1,477	790	2,257	1,053
	\$ 3,668	\$ 2,151	\$ 8,239	\$ 5,187
	=====	=====	=====	=====

(1) Bad debt expense primarily represents provisions for estimated uncollectible servicing advances and other receivables related to our Residential Servicing segment. The provision recorded during the first six months of 2004 includes \$1,000 recorded in the first quarter to establish an allowance for forbearance fees that we are no longer collecting directly from borrowers.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)
(Dollars in thousand, except share data)

Income Tax Expense (Benefit). The following table provides details of our income tax expense for the periods indicated:

For the periods ended June 30,	Three Months		Six Months	
	2005	2004	2005	2004
Income tax expense (benefit) on income (loss) before taxes	\$ 1,141	\$ 2,642	\$ 1,691	\$ 4,417
Provision for (reversal of) valuation allowance on deferred tax asset (1).....	(843)	(2,587)	(843)	(4,351)
Provision for recapture of base year bad debt reserves(1)	1,967	--	1,967	--
Total income tax expense (benefit)	\$ 2,265	\$ 55	\$ 2,815	\$ 66
	=====	=====	=====	=====

(1) Represents a one-time provision, net of a related reversal of the valuation allowance on the deferred tax asset, to recognize a deferred tax liability arising from the recapture of bad debt reserves in connection with our termination of the Bank's status as a federal savings bank.

We maintain a valuation allowance in an amount sufficient to reduce our deferred tax asset to the amount that is more likely than not to be realized. The valuation allowance amounted to \$165,083 and \$165,927 at June 30, 2005 and December 31, 2004, respectively. Our assessment of the amount of the valuation allowance was based on consideration of all available evidence, both positive and negative, including our recent earnings history, current tax position and estimates of future taxable income. The tax character (ordinary versus capital) and the carry forward and carry back periods of certain tax attributes (e.g., capital losses and tax credits) were also considered. Reversal of all or a portion of the valuation allowance may be appropriate in the future based on the results of our operations.

Income tax expense (benefit) on income (loss) before income taxes differs from amounts that would be computed by applying the Federal corporate income tax rate of 35% because of the effect of foreign taxes, non-economic tax residual payments, changes in the valuation allowance and low-income housing tax credits. Income tax expense for the first six months of 2005 and 2004 reflects tax credits of \$734 and \$1,197, respectively. Although we have substantial unused tax credits available to reduce the liability arising from income taxes on our current year income, tax credits can be used to reduce income tax expense only to the corporate alternative minimum tax rate of 20% of taxable income.

CHANGES IN FINANCIAL CONDITION

Trading Securities. The following table sets forth the fair value of our trading securities at the dates indicated:

	June 30, 2005	December 31, 2004
Investment grade (1):		
U.S. Treasury	\$ 595	\$ 1,594
Collateralized mortgage obligations (AAA-rated)	--	81,466
Bonds and debentures (2)	2,347	3,155
	=====	=====
	\$ 2,942	\$ 86,215
Subordinates and residuals (3):		
Single family residential		
BB-rated subordinates	\$ 252	\$ 256
B-rated subordinates	389	435
Unrated subordinates	193	217
Unrated residuals	41,907	35,276
	=====	=====
	42,741	36,184
Commercial unrated subordinates	2,602	3,343
	=====	=====
	\$ 45,343	\$ 39,527
	=====	=====

(1) Investment grade securities declined by \$83,273 during the first six months of 2005 primarily due to maturities, sales and principal repayments on CMOs. Prior to debanking we invested in CMOs as needed to meet the Qualified Thrift Lender requirements of the Bank.

(2) These securities were acquired in connection with our acquisition of BOK on September 30, 2004.

(3) During the first six months of 2005, our subordinate and residual trading securities increased by \$5,816. This change was primarily due to the purchase of \$11,766 of unrated residual securities on June 30, 2005,

offset in part by a decline in fair value of our unrated subprime residual securities.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)
(Dollars in thousand, except share data)

Subordinate and residual interests in mortgage-related securities provide credit support to the more senior classes of the mortgage-related securities. Principal from the underlying mortgage loans generally is allocated first to the senior classes, with the most senior class having a priority right to the cash flow from the mortgage loans until its payment requirements are satisfied. To the extent that there are defaults and unrecoverable losses on the underlying mortgage loans, resulting in reduced cash flows, the most subordinate security will be the first to bear this loss. Because subordinate and residual interests generally have no credit support, to the extent there are realized losses on the mortgage loans comprising the mortgage collateral for such securities, we may not recover the full amount or, indeed, any of our remaining investment in such subordinate and residual interests.

Subordinate and residual interests are affected by the rate and timing of payments of principal (including prepayments, repurchase, defaults and liquidations) on the mortgage loans underlying a series of mortgage-related securities. The rate of principal payments may vary significantly over time depending on a variety of factors, such as the level of prevailing mortgage loan interest rates and economic, demographic, tax, legal and other factors. Prepayments on the mortgage loans underlying a series of mortgage-related securities are generally allocated to the more senior classes of mortgage-related securities. Although in the absence of defaults or interest shortfalls all subordinates receive interest, amounts otherwise allocable to residuals generally are used to make payments on more senior classes or to fund a reserve account for the protection of senior classes until over collateralization or the balance in the reserve account reaches a specified level. For residual interests in residential mortgage-backed securities, over collateralization is the amount by which the collateral balance exceeds the sum of the bond principal amounts. Over collateralization is achieved by applying monthly a portion of the interest payments of the underlying mortgages toward the reduction of the senior class certificate principal amounts, causing them to amortize more rapidly than the aggregate loan balance. Over collateralization represents the first tier of loss protection afforded to the non-residual holders. To the extent not consumed by losses on more highly rated bonds, over collateralization is remitted to the residual holders. In periods of declining interest rates, rates of prepayments on mortgage loans generally increase, and if the rate of prepayments is faster than anticipated, then the yield on subordinates will be positively affected and the yield on residuals will be negatively affected.

We periodically assess the carrying value of our subordinate securities and residual securities retained. There can be no assurance that our estimates used to determine the value of subordinate securities and residual securities retained will remain appropriate for the life of each securitization. If actual loan prepayments or defaults exceed our estimates, the carrying value of our subordinate securities and residual securities retained may be decreased during the period in which we recognized the disparity.

The following table presents information regarding our subordinate and residual trading securities summarized by classification and rating at June 30, 2005:

RATING/DESCRIPTION (1)	PERCENT OWNED BY OCWEN	ANTICIPATED YIELD TO MATURITY AT PURCHASE (2) (3)	ANTICIPATED YIELD TO MATURITY AT 6/30/2005 (2) (4)	COUPON	ANTICIPATED WEIGHTED AVERAGE REMAINING LIFE (2) (5)
Single family residential:					
BB-rated subordinates	100.00%	19.23%	12.00%	6.75%	3.79
B-rated subordinates	100.00%	17.01%	15.55%	6.02%	1.96
Unrated subordinates	100.00%	13.96%	41.90%	6.53%	0.19
Unrated residuals	100.00%	17.28%	11.39%	N/A	4.14
Commercial:					
Unrated subordinates	25.00%	15.84%	10.94%	N/A	0.86

- (1) Refers to the credit rating designated by the rating agency for each securitization transaction. Classes designated "A" have a superior claim on payment to those rated "B." Additionally, multiple letters have a superior claim to designations with fewer letters. Thus, for example, "BBB" is superior to "BB," which in turn is superior to "B." The lower class designations in any securitization will receive interest payments after senior classes and will experience losses before any senior class. The lowest potential class designation is "unrated" which, if included in a securitization, will always receive interest last and experience losses first.
- (2) Subordinate and residual securities do not have a contractual maturity but are paid down over time as cash distributions are received. Because they do not have a stated maturity, we disclose the weighted average life of these securities.
- (3) Represents the effective yield from inception to maturity based on the purchase price and anticipated future cash flows under pricing assumptions.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)
(Dollars in thousand, except share data)

- (4) Represents the effective yield based on the purchase price, actual cash flows received from inception until the respective date, and the then current estimate of future cash flows under the assumptions at the respective date. Changes in the June 30, 2005 anticipated yield to maturity from that originally anticipated are due to differences between estimated and actual cash flows. Each quarter we update the assumptions used to estimate future cash flows based on the actual results to date. The primary assumptions include prepayment speeds, loss rates and the discount rate.
- (5) Represents the weighted average life in years based on the June 30, 2005 book value.

The mortgages that underlie our trading subordinate and residual securities, which totaled \$184,727 at June 30, 2005, are secured by properties located in forty-nine states and the United Kingdom. The largest aggregate value of mortgages in any one state or country is \$41,997.

Match Funded Assets. Match funded assets are comprised of the following at the dates indicated:

	June 30, 2005	December 31, 2004
	-----	-----
Match funded advances on loans serviced for others:		
Principal and interest	\$ 134,803	\$ 107,102
Taxes and insurance	120,564	107,710
Other	75,970	61,814
	-----	-----
	331,337	276,626
Commercial loans	3,352	4,134
	-----	-----
	\$ 334,689	\$ 280,760
	=====	=====

Match funded advances on loans serviced for others resulted from the transfers of certain residential loan servicing related advances to qualified special purpose entities ("SPE") in exchange for cash. These advances are owned by the SPEs and are, therefore, not available to satisfy claims of our general creditors. These transfers did not qualify as sales under generally accepted accounting principles because we retained effective control of the advances. Accordingly, we report the amount of proceeds we received from the sales as secured borrowings with pledges of collateral (match funded liabilities). See "Match Funded Liabilities".

Commercial match funded loans held by our GSS subsidiary in Japan resulted from the transfer, on a non-recourse basis, of an undivided 100% participation interest in certain real estate loans to a Japanese subsidiary of Merrill Lynch in exchange for cash. The transfer did not qualify as a sale under generally accepted accounting principles as we did not meet all of the conditions for surrender of control over the transferred loans. Accordingly, we report the amount of proceeds we received from the transfer as a secured borrowing with pledge of collateral (match funded liabilities). See "Match Funded Liabilities".

Advances on Loans and Loans Serviced for Others. Advances related to our loan portfolios and loans we serviced for others consisted of the following at the dates indicated:

	June 30, 2005	December 31, 2004
	-----	-----
Loans serviced for others:		
Principal and interest	\$ 22,797	\$ 51,782
Taxes and insurance	83,234	94,926
Other	81,064	93,375
	-----	-----
	187,095	240,083
Loans	328	347
	-----	-----
	\$ 187,423	\$ 240,430
	=====	=====

During any period in which the borrower is not making payments, we are required under certain servicing agreements to advance our own funds to meet contractual principal and interest remittance requirements for investors, pay property taxes and insurance premiums and process foreclosures. We generally recover such advances from borrowers for reinstated and performing loans and from investors for foreclosed loans. We record a charge to the extent that we estimate that advances are uncollectible, taking into consideration the age and nature of the advance and our historical loss experience, among other factors. Advances on loans serviced for others are net of reserves of \$3,375 and \$5,212 as of June 30, 2005 and December 31, 2004, respectively. The reserve balance at June 30, 2005 includes \$3,131 to provide for forbearance plan fees and multiple breach fees that may no longer be collectible. See "Results of Operations - Non-Interest Revenue - Segment Results - Residential Servicing".

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)
(Dollars in thousand, except share data)

Advances on loans serviced for others do not include match funded advances that were transferred to a third party in transactions that did not qualify as sales for accounting purposes and that we account for as secured borrowings. See "Match Funded Assets" for information regarding these advances.

Mortgage Servicing Rights. The unamortized balance of our mortgage servicing rights is primarily related to residential assets. Our investment increased by \$924 during the six months ended June 30, 2005 as purchases exceeded amortization. The rate of amortization reflects high rates of actual and projected prepayments on subprime residential mortgage loans due to low interest rates. Purchases for the six months ended June 30, 2005 reflects the more cautious acquisition strategy that we adopted given the uncertainty of prepayment speeds in the current environment. In addition, prior to debanking, we had commitments with the OTS to maintain our investment in mortgage servicing rights at certain levels. See "Results of Operations - Segment Results - Residential Servicing". The following table sets forth the activity in our mortgage servicing rights during the first six months of 2005:

Balance at December 31, 2004	\$ 131,409
Purchases	50,969
Amortization	(50,045)

Balance at June 30, 2005	\$ 132,333
	=====

At June 30, 2005, we serviced loans under approximately 411 servicing agreements for 22 investors. Purchases during the six months ended June 30, 2005 were all for residential assets.

Receivables. Receivables consisted of the following at the dates indicated:

	June 30, 2005	December 31, 2004
	-----	-----
Residential Servicing (1)	\$ 13,076	\$ 24,012
Residential Origination Services	5,614	3,455
Commercial Servicing	2,700	2,736
Business Process Outsourcing	1,225	1,532
Ocwen Recovery Group	715	341
Commercial Assets (2)	--	192
Affordable Housing (3)	--	18,308
Corporate Items and Other (4)	96,613	76,143
	-----	-----
	\$ 119,943	\$ 126,719
	=====	=====

- (1) Includes \$6,522 and \$12,801 at June 30, 2005 and December 31, 2004, respectively, of receivables representing fees earned from the servicing of loans and real estate. The remaining balance consists principally of reimbursable expenses due from loan servicing investors. The total balance of receivables for this segment is net of reserves of \$5,201 and \$3,395 at June 30, 2005 and December 31, 2004, respectively.
- (2) Based on the relative insignificance of the non-core assets remaining in this segment, the remaining assets of this business have been included in the Corporate Items and Other segment beginning January 1, 2005.
- (3) Based on the relative insignificance of the non-core assets remaining in this segment, the remaining assets of this business have been included in the Corporate Items and Other segment beginning January 1, 2005. The balance primarily represents payments to be received in future years (through June 2014) from the sale of investments in affordable housing properties. On June 30, 2005 the balance included in the Corporate Items and Other segment was \$18,259, net of an unaccreted discount of \$1,870 and a reserve for doubtful accounts of \$5,799. The December 31, 2004 balance of \$18,308 is net of discount and reserves of \$2,346 and \$5,596, respectively.
- (4) Includes \$60,586 and \$61,591 of income taxes receivable at June 30, 2005 and December 31, 2004, respectively. As of June 30, 2005, income taxes receivable includes \$56,526 of federal tax refund claims, the payment of which has been approved by the Joint Committee on Taxation of the U.S. Congress. The receivable balance at June 30, 2005 and December 31, 2004 also included \$7,823 and \$6,872, respectively, of accrued interest on the federal tax refund claims. The increase in the balance of receivables in the Corporate Items and Other segment in 2005 is primarily due to the transfer of Affordable Housing assets to this segment effective January 1, 2005, as noted in (3) above.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)
(Dollars in thousand, except share data)

Real Estate. Our investment in real estate declined from \$18,732 at December 31, 2004 to \$9,314 at June 30, 2005. This decline of \$9,418 is primarily due to the sale of our consolidated subsidiary that owned a retail shopping center located in Halifax, Nova Scotia. This property had a net carrying value of \$8,827 at December 31, 2004. Our investment in real estate at June 30, 2005 consists primarily of interests in two limited partnerships operating as multi-family real estate ventures with a net carrying value of \$8,238. In July 2005, the majority of the assets owned by one of the partnerships were sold and our share of the cash proceeds resulted in a gain of approximately \$1,800.

Loans, Net. Our net investment in loans amounted to \$8,725 and \$3,792 at June 30, 2005 and December 31, 2004, respectively. The balance at June 30, 2005 consists primarily of two loans - a loan with a carrying value of \$3,275 to our one remaining affordable housing property, in which we have invested as a limited partner but do not consolidate in our financial statements and a loan with a carrying value of \$4,898 that we made during the first quarter of 2005 to facilitate the sale of our investment in a consolidated subsidiary that owned a shopping center located in Halifax, Nova Scotia. This new loan is the primary reason for the \$5,499 increase in loans during the first six months of 2005. See "Real Estate" above.

Loans are net of an allowance for losses of \$4,334 and \$4,546 at June 30, 2005 and December 31, 2004, respectively. We maintain an allowance for loan losses for each of our loans at a level that we consider adequate to provide for probable losses based upon an evaluation of known and inherent risks. The following table sets forth an analysis of activity in the allowance for loan losses during the first six months of 2005:

Balance at December 31, 2004	\$	4,546
Provision for loan losses		(12)
Charge-offs		(200)

Balance at June 30, 2005	\$	4,334
		=====

The allowance for loan losses at June 30, 2005 and December 31, 2004 included \$4,269 and \$4,468, respectively, related to a loan to our one remaining affordable housing property.

Other Assets. Other assets consisted of the following at the dates indicated:

	June 30, 2005	December 31, 2004
	-----	-----
Deferred tax assets, net (1)	\$ 16,576	\$ 17,683
Deferred debt related costs, net	11,220	11,216
Interest earning collateral deposits (2)	15,063	8,905
Loans held for resale (3)	14,716	8,437
Interest earning debt service accounts (4)	16,026	5,850
Goodwill, net	5,312	5,312
Prepaid expenses	3,127	4,069
Mutual fund and stocks (5)	33	2,886
Capitalized software development costs, net	518	1,147
Other	3,590	3,471
	-----	-----
	\$ 86,181	\$ 68,976
	=====	=====

(1) Deferred tax assets are net of valuation allowances totaling \$165,083 and \$165,927 at June 30, 2005 and December 31, 2004, respectively. See "Results of Operations - Income Tax Expense (Benefit)".

(2) The balance at June 30, 2005 and December 31, 2004 includes \$8,864 and \$8,905, respectively, of deposits that were required in order to obtain surety bonds for affordable housing properties that we sold before the end of the fifteen-year tax credit amortization period and on which we have previously claimed tax credits on our income tax returns. The surety bond is necessary in order to avoid the recapture of those tax credits previously claimed. The balance at June 30, 2005 also includes a \$5,000 cash collateral account required under a guaranty we entered into in connection with debanking. See Note 5 to the Interim Consolidated Financial Statements.

(3) Loans originated in response to requests from Residential Servicing customers to refinance their mortgage. Only loans with sales commitments prior to closing are originated under this program. The loans outstanding at June 30, 2005 were all sold during July 2005.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)
(Dollars in thousand, except share data)

- (4) The balances at June 30, 2005 and December 31, 2004 include amounts set aside from the proceeds of one of our match funded advance facilities to provide for possible shortfalls in the funds available to pay certain expenses and interest. The balance at June 30, 2005 also includes collections on match funded advances related to our other advance facility that were forwarded to the trustee prior to the scheduled payment application date.
- (5) The balance at December 31, 2004 primarily represents an investment by the Bank in a mutual fund that invests in assets that meet the requirements of the Community Reinvestment Act. This investment was sold during the second quarter of 2005 in connection with debanking.

Match Funded Liabilities. Match funded liabilities represent proceeds received from transfers of loans and advances on loans serviced for others. Because we retained effective control over the assets transferred, these transfers did not qualify as sales for accounting purposes and, therefore, we report them as secured borrowings with pledges of collateral. See "Match Funded Assets" for additional details regarding these transactions. Match funded liabilities were comprised of the following at the dates indicated:

Collateral (Interest Rate)	Interest Rate	June 30, 2005	December 31, 2004
Advances on loans serviced for others (1) ...	See (1) below	\$ 175,000	\$ 149,342
Advances on loans serviced for others (2) ...	LIBOR plus 175 basis points	106,470	90,851
Commercial loans (3)		3,352	4,134
		=====	=====
		\$ 284,822	\$ 244,327
		=====	=====

- (1) In November 2004, we executed a servicing advance securitization. This transaction involved the issuance of a term note for \$100,000 and a one-year variable funding note for a maximum of \$75,000. On March 31, 2005, we executed an indenture supplement to the November 2004 securitization with a closing date of April 6, 2005. This supplement included the issuance of a second term note for \$75,000. In addition, the maximum amount of the variable funding note was increased to \$100,000. The original term note bears interest at LIBOR plus 50 basis points, and the second term note bears interest at LIBOR plus 40 basis points. The variable funding note bears interest at a commercial paper rate plus a margin that approximates LIBOR plus 50 basis points. The original term note under this facility has a stated maturity of October 2013, and the second term note has a stated maturity of March 2014. The variable funding note has a stated maturity of November 2010.
- (2) Under the terms of the agreement, we are eligible to finance additional advances on loans serviced for others up to a maximum balance of \$200,000. This facility will mature in January 2006.
- (3) Represents a 100% participation interest held by a third party.

The lending agreements for our match funded liabilities contain various qualitative and quantitative covenants that, among other things, establish requirements for the monitoring and reporting of specified financial transactions and reporting on defined events affecting the collateral underlying the agreements. We are currently in compliance with these covenants.

Servicer Liabilities. Servicer Liabilities represent amounts we have collected, primarily from Residential Servicing borrowers, that will either be deposited in collections accounts held at an unaffiliated bank and excluded from our balance sheet, paid directly to an investment trust, or refunded to borrowers. Previously, we had included the majority of these balances as a reduction of our cash balances, while others were included within escrow deposits. Reclassifications have been made to the prior periods to conform to this presentation. The following table sets forth the principal components of servicer liabilities at the dates indicated:

	June 30, 2005	December 31, 2004
Borrower payments due to collection accounts	\$ 249,434	\$ 255,040
Escrow payments due to collection accounts	11,100	3,786
Partial payments and other unapplied balances.....	49,835	32,440
	=====	=====
	\$ 310,369	\$ 291,266
	=====	=====

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)
(Dollars in thousand, except share data)

Lines of Credit and Other Secured Borrowings. We have obtained secured borrowings from unaffiliated financial institutions as follows:

Borrowing Type	Collateral	Maturity	Interest Rate (1)	June 30, 2005	December 31, 2004
Senior secured credit agreement	Purchased mortgage servicing rights and advances on loans serviced for others (2)	April 2006	LIBOR + 162.5 or 225 basis points	\$ 37,728	\$ 24,218
Senior secured credit agreement	Purchased mortgage servicing rights	December 2005	LIBOR + 250 basis points	--	11,458
Mortgage note	Office building (3)	October 2014	5.62%	14,797	14,936
				\$ 52,525	\$ 50,612
				=====	=====

(1) 1-month LIBOR was 3.34% and 2.40% at June 30, 2005 and December 31, 2004, respectively.

(2) The maximum amount of borrowing under this facility was increased from \$70,000 to \$140,000 effective July 1, 2005. See "Liquidity, Commitments and Off-Balance Sheet Risks".

(3) Collateral represents our loan servicing call center located in Orlando, Florida. We entered into this mortgage in October 2004.

Each of our lines contains qualitative and quantitative covenants that establish, among other things, the maintenance of specified net worth and restrictions on future indebtedness, as well as the monitoring and reporting of various specified transactions or events. We are currently in compliance with these covenants. While we have not historically paid dividends, our covenants, by establishing net worth requirements, in effect limit the amount of dividends that could be paid. As of June 30, 2005, the most restrictive limitation of all the covenants would limit dividends that could be paid to \$78,615.

Debt Securities. Debt securities consisted of the following at the dates indicated:

	June 30, 2005	December 31, 2004
3.25% Convertible Notes due August 1, 2024	\$ 175,000	\$ 175,000
10.875% Capital Securities due August 1, 2027 ..	56,249	56,249
	\$ 231,249	\$ 231,249
	=====	=====

In addition to the specific requirements discussed below, each of our debt securities contain qualitative and quantitative covenants that establish, among other things, the maintenance of specified net worth and restrictions on future indebtedness, as well as the monitoring and reporting of various specified transactions or events. We are currently in compliance with these covenants.

Convertible Notes. In July 2004, OCN issued \$175,000 aggregate principal amount of 3.25% Contingent Convertible Senior Unsecured Notes due 2024 ("Convertible Notes") in a private placement as permitted by the Securities Act of 1933, as amended. We filed with the Securities and Exchange Commission a registration statement, which was declared effective March 15, 2005, covering resales by holders of the Convertible Notes and the common stock issuable upon conversion of the Convertible Notes. The Convertible Notes are senior unsecured obligations of Ocwen Financial Corporation and bear interest at the rate of 3.25% per year. Interest is payable on February 1 and August 1 of each year, beginning on February 1, 2005. The Convertible Notes will mature on August 1, 2024.

Holders may convert all or a portion of their notes into shares of our common stock under the following circumstances: (1) at any time during any calendar quarter commencing after December 31, 2004, if the closing sale price of our common stock for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of the calendar quarter prior to such quarter is greater than 125% of the conversion price per share of common stock on such last day; (2) subject to certain exceptions, during the five business day period after any five-consecutive-trading-day period in which the trading price per \$1 principal amount of the notes for each day of the five-consecutive-trading-day period was less than 98% of the product of the closing sale price of our common stock and the number of shares issuable upon conversion of \$1 principal amount of the notes; (3) if the notes have been called for redemption; (4) upon the occurrence of specified corporate transactions; or (5) if we elect at our sole discretion to permit conversion following the implementation of EITF Issue 04-8. We elected not to permit conversion following the implementation of EITF 04-8 in the fourth quarter of 2004.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)
(Dollars in thousand, except share data)

The conversion rate will be 82.1693 shares of our common stock per \$1 principal amount of the notes, subject to adjustment. Events that may cause the conversion rate to be adjusted, as more fully described in the related indenture agreement, primarily relate to cash dividends or other distributions to holders of our common stock. Upon conversion, we may at our option choose to deliver, in lieu of our common stock, cash or a combination of cash and common stock as described herein.

Beginning August 1, 2009, we may redeem all or a portion of the notes for cash for a price equal to 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest, if any.

Holders may require us to repurchase all or a portion of their notes for cash on August 1, 2009, August 1, 2014, and August 1, 2019 or upon the occurrence of a "fundamental change" at a repurchase price equal to 100% of the principal amount of the notes to be repurchased plus accrued and unpaid interest, if any. A "fundamental change", as further defined in the indenture agreement, is deemed to have occurred upon a change of control or a termination of trading in our common stock.

Capital Securities. In August 1997, Ocwen Capital Trust ("OCT") issued \$125,000 of 10.875% Capital Securities (the "Capital Securities"). OCT invested the proceeds from issuance of the Capital Securities in 10.875% Junior Subordinated Debentures issued by OCN. The Junior Subordinated Debentures, which represent the sole assets of OCT, will mature on August 1, 2027.

Holders of the Capital Securities are entitled to receive cumulative cash distributions accruing from the date of original issuance and payable semiannually in arrears on February 1 and August 1 of each year, commencing on February 1, 1998, at an annual rate of 10.875% of the liquidation amount of \$1 per Capital Security. OCN guarantees payment of distributions out of moneys held by OCT, and payments on liquidation of OCT or the redemption of Capital Securities, to the extent OCT has funds available. If Ocwen Financial Corporation does not make principal or interest payments on the Junior Subordinated Debentures, OCT will not have sufficient funds to make distributions on the Capital Securities, in which event the guarantee shall not apply to such distributions until OCT has sufficient funds available therefor.

We have the right to defer payment of interest on the Junior Subordinated Debentures at any time or from time to time for a period not exceeding 10 consecutive semiannual periods with respect to each deferral period, provided that no extension period may extend beyond the stated maturity of the Junior Subordinated Debentures. Upon the termination of any such extension period and the payment of all amounts then due on any interest payment date, we may elect to begin a new extension period. Accordingly, there could be multiple extension periods of varying lengths throughout the term of the Junior Subordinated Debentures. If we defer interest payments on the Junior Subordinated Debentures, distributions on the Capital Securities will also be deferred, and we may not, nor may any of our subsidiaries, (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, their capital stock or (ii) make any payment of principal, interest or premium, if any, on or repay, repurchase or redeem any debt securities that rank pari passu with or junior to the Junior Subordinated Debentures. During an extension period, interest on the Junior Subordinated Debentures will continue to accrue at the rate of 10.875% per annum, compounded semiannually.

We may redeem the Junior Subordinated Debentures before maturity at our option, subject to the receipt of any necessary prior regulatory approval, (i) in whole or in part on or after August 1, 2007, at a redemption price equal to 105.438% of the principal amount thereof on August 1, 2007, declining ratably on each August 1 thereafter to 100% on or after August 1, 2017, plus accrued interest thereon, or (ii) at any time, in whole (but not in part), upon the occurrence and continuation of a special event (defined as a tax event, regulatory capital event or an investment company event) at a redemption price equal to the greater of (a) 100% of the principal amount thereof or (b) the sum of the present values of the principal amount and premium payable with respect to an optional redemption of such Junior Subordinated Debentures on August 1, 2007, together with scheduled payments of interest from the prepayment date to August 1, 2007, discounted to the prepayment date on a semiannual basis at the adjusted Treasury rate plus accrued interest thereon to the date of prepayment. The Capital Securities are subject to mandatory redemption, in whole or in part, upon repayment of the Junior Subordinated Debentures at maturity or their earlier redemption, in an amount equal to the amount of the related Junior Subordinated Debentures maturing or being redeemed and at a redemption price equal to the redemption price of the Junior Subordinated Debentures, plus accumulated and unpaid distributions thereon to the date of redemption.

For financial reporting purposes, we treat OCT as a subsidiary and, accordingly, the accounts of OCT are included in our consolidated financial statements. We eliminate intercompany balances and transactions with OCT, including the balance of Junior Subordinated Debentures outstanding, in our consolidated financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)
(Dollars in thousand, except share data)

Deposits. In connection with debanking, on June 30, 2005, Marathon National Bank assumed the customer deposits associated with the Bank's branch facility. As a result of our termination of the Bank's status as a federal savings bank, we are no longer able to take deposits in the United States. See Note 5 to the Interim Consolidated Financial Statements for additional information regarding debanking. Total customer deposits amounted to \$290,507 at December 31, 2004.

Other Liabilities. Other liabilities consisted of the following at the dates indicated:

	June 30, 2005	December 31, 2004
Accrued expenses (1)	\$ 32,545	\$ 35,343
BOK bank deposits (2)	11,135	10,792
Deferred income	9,061	6,179
Other	13,115	4,535
	-----	-----
	\$ 65,856	\$ 56,849
	=====	=====

(1) Consists primarily of accruals for incentive compensation awards, audit fees, interest on debt securities and operating expenses.

(2) Represents funds of third parties held on deposit by our German bank subsidiary.

Escrow Deposits. Escrow deposits amounted to \$86,084 at December 31, 2004 and consisted of custodial deposit balances representing funds collected from borrowers for the payment of taxes and insurance premiums on mortgage properties underlying loans that we serviced for others. In connection with debanking, these custodial deposits were transferred from the Bank to an unaffiliated bank and are now excluded from our balance sheet.

Stockholders' Equity. Stockholders' equity amounted to \$336,084 at June 30, 2005 as compared to \$330,108 at December 31, 2004. The \$5,976 increase in stockholders' equity during the first six months of 2005 was primarily due to net income of \$5,295 and the issuance of vested restricted stock to employees as part of our annual incentive awards. See the Consolidated Statements of Changes in Stockholders' Equity in the Interim Consolidated Financial Statements for additional information regarding changes in stockholders' equity during the first six months of 2005.

We did not purchase any shares of our own common stock during the six months ended June 30, 2005. A total of 5,568,900 shares may be purchased under a plan we announced on May 9, 2000 to repurchase up to 6,000,000 shares of our issued and outstanding common stock.

LIQUIDITY, COMMITMENTS AND OFF-BALANCE SHEET RISKS

Our primary sources of funds for liquidity are:

o Lines of credit and other secured borrowings	o Servicing fees
o Match funded debt	o Payments received on loans and securities
o Debt securities	o Proceeds from sales of assets

We closely monitor our liquidity position and ongoing funding requirements. At June 30, 2005, we had \$308,837 of unrestricted cash and \$2,942 of short-term investment grade securities. Unrestricted cash and short-term investment grade securities combined represented 24% of total assets at June 30, 2005. Under certain of our credit facilities, we are required to maintain minimum liquidity levels. Among the risks and challenges associated with our funding activities are the following:

- o As a result of debanking, we are no longer able to take deposits in the United States, and we made a net cash payment of \$164,212 to Marathon National Bank on June 30, 2005 in connection with their assumption of our customer deposits.
- o Cash requirements to fund our acquisition of additional servicing rights and related advances.
- o The maturity of existing senior secured credit agreements with an outstanding balance of \$37,728 within the next twelve months.
- o Ongoing cash requirements to fund operations.

In the last several years, our Residential Servicing business has grown through the purchase of servicing rights. Servicing rights entitle us as the owner to earn servicing fees and other types of ancillary income, but they also impose on us various obligations as the servicer. Among these are the obligations to advance our own funds to meet contractual principal and interest payments for certain investors and to pay taxes, insurance and various other items that are required to preserve the assets being serviced.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)
(Dollars in thousand, except share data)

Our ability to expand our Residential Servicing business depends in part on our ability to obtain additional financing to purchase new servicing rights and to fund servicing advances. We currently use a variety of sources of debt to finance these assets, including match funded agreements, credit facilities and seller financing. Our credit facilities provide financing to us at amounts that are less than the full value of the related servicing assets that serve as collateral for the credit facilities. If we cannot replace or renew these sources as they mature or obtain additional sources of financing, we may be unable to acquire new servicing rights or make the associated advances. Credit facilities directly related to our Residential Servicing business are summarized as follows:

- o Under a match funding agreement that we entered into on December 20, 2001, we are eligible to sell advances on loans serviced for others up to a maximum debt balance of \$200,000 at any one time. At June 30, 2005, we had \$106,470 of match funded liabilities outstanding under this facility, which will mature in January 2006. The sales of advances do not qualify as sales for accounting purposes; therefore, we report them as secured borrowings with pledges of collateral.
- o In April 2003, we also entered into a secured credit agreement that may be used to fund servicing advances and acquisitions of servicing rights. The agreement matured in April 2005 and has been renewed through April 2006. In April 2005 we concluded a syndication of this credit line that increased our borrowing capacity under this agreement by \$70,000 for a total of \$140,000. The syndication formally closed effective July 1, 2005. At June 30, 2005, we had a balance outstanding under this agreement of \$37,728.
- o On November 17, 2004, we entered into a match funded agreement under which we transferred certain of our advances on loans serviced for others. As of June 30, 2005, proceeds received in connection with this transfer of advances were \$175,000. The transfers of advances under this agreement do not qualify as sales for accounting purposes because we retain effective control of the advances. Accordingly, we report the advances transferred as match funded assets and the amount of proceeds we receive from the transfers as a secured borrowing with pledge of collateral. The two term notes of \$100,000 and \$75,000 under this facility have stated maturities of October 2013 and March 2014, respectively. The variable funding note, which has a maximum amount of \$100,000, has a stated maturity of November 2010.

We believe that our existing sources of liquidity, including internally generated funds, will be adequate to fund our planned activities for the foreseeable future, although there can be no assurances in this regard. As discussed above, we continue to evaluate other sources of liquidity, such as debt securities, lines of credit from unaffiliated parties, match funded debt and other secured borrowings.

Our operating activities provided (used) \$152,702 and \$154,072 of cash flows during the six months ended June 30, 2005 and 2004, respectively. Operating cash flow declined in 2005 primarily as a result of lower net income, a decline in net collections on advances and match funded advances on loans serviced for others and slower growth in the amount of borrower payments held by us prior to their being transferred to collection accounts, offset in large part by an increase in cash provided by trading securities. The increase in cash provided by trading securities in 2005 is primarily due to maturities, sales and principal repayment on CMOs, which we invested in prior to debanking to meet the Qualified Thrift Lender requirements of the Bank.

Our investing activities provided (used) cash flows totaling \$(52,719) and \$6,592 during the six months ended June 30, 2005 and 2004, respectively. The decline in cash flows provided by investing activities in 2005 is largely the result of an increase in purchases of mortgage servicing rights, coupled with a decline in proceeds from the sale of real estate and a decline in principal payments received on loans. These increased cash outflows were partly offset by declines in acquisitions of match funded loans and originations of loans in 2005.

Our financing activities provided (used) cash flows of \$(332,641) and \$(36,273) during the six months ended June 30, 2005 and 2004, respectively. Cash flows used by financing activities increased principally because of the decline in deposits in 2005 as a result of maturing certificates of deposit and the cash payment to Marathon National Bank on June 30, 2005 in connection with their assumption of our customer deposits. Partially offsetting this increase in cash outflows, match funded agreements provided additional net cash in 2005 as a result of increased borrowing capacity. Also, a line of credit collateralized by servicing advances matured in 2004 resulting in a significant cash outflow.

See the Consolidated Statements of Cash Flows in the Interim Consolidated Financial Statements for additional details regarding cash flows during the six months ended June 30, 2005 and 2004.

Commitments. We believe that we have adequate resources to fund all unfunded commitments to the extent required and meet all contractual obligations as they come due. Such contractual obligations include our Convertible Notes, Capital Trust Securities, lines of credit and other secured borrowings and operating leases. See Note 7 to the Interim Consolidated Financial Statements for additional information regarding commitments and contingencies.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)
(Dollars in thousand, except share data)

Off-Balance Sheet Risks. In addition to commitments to extend credit, we are party to various off-balance sheet financial instruments in the normal course of our business to manage our foreign currency exchange rate risk. See Note 4 to the Interim Consolidated Financial Statements and "Quantitative and Qualitative Disclosures about Market Risk."

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

REGULATORY MATTERS

See Note 5 to the Interim Consolidated Financial Statements.

RECENT ACCOUNTING DEVELOPMENTS

For information relating to the effects of our adoption of recent accounting standards, see Note 2 to the Interim Consolidated Financial Statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK - (Continued)
(Dollars in thousands)

Market risk includes interest rate risk, foreign currency exchange rate risk and liquidity risk. We are exposed to interest rate risk to the degree that our interest-bearing liabilities mature or reprice at different speeds, or different bases, than our interest-earning assets. We are exposed to foreign currency exchange rate risk in connection with our investment in non-U.S. dollar functional currency operations and to the extent our foreign exchange positions remain unhedged. Market risk also reflects the risk of declines in the valuation of trading securities, mortgage servicing rights and in the value of the collateral underlying loans and the value of real estate held.

We are also exposed to liquidity risk primarily because of the highly variable daily cash requirements to support the Residential Servicing business, including acquisitions of mortgage servicing rights, the requirement to make advances pursuant to servicing contracts and the process of remitting borrower payments to the custodial accounts. In general, we finance our operations through operating cash flows and various other sources, including long-term debt and financing facilities. See "Liquidity, Commitments and Off-Balance Sheet Risks" for additional discussion regarding liquidity.

The primary risk associated with mortgage servicing rights is that they will lose a portion of their value as a result of higher than anticipated prepayments occasioned by declining interest rates or because of higher than anticipated delinquency rates occasioned by deteriorating credit conditions. Interest rates, prepayment speeds and the payment performance of the underlying loans significantly affect both our initial and ongoing valuations and the rate of amortization of mortgage servicing rights. In general, the value of mortgage servicing assets is affected by increased mortgage refinance activity that is influenced by changes in borrowers' credit ratings, shifts in value in the housing market and interest rates. While such assets tend to decrease in value as interest rates decrease, they tend to increase in value as interest rates increase. Increases in prepayment speeds result in increases in the amortization expense of our mortgage servicing rights. As of June 30, 2005 and December 31, 2004, we held \$132,333 and \$131,409, respectively, of mortgage servicing rights.

We perform an interest rate sensitivity analysis of our mortgage servicing rights portfolio every quarter. We currently estimate that the fair value of the portfolio increases by approximately 5% for every 50 basis point (bps) increase in interest rates and reduces by approximately 7% for every 50 bps decline in interest rates. Mortgage servicing rights are carried at the lower of amortized cost or fair value by strata. To the extent that fair value were to decline below amortized cost, we would record an impairment charge to earnings and establish a valuation allowance. A subsequent increase in fair value could result in the recovery of some or all of a previously established valuation allowance. However, an increase in fair value of a particular stratum above its amortized cost would not be reflected in current earnings.

Our Residential Servicing business is characterized by non-interest earning assets financed by interest-bearing liabilities. Among the more significant non-interest earning assets are servicing advances and mortgage servicing rights. At June 30, 2005, we had servicing advances of \$518,432 consisting of advances on loans serviced for others of \$187,095 and match funded advances on loans serviced for others of \$331,337. See "Changes in Financial Condition - Match Funded Assets and - Advances on Loans and Loans serviced for Others".

We are also exposed to interest rate risk because earnings on float balances are affected by short-term interest rates. These float balances, which are not included in our financial statements, amounted to \$1,020,725 and \$867,884 at June 30, 2005 and December 31, 2004, respectively. We report these earnings as a component of servicing and related fees. See "Results of Operations - Segment Results - Residential Loan Servicing" and "Non-Interest Revenue - Servicing and Related Fees" for additional information regarding float earnings and yields for the reported periods.

At June 30, 2005, the combined balance of our match funded liabilities, debt securities, lines of credit and other secured borrowings totaled \$568,596. Of this amount \$322,550 was variable rate debt, and therefore sensitive to changes in interest rates, and \$246,046 was fixed rate debt. See "Changes in Financial Condition - Match Funded Liabilities, Lines of Credit and Other Secured Borrowings and Debt Securities" for information regarding debt maturities.

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

We have entered into foreign currency futures to hedge our net investment in the foreign subsidiary that owns our U.K. supprime residual securities and the short-term Canadian-Dollar-denominated loan that we made to facilitate the sale of our investment in the foreign subsidiary that owned the shopping center in Halifax, Nova Scotia. Our principal exposure to foreign currency exchange rates exists with the British Pound versus the U.S. dollar and the Canadian Dollar versus the U.S. Dollar. See Note 4 to our Interim Consolidated Financial Statements for additional information regarding these hedges.

ITEM 4. CONTROLS AND PROCEDURES

Our management, with the participation of our chief executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) under the Securities Exchange Act) as of June 30, 2005. Based on this evaluation, our chief executive officer and principal financial officer concluded that, as of June 30, 2005 our disclosure controls and procedures were (1) designed to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to our chief executive officer and acting principal officer by others within those entities, particularly during the period in which this report was being prepared and (2) effective, in that they provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d -15(f) under the Exchange Act) occurred during the fiscal quarter ended June 30, 2005 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

FORWARD-LOOKING STATEMENTS

This Quarterly Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including, but not limited to the following:

- o projections for growth of the residential loan servicing business and business opportunities in other core businesses;
- o assumptions related to the sources of liquidity and the adequacy of financial resources;
- o estimates regarding interest rates and foreign currency transactions; and
- o expectations related to pending litigation.

Forward-looking statements are not guarantees of future performance, and involve a number of assumptions, risks and uncertainties that could cause actual results to differ materially. Important factors that could cause actual results to differ materially from those suggested by the forward-looking statements include, but are not limited to, the following:

- o general economic and market conditions,
- o prevailing interest or currency exchange rates,
- o availability of servicing rights for purchase,
- o governmental regulations and policies,
- o international political and economic uncertainty,
- o availability of adequate and timely sources of liquidity,
- o uncertainty related to dispute resolution and litigation, and
- o real estate market conditions and trends.

Further information on the risks specific to our business are detailed within this report and our other reports and filings with the Securities and Exchange Commission, including our periodic reports on Form 10-K for the year ended December 31, 2004, Form 10-Q for the quarter ended March 31, 2005 and Form 8-K. The forward-looking statements speak only as of the date they are made and should not be relied upon. OCN undertakes no obligation to update or revise the forward-looking statements.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

See "Note 17 Commitments and Contingencies" of Ocwen Financial Corporation's Interim Consolidated Financial Statements.

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

At OCN's Annual Meeting of Shareholders held on May 17, 2005, the following individuals were elected to the Board of Directors:

	Votes For	Votes Withheld
William C. Erbey	57,586,356	129,099
Ronald M. Faris	55,563,524	2,151,931
Ronald J. Korn	57,606,900	108,555
William H. Lacy	57,607,030	108,425
W. Michael Linn	56,285,436	1,430,019
W.C. Martin	57,606,775	108,680
Barry N. Wish	53,589,949	4,125,506

Ratification of PricewaterhouseCoopers LLP as the independent auditors of OCN for the fiscal year ending December 31, 2005 was also voted on and approved by the shareholders. The votes were as follows:

Votes for	57,681,793
Votes against	13,813
Abstentions	19,849

ITEM 6. EXHIBITS.

- 2.1 Agreement of Merger dated as of July 25, 1999 among Ocwen Financial Corporation, Ocwen Asset Investment Corp. and Ocwen Acquisition Company (1)
- 3.1 Amended and Restated Articles of Incorporation (2)
- 3.2 Amended and Restated Bylaws (3)
- 4.0 Form of Certificate of Common Stock (2)
- 4.1 Certificate of Trust of Ocwen Capital Trust I (4)
- 4.2 Amended and Restated Declaration of Trust to Ocwen Capital Trust I (4)
- 4.3 Form of Capital Security of Ocwen Capital Trust I (Included in Exhibit 4.2) (4)
- 4.4 Form of Indenture relating to 10.875% Junior Subordinated Debentures due 2027 of OCN (4)
- 4.5 Form of 10.875% Junior Subordinated Debentures due 2027 of OCN (Included in Exhibit 4.4) (4)
- 4.6 Form of Guarantee of OCN relating to the Capital Securities of Ocwen Capital Trust I (4)
- 4.7 Registration Rights Agreement dated as of July 28, 2004, between OCN and Jeffries & Company Inc. (10)
- 4.8 Indenture dated as of July 28, 2004, between OCN and the Bank of New York Trust Company, N.A., as trustee (10)
- 10.1 Ocwen Financial Corporation 1996 Stock Plan for Directors, as amended (5)
- 10.2 Ocwen Financial Corporation 1998 Annual Incentive Plan (6)
- 10.3 Compensation and Indemnification Agreement, dated as of May 6, 1999, between OAC and the independent committee of the Board of Directors (7)
- 10.4 Indemnity agreement, dated August 24, 1999, among OCN and OAC's Board of Directors (8)
- 10.5 Amended Ocwen Financial Corporation 1991 Non-Qualified Stock Option Plan, dated October 26, 1999 (8)
- 10.6 First Amendment to Agreement, dated March 31, 2000, between HCT Investments, Inc. and OAIC Partnership I, L.P. (8)
- 10.7 Ocwen Financial Corporation Deferral Plan for Directors, dated March 7, 2005 (9)
- 10.8 Collateral Trust Agreement, dated June 28, 2005, between OCN and the Bank of New York Trust Company, N.A. (filed herewith)
- 10.9 Guaranty, dated June 28, 2005, from OCN to the Guaranteed Parties (filed herewith)
- 10.10 Cash Collateral Agreement, dated June 28, 2005 among OCN, Bank of New York Trust Company, N.A. as Collateral Trustee and Bank of New York Trust Company N.A. as Account Bank (filed herewith)
- 31.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
- 31.2 Certification of the Principal Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)

PART II - OTHER INFORMATION

- 32.1 Certification of the Chief Executive Officer pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
- 32.2 Certification of the Principal Financial Officer pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)

- (1) Incorporated by reference from the similarly described exhibit included with the Registrant's Current Report on Form 8-K filed with the Commission on July 26, 1999.
- (2) Incorporated by reference from the similarly described exhibit in connection with the Registrant's Registration Statement on Form S-1 (File No. 333-5153), as amended, declared effective by the Commission on September 25, 1996.
- (3) Incorporated by reference from the similarly described exhibit included with the Registrant's Annual Report on Form 10-K for the year ended December 31, 1998.
- (4) Incorporated by reference from the similarly described exhibit filed in connection with Ocwen Financial Corporation's Registration Statement on Form S-1 (File No. 333-28889), as amended, declared effective by the Commission on August 6, 1997.
- (5) Incorporated by reference from the similarly described exhibit filed in connection with the Registrant's Registration Statement on Form S-8 (File No. 333-44999), effective when filed with the Commission on January 28, 1998.
- (6) Incorporated by reference from the similarly described exhibit to Ocwen Financial Corporation's Definitive Proxy Statement with respect to Ocwen Financial Corporation's 1998 Annual Meeting of Shareholders filed with the Commission on March 31, 1998.
- (7) Incorporated by reference from OAC's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999.
- (8) Incorporated by reference from the similarly described exhibit included with Registrant's Quarterly Report of Form 10-Q for the quarterly period ended March 31, 2000.
- (9) Incorporated by reference from the similarly described exhibit included with the Registrant's Annual Report on Form 10-K for the year ended December 31, 2004.
- (10) Incorporated by reference from the similarly described exhibit included with Registrant's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2004.

SIGNATURES

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

OCWEN FINANCIAL CORPORATION

By: /s/ ROBERT J LEIST, JR

Robert J Leist, Jr ,
Senior Vice President & Principal
Financial Officer
(On behalf of the Registrant and as its
principal financial officer)

Date: August 9, 2005

COLLATERAL TRUST AGREEMENT

Dated June 28, 2005

by and between

OCWEN FINANCIAL CORPORATION

and

THE BANK OF NEW YORK TRUST COMPANY, N.A.
as Collateral Trustee

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COLLATERAL TRUST AGREEMENT

COLLATERAL TRUST AGREEMENT, dated June 28, 2005, by and between OCWEN FINANCIAL CORPORATION, Florida corporation (the "Grantor"), THE BANK OF NEW YORK TRUST COMPANY, N.A., a national banking association (together with any successor collateral trustee appointed pursuant to Article 6, the "Collateral Trustee"), as trustee for the Guaranteed Parties (as defined below). Certain capitalized terms used herein are defined in Article 1 of this Agreement.

PRELIMINARY STATEMENTS:

(1) The Grantor has executed and delivered to the Office of Thrift Supervision (together with any governmental agency succeeding to any of its principal functions in the event that the Office of Thrift Supervision ceases to exist, the "OTS"), for the benefit of the Guaranteed Parties (as defined therein), a Guaranty (the "Guaranty") dated as of the date hereof in respect of the Guaranteed Obligations (as defined therein). Capitalized terms used but not defined herein are used herein as defined in the Guaranty, a copy of which is attached hereto as Exhibit A.

(2) In order to secure the Guaranteed Obligations, the Grantor has executed and delivered to the OTS, for the benefit of the Guaranteed Parties, a Cash Collateral Agreement (the "Cash Collateral Agreement") dated the date hereof.

(3) Pursuant to the terms of the Guaranty and the Cash Collateral Agreement, the Grantor has opened a non-interest bearing cash collateral account (the "Cash Collateral Account"), in the name of the Grantor but under the sole control and dominion of the Collateral Trustee.

NOW, THEREFORE, in consideration of the premises, the Grantor hereby agrees with the Collateral Trustee for its benefit and the equal and ratable benefit of the Guaranteed Parties as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Certain Defined Terms. The following terms shall have the following meanings as used herein (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Account Bank" has the meaning specified in the Cash Collateral Agreement.

"Affiliate" means, with respect to a particular Person, (a) any Person which, directly or indirectly, controls, is controlled by, or is under common control with such particular Person, or (b) any Person who is a director or officer of such particular Person. For purposes of this definition, control of a Person shall mean the power, direct or indirect, (i) to vote 5% or more of the securities having ordinary voting power for the election of directors of such Person, or (ii) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Authorized Officer" means the Chairman, the President, any Vice President, the Secretary or the Treasurer of a Person or any other officer designated as an "Authorized Officer" by the Board of Directors (or equivalent governing body) of such Person. "Bankruptcy Code" means Title 11 of the United States Code entitled "Bankruptcy", as amended from time to time. "Business Day" means a day of the year on which banks are not required or authorized by law to close in New York City or the city in which the Collateral Trustee maintains its corporate trust office.

"Cash Collateral" has the meaning specified in the Cash Collateral Agreement.

"Cash Collateral Account" has the meaning specified in the Preliminary Statements.

"Cash Collateral Agreement" has the meaning specified in the Preliminary Statements.

"Certificate of Demand" means a certificate substantially in the form of Exhibit B executed by a Guaranteed Party and delivered to the Collateral Trustee pursuant to Section 4.01.

"Certified Claim" means an unpaid and unsatisfied, or partially paid and partially satisfied, Claim (as defined in the Guaranty) in respect of any Guaranteed Obligations (a) that is a present right to payment, (b) has been reduced to judgment and/or is otherwise due and payable and enforcement thereof has not been effectively stayed, (c) with respect to which demand has been made upon the Grantor under the Guaranty and (d) with respect to which a true, correct and complete Certificate of Demand has been executed and delivered to the Collateral Trustee and the Grantor.

"Collateral Trust Estate" means all of the right, title and interest of the Collateral Trustee, whether now owned or hereafter acquired, in and to the Cash Collateral.

"Collateral Trustee" has the meaning specified in the recital of parties to this Agreement.

"Collateral Trustee's Fees" means the fees and other amounts payable to the Collateral Trustee pursuant to Sections 5.02, 5.03 and 5.04 and amounts claimed and unpaid pursuant to Section 5.05.

"Guaranteed Obligations" has the meaning specified in the Guaranty.

"Guaranteed Parties" has the meaning specified in the Guaranty.

"Guaranty" has the meaning specified in the Preliminary Statements.

"OTS" has the meaning specified in the Preliminary Statements.

"Person" means an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"Subsidiary" of any Person means any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency), (b) the interest in the capital of such partnership, joint venture or limited liability company, or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries.

Section 1.02. Certain References. In this Agreement, the words "hereof," "herein" and "hereunder", and words of similar import, shall refer to this Agreement as a whole and not to any particular provision of this Agreement. All section, schedule and exhibit references set forth in this Agreement are, unless otherwise specified, references to such section in, or schedule or exhibit to, this Agreement.

ARTICLE II

CONFIRMATION OF SECURITY INTERESTS

Section 2.01. Cash Collateral. The Grantor hereby confirms that, pursuant to the terms of the Cash Collateral Agreement, the Grantor has pledged and assigned to the Collateral Trustee for its benefit and in trust for the ratable benefit of the Guaranteed Parties, and has granted the Collateral Trustee for its benefit and in trust for the ratable benefit of the Guaranteed Parties a lien on and security interest in, the Cash Collateral described therein.

ARTICLE III

ACTIONABLE DEFAULTS; REMEDIES

Section 3.01. Direction by OTS. As to any matters not expressly provided for under this Agreement, the Guaranty or the Cash Collateral Agreement, the Collateral Trustee shall not be required to exercise any discretion or to take any action under this Agreement, the Guaranty or the Cash Collateral Agreement or in respect of the Cash Collateral, but shall be required to act or to refrain from acting (and shall be fully protected in acting or refraining from acting) in accordance with the instructions of the OTS.

Section 3.02. Right to Initiate Judicial Proceedings, Etc. (a) Upon the occurrence of and during the continuance of any Event of Default under the Guaranty, the Collateral Trustee (i) shall have the right and power to institute and maintain such suits and proceedings as it or the OTS may deem appropriate to protect and enforce the rights vested in it by this Agreement and the Cash Collateral Agreement and (ii) may either, after entry or without entry, proceed by suit or suits at law or in equity to enforce such rights and to foreclose upon the Cash Collateral and to dispose of, collect or otherwise realize upon, all or any portion of the Collateral Trust Estate under the judgment or decree of a court of competent jurisdiction.

(b) If a receiver of the Collateral Trust Estate shall be appointed in judicial proceedings, the Collateral Trustee may be appointed as such receiver. Notwithstanding the appointment of a receiver, the Collateral Trustee shall be entitled to retain possession and control of all cash held by or deposited with it or its agents or co-trustees pursuant to any provision of this Agreement or the Cash Collateral Agreement.

Section 3.03. Remedies Not Exclusive. (a) No remedy conferred upon or reserved to the Collateral Trustee herein or in the Cash Collateral Agreement is intended to be a limitation exclusive of any other remedy or remedies, but every such remedy shall be cumulative and shall be in addition to every other remedy conferred herein or in the Cash Collateral Agreement or now or hereafter existing at law or in equity or by statute.

(b) No delay or omission of the Collateral Trustee to exercise any right, remedy or power hereunder or under the Cash Collateral Agreement shall impair any such right, remedy or power or shall be construed to be a waiver of any Event of Default under the Guaranty or any acquiescence therein; and every right, power and remedy given by this Agreement or the Cash Collateral Agreement to the Collateral Trustee may be exercised from time to time and as often as may be deemed expedient by the Collateral Trustee.

(c) In case the Collateral Trustee shall have proceeded to enforce any right, remedy or power under this Agreement or the Cash Collateral Agreement and the proceeding for the enforcement thereof shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Collateral Trustee, then and in every such case the Grantor, the Collateral Trustee and the Guaranteed Parties shall, subject to any determination in such proceeding, severally be restored to their former positions and rights hereunder and under the Cash Collateral Agreement with respect to the Collateral Trust Estate, the Cash Collateral Account and in all other respects, and thereafter all rights, remedies and powers of the Collateral Trustee shall continue as though no such proceeding had been taken.

(d) The Grantor expressly agrees that all rights of action and rights to assert claims upon or under this Agreement and the Cash Collateral Agreement may be enforced by the Collateral Trustee without the possession of any debt instrument or the production thereof in any trial or other proceeding relative thereto, and any such suit or proceeding instituted by the Collateral Trustee shall be brought in its name as Collateral Trustee and any recovery of judgment shall be held as part of the Cash Collateral.

Section 3.04. Waiver of Certain Rights. The Grantor, on behalf of itself and all who may claim through or under it, including, without limitation, any and all subsequent Affiliates, creditors, vendees, assignees and lienors, expressly waives and releases, to the fullest extent permitted by law, any, every and all rights to demand or to have any marshalling of the Collateral Trust Estate upon any enforcement of the Cash Collateral Agreement, including, without limitation, upon any sale, whether made under any power of sale herein granted or pursuant to judicial proceedings or upon any foreclosure or any enforcement of the Cash Collateral Agreement or this Agreement and consents and agrees that all the Collateral Trust Estate and any such sale may be offered and sold as an entirety.

Section 3.05. Limitation on Collateral Trustee's Duties in Respect of Cash Collateral. Beyond the duties set forth in this Agreement and the Cash Collateral Agreement, the Collateral Trustee shall not have any duty to the Grantor, the OTS or the Guaranteed Parties as to any Cash Collateral in the Collateral Trustee's possession or control or in the possession or control of any agent or nominee of the Collateral Trustee or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto, except that the Collateral Trustee shall be liable for its failure to exercise ordinary care in the handling of moneys and securities actually received by it.

Section 3.06. Limitation by Law. All rights, remedies and powers provided by this Article 3 may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Article 3 are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this Agreement invalid, unenforceable in whole or in part.

Section 3.07. Absolute Rights of Guaranteed Parties. Notwithstanding any other provision of this Agreement or the Cash Collateral Agreement, each of the Guaranteed Parties has an absolute and unconditional right to receive payment of all of the Guaranteed Obligations owing to such Guaranteed Party when the same becomes due and payable and at the time and place and otherwise in the manner set forth in the Guaranty, and the right of each such Guaranteed Party to institute proceedings for the enforcement of such

payment on or after the date such payment becomes due and to assert its position as a secured creditor in a proceeding under the Bankruptcy Code in which the Grantor is a debtor, and the obligation of the Grantor to pay all of the Guaranteed Obligations owing to each of the Guaranteed Parties as, when and to the extent payable, shall not be impaired or affected without the consent of such Guaranteed Party. In addition, the right of any Guaranteed Party to receive payment or security from sources other than the Cash Collateral shall not be, and is not hereby, impaired or affected in any manner. Without limiting the generality of the foregoing provisions of this Section 3.07, no Guaranteed Party shall be obligated to share with any other Guaranteed Party any proceeds of any Cash Collateral other than pursuant to, and to the extent expressly required under, this Agreement, the Guaranty and the Cash Collateral Agreement; nor shall any Guaranteed Party's right to receive its ratable share of any amounts maintained in the Cash Collateral Account, if any, or any proceeds of any of the Cash Collateral, or any part thereof, under the terms of this Agreement or the Cash Collateral Agreement be diminished or affected in any way by its right to receive proceeds of any other collateral or right of setoff, or payment upon a guaranty or from any other source.

ARTICLE IV

DISBURSEMENTS; RELEASE OF CASH COLLATERAL

Section 4.01. Disbursement of Amounts in Cash Collateral Account. (a) No earlier than five days (but no later than seven days) following receipt by the Collateral Trustee of a Certificate of Demand (together with such other certifications or documentation evidencing the related Certified Claim as the Collateral Trustee may reasonably request), the Collateral Trustee shall instruct the Account Bank to pay to the applicable Guaranteed Party the full amount of the Certified Claim described in such Certificate of Demand from the amounts on deposit in the Cash Collateral Account. Notwithstanding the foregoing, if within five days following receipt by the Collateral Trustee of a Certificate of Demand with respect to any Certified Claim the Grantor shall have presented to the Collateral Trustee (i) a cancelled check or (ii) proof of payment by wire transfer evidencing, in each case, the payment in full of such Certified Claim, then the Collateral Trustee shall not instruct the Account Bank to pay the applicable Guaranteed Party.

(b) If, upon receipt of any Certificate of Demand, the Collateral Trustee shall have reason to believe that such Certificate of Demand is incorrect, false or fraudulent, the Collateral Trustee shall be entitled to consult with independent counsel or seek instructions from a court of competent jurisdiction, all as provided in Section 6.04(b). Notwithstanding the foregoing, the Collateral Trustee may conclusively rely without independent verification on any Certificate of Demand and shall have no duty to make any independent inquiry or investigation before instructing the Account Bank to pay any Certified Claim pursuant to subsection (a) above.

(c) If at any time (i) there shall be more than one unpaid and outstanding Certified Claim in respect of which the Collateral Trustee shall have received a Certificate of Demand and (ii) the amounts on deposit in the Cash Collateral Account at such time shall be insufficient to pay all such Certified Claims, the Collateral Trustee shall make payments to each applicable Guaranteed Party ratably in accordance with such Guaranteed Party's Certified Claim, regardless of the order in which such Certificates of Demand were submitted to the Collateral Agent. Nothing in the foregoing sentence shall be construed to limit the obligation of the Grantor to maintain the Minimum Cash Collateral Account pursuant to the Guaranty and the Cash Collateral Agreement.

(d) If at any time the amount on deposit in the Cash Collateral Account is less than the Minimum Cash Collateral Amount (whether as a result of disbursements pursuant to this Section 4.01 or otherwise), the Collateral Trustee shall promptly send a written notice to the Grantor and the OTS setting forth the total amount of moneys in the Cash Collateral Account at such time.

Section 4.02. Full Release of Cash Collateral Upon Termination Date. (a) The Collateral Trustee shall promptly release the Cash Collateral upon the fulfillment of the conditions set forth in, and in accordance with the provisions of, Section 4.02(c).

(b) Upon the occurrence of the Termination Date, the Grantor shall deliver to the OTS and the Collateral Trustee a certificate of an Authorized Officer of the Grantor certifying that, to the best of the Grantor's knowledge, both of the following have been indefeasibly paid in full in cash: (i) all Guaranteed Obligations with respect to which a Claim (as defined in the Guaranty) was asserted (whether under the Guaranty or otherwise) on or prior to the sixth anniversary of the date on which the FSB's federal bank charter was cancelled and (ii) all other amounts payable by the Grantor under the Guaranty (whether in respect of enforcement costs, indemnification payments or otherwise).

(c) The Collateral Trustee shall, upon the request of the Grantor accompanied by (i) the certificate described in subsection (b) above and (ii) a written notice of non-objection from the OTS (a "Notice of Non-Objection") (upon which, in each case, the Collateral Trustee may conclusively rely without independent verification) release all the Cash Collateral from the security interest in its favor and deliver to the Grantor all Cash Collateral in the possession of the Collateral Trustee, provided that the Grantor shall have made adequate provision for the expenses of the Collateral Trustee associated with such release of Cash Collateral and all other expenses of, or payable

to, the Collateral Trustee hereunder. If the Collateral Trustee shall not have received a Notice of Non-Objection from the OTS, or if the OTS shall have notified the Collateral Trustee that it has reason to believe that the Termination Date has not occurred, the Collateral Trustee shall not release the Cash Collateral unless and until the OTS or a court of competent jurisdiction pursuant to a final, non-appealable judgment (including a judgment that becomes non-appealable by reason of expiration of any period of time limiting the right to appeal therefrom) so directs the Collateral Trustee.

(d) Any Notice of Non-Objection delivered to the Collateral Trustee by the OTS pursuant to subsection (c) above shall be conclusive and binding on all parties (including, without limitation, the Guaranteed Parties). The OTS shall incur no liability whatsoever to any Guaranteed Party in connection with the delivery of a Notice of Non-Objection on the basis of any good-faith belief (without any requirement that the OTS independently investigate the same or make an independent determination with respect thereto) that the Termination Date has occurred.

Section 4.03. Effect of Release of Cash Collateral. Upon the effectiveness of the release of the Cash Collateral pursuant to Section 4.02, all right, title and interest of the Collateral Trustee and the Guaranteed Parties in, to and under the Collateral Trust Estate, the Cash Collateral and the Cash Collateral Agreement shall terminate and shall revert to the Grantor and its successors and assigns, and the estate, right, title and interest of the Collateral Trustee therein shall thereupon cease; and in such case, upon the written request of the Grantor, its successors or assigns, and at the cost and expense of the Grantor, its successors or assigns, the Collateral Trustee shall execute and deliver a satisfaction of the Cash Collateral Agreement and such other instruments provided to it as are necessary or desirable to terminate and remove of record any documents constituting public notice of the Cash Collateral Agreement and the security interests granted thereunder and shall transfer, or cause to be transferred, and shall deliver or cause to be delivered to the Grantor, all property, including all moneys, instruments and securities of the Grantor then held by the Collateral Trustee. The cancellation and satisfaction of the Cash Collateral Agreement shall be without prejudice to the rights of the Collateral Trustee or any successor trustee or trustees to charge and be reimbursed for any expenditures which it may thereafter incur in connection therewith.

ARTICLE V

AGREEMENTS WITH THE COLLATERAL TRUSTEE

Section 5.01. Delivery of Agreements. The Grantor has delivered to the Collateral Trustee a true and complete copy of the Guaranty as in effect on the date hereof. The Grantor agrees that, promptly upon the execution thereof, the Grantor will deliver to the Collateral Trustee a true and complete copy of any and all amendments, modifications or supplements to the Guaranty entered into subsequent to the date hereof.

Section 5.02. Compensation and Expenses. The Grantor agrees to pay to the Collateral Trustee and any co-trustees or successor trustees appointed hereunder, from time to time upon demand, (a) reasonable compensation for their services hereunder and under the Cash Collateral Agreement and for administering the Collateral Trust Estate and the Cash Collateral Account and (b) all the fees, costs and expenses incurred by any of them (including, without limitation, the reasonable fees and disbursements of counsel) (i) arising in connection with the preparation, execution, delivery, modification and termination of this Agreement, the Guaranty and the Cash Collateral Agreement or the enforcement of any of the provisions hereof or thereof or (ii) incurred or required to be advanced in connection with the administration of the Collateral Trust Estate, the Cash Collateral Account, the sale or other disposition of Cash Collateral pursuant to the Cash Collateral Agreement and the preservation, protection or defense of their rights under this Agreement and in and to the Cash Collateral, the Cash Collateral Account and the Collateral Trust Estate. As security for such payment, the Collateral Trustee shall have a prior lien upon all Cash Collateral and other property and funds held or collected by the Collateral Trustee as part of the Collateral Trust Estate. The Grantor's obligations under this Section 5.02 shall survive the termination of the other provisions of this Agreement.

Section 5.03. Stamp and Other Similar Taxes. The Grantor agrees to indemnify and hold harmless the Collateral Trustee and each Guaranteed Party from any present or future claim for liability for any stamp or other similar tax and any penalties or interest with respect thereto, which may be assessed, levied or collected by any jurisdiction in connection with this Agreement, the Guaranty or the Cash Collateral Agreement. The obligations of the Grantor under this Section 5.03 shall survive the termination of the other provisions of this Agreement.

Section 5.04. Filing Fees, Excise Taxes, Etc. The Grantor agrees to pay or to reimburse the Collateral Trustee for any and all amounts in respect of all search, filing, recording and registration fees, taxes, intangible taxes, excise taxes and other similar imposts which may be payable or determined to be payable in respect of the execution, delivery, performance and enforcement of this Agreement and the Cash Collateral Agreement. The obligations of the Grantor under this Section 5.04 shall survive the termination of the other provisions of this Agreement.

Section 5.05. Indemnification. (a) The Grantor agrees to pay, indemnify, and hold harmless the Collateral Trustee and each of the agents thereof from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (including, without limitation, the costs and expenses of defending any claim against any of them) with respect to the execution, delivery, enforcement, performance and administration of this Agreement, the Guaranty and the Cash Collateral Agreement unless and to the extent arising from the gross negligence or willful misconduct of the Collateral Trustee or such of the agents thereof as are seeking indemnification or any failure of the Collateral Trustee or any such agent to exercise ordinary care in the handling of moneys and securities actually received by the Collateral Trustee or any such agent. As security for such payment, the Collateral Trustee shall have a prior lien upon all Cash Collateral and other property and funds held or collected by the Collateral Trustee as part of the Collateral Trust Estate.

(b) In any suit, proceeding or action brought by the Collateral Trustee under or with respect to the Cash Collateral Agreement or the Cash Collateral for any amount owing thereunder, or to enforce any provisions thereof, the Grantor will save, indemnify and hold harmless the Collateral Trustee, the OTS and the Guaranteed Parties from and against all expense, loss or damage suffered by reason of any defense, set-off, counterclaim, recoupment or reduction of liability whatsoever of the obligee thereunder (unless and to the extent that such expense, loss or damage is caused by the gross negligence or willful misconduct of the Collateral Trustee or the failure of the Collateral Trustee to exercise ordinary care in the handling of moneys and securities actually received by the Collateral Trustee), arising out of a breach by the Grantor of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to or in favor of such obligee or its successors from the Grantor and all such obligations of the Grantor shall be and remain enforceable against and only against the Grantor and shall not be enforceable against the Collateral Trustee, the OTS or any Guaranteed Party. The agreements in this Section 5.04 shall survive the termination of the other provisions of this Agreement.

Section 5.06. Further Assurances. (a) The Grantor agrees, from time to time, at its own expense to execute, acknowledge, deliver, record, re-record, file, re-file, register and re-register, and cause any of its Subsidiaries, if any, to promptly execute, acknowledge, deliver, record, re-record, file, re-file, register and re-register any and all such further acts, mortgages, financing statements and continuations thereof, notices of assignment, transfers, certificates, assurances and other instruments as may be necessary or desirable, or as the Collateral Trustee or the OTS may reasonably request from time to time in order (i) to carry out more effectively the purposes of this Agreement, (ii) to subject to the liens and security interests created by the Cash Collateral Agreement any of the properties, rights or interests of the Grantor covered or now or hereafter intended to be covered by the Cash Collateral Agreement, (iii) to perfect and maintain the validity, effectiveness and priority of the Cash Collateral Agreement and the liens and security interests intended to be created thereby, (iv) to better assure, convey, grant, assign, transfer, preserve, protect and confirm unto the Collateral Trustee, the OTS and the Guaranteed Parties the rights granted or now or hereafter intended to be granted to the Collateral Trustee, the OTS and the Guaranteed Parties under the Cash Collateral Agreement or under any other instrument executed in connection with the Cash Collateral Agreement, and (v) to enable the Collateral Trustee to exercise and enforce its rights and remedies hereunder and under the Cash Collateral Agreement with respect to any Cash Collateral; provided, however, that this Section 5.06 shall not be construed to require the Grantor to grant any interest in Cash Collateral other than pursuant to this Agreement or the Cash Collateral Agreement. Without limiting the generality of the foregoing, the Grantor will take any such action required to be taken by it pursuant to the Cash Collateral Agreement.

(b) The Grantor hereby authorizes the Collateral Trustee to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Cash Collateral without the signature of the Grantor where permitted by law. A photocopy or other reproduction of this Agreement, the Cash Collateral Agreement or any financing statement covering the Cash Collateral or any part thereof shall be sufficient as a financing statement where permitted by law.

(c) The Grantor will furnish such information about the Cash Collateral as the Collateral Trustee may reasonably request from time to time.

ARTICLE VI

THE COLLATERAL TRUSTEE

Section 6.01. Declaration of Trust. The Collateral Trustee, for itself and its successors, hereby accepts the trusts created by this Agreement upon the terms and conditions hereof, including those contained in this Article 6. Further, the Collateral Trustee, for itself and its successors, does hereby declare that it will hold all of the estate, right, title and interest in the Collateral Trust Estate and the Cash Collateral Account for the ratable benefit of the Guaranteed Parties as provided herein.

Section 6.02. Exculpatory Provisions. (a) The Collateral Trustee shall not be responsible in any manner whatsoever for the correctness of any recitals, statements, representations or warranties contained herein or in the Cash Collateral Agreement, all of which are made solely by the Grantor. The Collateral Trustee make no representations as to the value or condition of the Collateral Trust Estate, the Cash Collateral Account or any part thereof, or as to the title of the Grantor thereto or as to the security afforded by the Cash Collateral Agreement or this Agreement, or as to the validity, execution (except its own execution), enforceability, legality or sufficiency of this Agreement, the Cash Collateral Agreement or the Guaranty, and the Collateral Trustee shall incur no liability or responsibility in respect of any such matters. The Collateral Trustee shall not be responsible for insuring the Collateral Trust Estate, filing financing or continuation statements, or for the payment of taxes, charges, assessments or liens upon the Collateral Trust Estate or otherwise as to the maintenance of the Collateral Trust Estate or the Cash Collateral Account, except that in the event that any Collateral Trustee enters into possession of a part or all of the Collateral Trust Estate or the Cash Collateral Account the Collateral Trustee shall preserve the part in its possession.

(b) The Collateral Trustee shall not be required to ascertain or inquire as to the performance by the Grantor of any of the covenants or agreements contained herein or in the Cash Collateral Agreement or the Guaranty.

Section 6.03. Delegation of Duties. The Collateral Trustee may execute any of the trusts or powers hereof and perform any duty hereunder either directly or by or through agents or attorneys-in-fact (which shall not include officers and employees of the Grantor or any Affiliate of the Grantor). The Collateral Trustee shall be entitled to rely upon advice of counsel concerning all matters pertaining to such trusts, powers and duties. The Collateral Trustee shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact reasonably selected by it in good faith.

Section 6.04. Reliance by Collateral Trustee. (a) Whenever in the administration of the trusts of this Agreement the Collateral Trustee shall deem it necessary or desirable that a matter be proved or established in connection with the taking, suffering or omitting any action hereunder by the Collateral Trustee unless otherwise provided herein, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved or established by a certificate of an Authorized Officer of the Grantor delivered to the Collateral Trustee and the OTS, and such certificate shall constitute a full warranty to the Collateral Trustee for any action taken, suffered or omitted in reliance thereon unless (i) the Collateral Trustee shall have actual knowledge of an inaccuracy therein or (ii) the OTS shall provide contrary information with respect to such matter within 30 days of receipt thereof by the OTS, in which case the Collateral Trustee may conclusively rely on the information provided by the OTS.

(b) The Collateral Trustee may consult with independent counsel (including, without limitation, counsel to or any employee of the Collateral Trustee, the Grantor or any Affiliate of the Grantor), and any opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in accordance therewith unless the Collateral Trustee has actual knowledge of a reason to question the validity or accuracy of such opinion or of any assumptions expressed therein as the basis for such opinion. The Collateral Trustee shall have the right at any time to seek instructions concerning the administration of the Collateral Trust Estate or the Cash Collateral Account from any court of competent jurisdiction.

(c) The Collateral Trustee may rely, and shall be fully protected in acting, upon any resolution, statement, certificate, instrument, opinion, report, notice, request, consent, order, bond or other paper or document which they reasonably believe to be genuine and to have been signed or presented by the proper party or parties or, in the case of telecopies and telexes, to have been sent by the proper party or parties. In the absence of its gross negligence or willful misconduct, the Collateral Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any notices, certificates or opinions furnished to the Collateral Trustee that conform to the requirements of this Agreement, the Guaranty or the Cash Collateral Agreement.

Section 6.05. Limitations on Duties of the Trustee. (a) The Collateral Trustee undertakes to perform only the duties expressly set forth herein and no implied covenant or obligation shall be read into this Agreement against the Collateral Trustee.

(b) The Collateral Trustee may exercise the rights and powers granted to it by this Agreement and the Cash Collateral Agreement, but only pursuant to the terms of this Agreement, and the Collateral Trustee shall not be liable with respect to any action taken or omitted by it in accordance with the direction of the OTS.

(c) Except as herein otherwise expressly provided, the Collateral Trustee shall not be under any obligation to take any action which is discretionary with the Collateral Trustee under the provisions hereof or under the Cash Collateral Agreement except upon the written request of the OTS and subject to the provisions of Section 3.03(b) hereof. The Collateral Trustee shall make available for inspection and copying by the OTS each certificate or other paper furnished to the Collateral Trustee by the Grantor or by any other Person, under or in respect of this Agreement, the Cash Collateral Agreement or any of the Collateral Trust Estate.

Section 6.06. Moneys to Be Held in Trust. All moneys received by the Collateral Trustee under or pursuant to any provision of this Agreement or the Cash Collateral Agreement shall be segregated and held in trust for the purposes for which they were paid or are held and the Collateral Trustee shall exercise ordinary care in the handling of any such moneys actually received by it.

Section 6.07. Resignation and Removal of Collateral Trustee. (a) The Collateral Trustee may at any time, by giving 30 days' prior written notice to the Grantor and the OTS, resign and be discharged of its responsibilities hereby created, such resignation to become effective upon the appointment of a successor trustee or trustees by the OTS, the acceptance of such appointment by such successor trustee or trustees and, unless an Event of Default under the Guaranty has occurred and is continuing, the consent to the appointment of such successor trustee or trustees by the Grantor. The Collateral Trustee may be removed at any time (with or without cause) and a successor trustee or trustees appointed by the OTS, subject to, unless an Event of Default under the Guaranty has occurred and is continuing, the consent of the Grantor, provided that the Collateral Trustee shall be entitled to its fees and expenses accrued to the date of removal. If the Collateral Trustee resigns or is removed as provided in this Section 6.07 the consent to the appointment of a successor trustee or trustees shall not be unreasonably withheld and shall be deemed to have been given if the Grantor shall not have reasonably objected to any proposed successor trustee or trustees within 10 Business Days of receipt of notice of the identity thereof from the OTS. If no successor trustee or trustees shall be appointed and approved within 30 days from the date of the giving of the aforesaid notice of resignation or within 30 days from the date of such vote for removal, the Collateral Trustee shall, or the OTS may, apply, at the expense of the Grantor, to any court of competent jurisdiction to appoint a successor trustee or trustees to act until such time, if any, as a successor trustee or trustees shall have been appointed as above provided. Any successor trustee or trustees so appointed by such court shall immediately and without further act be superseded by any successor trustee or trustees approved by the Grantor and OTS as above provided.

(b) If at any time the Collateral Trustee shall become incapable of acting, or if at any time a vacancy shall occur in the office of the Collateral Trustee for any other cause, a successor trustee or trustees shall be appointed by the OTS, subject to, unless an Event of Default under the Guaranty has occurred and is continuing, the consent of the Grantor, which consent shall not be unreasonably withheld, and the powers, duties, authority and title of the predecessor trustee or trustees terminated and cancelled without procuring the resignation of such predecessor trustee or trustees, and without any formality (except as may be required by applicable law) other than appointment and designation of a successor trustee or trustees in writing, duly acknowledged, delivered to the predecessor trustee or trustees and the Grantor and filed for record in each public office, if any, in which this Agreement is required to be filed.

(c) The appointment and designation referred to in Section 6.07(b) shall, after any required filing, be full evidence of the right and authority to make the same and of all the facts therein recited, and this Agreement shall vest in such successor trustee or trustees, without any further act, deed or conveyance, all of the estate and title of its predecessor, and upon such filing for record the successor trustee or trustees shall become fully vested with all the estates, properties, rights, powers, trusts, duties, authority and title of its predecessor; but such predecessor shall, nevertheless, on the written request of the OTS, the Grantor or its successor trustee or trustees, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers, trusts, duties, authority and title of such predecessor hereunder and shall deliver all securities and moneys held by it or them to such successor trustee or trustees. Should any deed, conveyance or other instrument in writing from the Grantor be required by any successor trustee or trustees for more fully and certainly vesting in such successor trustee or trustees the estates, properties, rights, powers, trusts, duties, authority and title vested or intended to be vested in the predecessor trustee or trustees, any and all such deeds, conveyances and other instruments in writing shall, on request of such successor trustee or trustees, be executed, acknowledged and delivered by the Grantor.

(d) Any required filing for record of the instrument appointing a successor trustee or trustees as hereinabove provided shall be at the expense of the Grantor. The resignation of any trustee or trustees and the instrument removing any trustee or trustees, together with all other instruments, deeds and conveyances provided for in this Article 6 shall, if permitted by law, be forthwith recorded, registered and filed by and at the expense of the Grantor, wherever this Agreement is recorded, registered and filed.

Section 6.08. Status of Successors to Trustee. Every successor to the Collateral Trustee appointed pursuant to Section 6.07 shall be a bank or trust company in good standing and having power so to act, incorporated under the laws of the United States or any State thereof or the District of Columbia and having its principal corporate trust office within the State of Delaware, the State of New York, or another state acceptable to the OTS, and shall also have capital, surplus and undivided profits of not less than \$100,000,000, if there be such an institution with such capital, surplus and undivided profits willing, qualified and able to accept the trust upon reasonable or customary terms.

Section 6.09. Merger of the Collateral Trustee. Any corporation into which the Collateral Trustee may be merged, or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Collateral Trustee shall be a party, shall be the Collateral Trustee under this Agreement without the execution or filing of any paper or any further act on the part of the parties hereto.

Section 6.10. Additional Co-Trustees; Separate Trustees. (a) If at any time or times it shall be necessary or prudent in order to conform to any law of any jurisdiction in which any of the Cash Collateral shall be located, or the Collateral Trustee shall be advised by counsel satisfactory to it that it is so necessary or prudent in the interest of the Guaranteed Parties, or the OTS shall in writing so request by notice to the Collateral Trustee and the Grantor, or the Collateral Trustee shall deem it desirable for its own protection in the performance of its duties hereunder, or the Grantor shall in writing so request by notice to the Collateral Trustee with the consent of the OTS, the Collateral Trustee and the Grantor shall execute and deliver all instruments and agreements necessary or proper to constitute another bank or trust company, or one or more persons approved by the Collateral Trustee, the Grantor and the OTS, either to act as co-trustee or co-trustees of all or any of the Cash Collateral, jointly with the Collateral Trustee originally named herein or any successor, or to act as separate trustee of any such property. In the event the Grantor shall not have joined in the execution of such instruments and agreements within 10 days after the receipt of a written request from the Collateral Trustee so to do, or in case an Event of Default under the Guaranty shall have occurred and be continuing, the Collateral Trustee may act under the foregoing provisions of this Section 6.10 without the concurrence of the Grantor (but with the concurrence of the OTS), and the Grantor hereby appoints the Collateral Trustee as its agent and attorney to act for it under the foregoing provisions of this Section 6.10 in either of such contingencies.

(b) Any separate trustee and any co-trustee (other than any trustee which may be appointed as successor to the Collateral Trustee pursuant to Section 6.07) shall, to the extent permitted by law, be appointed and act and be such, subject to the following provisions and conditions, namely:

(i) all rights, powers, duties and obligations conferred upon the trustees in respect of the custody, control and management of moneys, papers or securities shall be exercised solely by the Collateral Trustee originally named herein or its successors appointed pursuant to Section 6.07;

(ii) all rights, powers, duties and obligations conferred or imposed upon the Collateral Trustee hereunder shall be conferred or imposed and exercised or performed by the Collateral Trustee and such separate trustee or co-trustee, jointly, as shall be provided in the instrument appointing such separate trustee or co-trustee, except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed the Collateral Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations shall be exercised and performed by such separate trustee or co-trustee;

(iii) no power given hereby to, or which it is provided hereby may be exercised by, any such co-trustee or separate trustee, shall be exercised hereunder by such co-trustee or separate trustee, except jointly with, or with the consent in writing of, the Collateral Trustee, anything herein contained to the contrary notwithstanding;

(iv) no trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder; and

(v) the Grantor and the Collateral Trustee, at any time, by an instrument in writing, executed by them jointly, may accept the resignation of or remove any such separate trustee, and in that case, by an instrument in writing executed by the Grantor and the Collateral Trustee jointly, may appoint a successor (who shall be acceptable to the OTS) to such a separate trustee or co-trustee, as the case may be, anything herein contained to the contrary notwithstanding. In the event that the Grantor shall not have joined in the execution of any such instrument within 10 days after the receipt of a written request from the Collateral Trustee so to do, or in case an Event of Default under the Guaranty shall have occurred and be continuing, the Collateral Trustee shall have the power to accept the resignation of or remove any such separate trustee or co-trustee and to appoint (with the consent of the OTS) a successor without the concurrence of the Grantor and the Grantor hereby appoints the Collateral Trustee its agent and attorney to act for it in such connection in either of such contingencies. In the event that the Collateral Trustee shall have appointed a separate trustee or co-trustee or as above provided, they may at any time, by an instrument in writing, accept the resignation of or remove any such separate trustee, the successor to any such separate trustee to be appointed by the Grantor and the Collateral Trustee, or by the Collateral Trustee alone, as hereinbefore provided in this Section 6.10.

Section 6.11. Trustee Appointed Attorney-in-Fact. The Grantor hereby irrevocably constitutes and appoints the Collateral Trustee and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full power and authority in the name of the Grantor or its own name and in the place and stead of the Grantor and in the name of the Grantor, from time to time at the direction of the OTS, to take any action and to execute any instrument which the same may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation, to receive, endorse and collect all instruments made payable to the Grantor

representing any dividend, interest payment or other distribution in respect of the Cash Collateral or any part thereof and to give full discharge for the same. The Grantor acknowledges and agrees that the foregoing power of attorney is coupled with an interest and may not be revoked or modified except with the consent of the Collateral Trustee or as otherwise provided herein.

Section 6.12. Ordinary Care. The Collateral Trustee shall be deemed to have exercised ordinary care in the custody and preservation of the Cash Collateral in its possession if the Cash Collateral is accorded treatment substantially equal to that which the Collateral Trustee accords its own property and reasonable care is exercised by the Collateral Trustee in handling any moneys or securities actually received by it, it being understood that the Collateral Trustee shall not have any responsibility for (i) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Cash Collateral, whether or not the Collateral Trustee has or is deemed to have knowledge of such matters, or (ii) taking any necessary steps to preserve rights against any parties with respect to any Cash Collateral.

ARTICLE VII

MISCELLANEOUS

Section 7.01. Amendments, Supplements and Waivers. (a) With the written consent of the OTS and the Collateral Trustee, the Grantor may, from time to time, enter into written agreements supplemental hereto for the purpose of adding to or waiving any provision of this Agreement or the Cash Collateral Agreement or changing in any manner the rights of the Collateral Trustee, the Guaranteed Parties and the Grantor hereunder or thereunder; provided, however, that no such supplemental agreement shall amend, modify or waive any provision of this Section 7.01. Any such supplemental agreement shall be binding upon the Grantor, the Guaranteed Parties and the Collateral Trustee and their respective successors. The Collateral Trustee shall not enter into any such supplemental agreement unless it shall have received a certificate of an Authorized Officer of the Grantor to the effect that such supplemental agreement will not result in a breach of any provision or covenant contained in the Guaranty.

(b) The Collateral Trustee may, from time to time, enter into amendments to the Cash Collateral Agreement as provided in Section 25 thereof; provided that the Collateral Trustee shall not, without the prior written consent of the OTS, enter into any amendment of the Cash Collateral Agreement that could reasonably be expected to be adverse in any material respect to the rights and interests of the OTS or the Guaranteed Parties.

Section 7.02. Additional Actions. Whether or not an Event of Default under the Guaranty has occurred and is continuing, the Collateral Trustee shall comply and shall be fully protected in complying with any reasonable request of the OTS, to take or refrain from taking certain actions with respect to the Cash Collateral, the Cash Collateral Account or the Guaranteed Parties, provided, in each case, that the Collateral Trustee shall not take or refrain from taking such actions if to do so would violate applicable law or the terms of this Agreement, the Cash Collateral Agreement or the Guaranty or if the Collateral Trustee shall not be indemnified as provided in Section 5.05(b).

Section 7.03. Notices. All notices and other communications provided for hereunder shall be in writing (including telegraphic, telecopy or electronic communication) and mailed, telegraphed, telecopied or delivered to it:

(a) If to the Grantor, to its address at 1661 Worthington Road, Suite 100, West Palm Beach, FL 33401, Attention: Secretary (telecopy no. (561) 692-8177) or at such other address as shall be designated by it in a written notice to the OTS and the Collateral Trustee;

(b) If to the Collateral Trustee, at 10161 Centurion Parkway, Jacksonville, FL, 32256, Attention: Corporate Trust Administration, or at such other address as shall be designated by it in a written notice to the Grantor and the OTS; and

(c) If to the OTS, to its address at Harborside Financial Center, Plaza Five, Suite 1600, Jersey City, New Jersey 07311, Attention: Regional Director (telecopy no. (201) 413-7543), or at such other address as shall be designated by it in a written notice to the Grantor and the Collateral Trustee.

All such notices and other communications shall, when mailed, telegraphed, telecopied, or e-mailed, be effective when deposited in the mails, delivered to the telegraph company, transmitted by telecopier or sent by electronic communication, respectively.

Section 7.04. Headings. Section, subsection and other headings used in this Agreement are for convenience only and shall not affect the construction of this Agreement.

Section 7.05. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Delivery by telecopier of an executed counterpart of a signature page to any amendment or waiver of any provision of this Agreement shall be effective as delivery of an original executed counterpart thereof.

Section 7.06. Dealings with the Grantor. Upon any application or demand by the Grantor to the Collateral Trustee to take or permit any action under any of the provisions of this Agreement, the Grantor shall (unless otherwise waived by the Collateral Trustee in writing) furnish to the Collateral Trustee a certificate signed by an Authorized Officer stating that all conditions precedent, if any, provided for in this Agreement relating to the proposed action have been complied with, except that in the case of any such application or demand as to which the furnishing of such documents is specifically required by any provision of this Agreement relating to such particular application or demand, no additional certificate or opinion need be furnished.

Section 7.07. Third Party Beneficiaries. This Agreement is made for the benefit of the Guaranteed Parties, and the Guaranteed Parties may from time to time enforce their rights as explicit beneficiaries hereunder.

Section 7.08. Binding Effect. This Agreement shall be binding upon and inure to the benefit of each of the parties hereto and shall inure to the benefit of the Guaranteed Parties and their respective successors and assigns and nothing herein or in the Cash Collateral Agreement or the Guaranty is intended or shall be construed to give any other Person any right, remedy or claim under, to or in respect of this Agreement, the Cash Collateral Agreement, the Cash Collateral, the Cash Collateral Account or the Collateral Trust Estate or any part thereof.

Section 7.09. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

Section 7.10. Effectiveness. This Agreement shall become effective on the execution and delivery hereof and shall remain in effect so long as the Collateral Trustee shall have any obligations hereunder.

Section 7.11. Effect on Guaranty. Nothing in this Agreement shall operate or be deemed to prevent any amendment, modification or waiver of the Guaranty by the parties thereto in accordance with the terms thereof.

Section 7.12. Counterparts. This Agreement may be executed in separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same instrument.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement or caused this Agreement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

OCWEN FINANCIAL CORPORATION

By: /s/ WILLIAM C. ERBEY

Title: Chairman and CEO

THE BANK OF NEW YORK TRUST
COMPANY, N.A., as Collateral Trustee

By: /s/ CRAIG A. KAYE

Title: Assistant Vice President

Exhibit A
to the
Collateral Trust Agreement

GUARANTY

Exhibit B
to the
Collateral Trust Agreement

FORM OF CERTIFICATE OF DEMAND

The Bank of New York Trust Company, N.A.,
as Collateral Trustee under the
Collateral Trust Agreement
referred to below
10161 Centurion Parkway
Jacksonville, FL 32256
Attention: Corporate Trust Administration

Ocwen Financial Corporation
1661 Worthington Road, Suite 100
West Palm Beach, FL 33401
Attention: Secretary

Date:

The undersigned (the "Guaranteed Party") hereby certifies, pursuant to the Collateral Trust Agreement dated June 28, 2005 (the "Collateral Trust Agreement") by and between Ocwen Financial Corporation ("Ocwen"), as Grantor, and The Bank of New York Trust Company, N.A., as Collateral Trustee (the "Collateral Trustee"), as follows:

1. The undersigned has a claim for the present payment of money (the "Claim") in respect of obligations guaranteed by Ocwen pursuant to the Guaranty dated as of June 28, 2005 (the "Guaranty"). A description of the Claim is attached hereto.

2. The Claim, the full amount of which is \$_____, [has been reduced to judgment [and enforcement thereof has not been effectively stayed] and] is otherwise due and payable. A true and correct copy of the [judgment] [invoice] [etc.] evidencing the Claim is attached hereto.

3. The undersigned has made written demands for payment (true and correct copies of which are attached hereto) upon (a) the primary obligor with respect to the Claim and (b) Ocwen, under the Guaranty (collectively, the "Demands for Payment"). Not less than five business days have elapsed since the date of each such Demand for Payment.

4. As of the date hereof, (a) the primary obligor has [paid to the Guaranteed Party the amount of \$_____] [made no payment whatsoever] and (b) Ocwen has [paid to the Guaranteed Party the amount of \$_____] [made no payment whatsoever], in each case, in respect of the Demands for Payment attached hereto.

5. The unsatisfied amount currently due and payable with respect to such Demands for Payment is \$_____. Pursuant to the terms of the Collateral Trust Agreement, the undersigned hereby requests that the Collateral Trustee pay such amount to the following account:

By

Name:

GUARANTY

Dated as of June 28, 2005

From

OCWEN FINANCIAL CORPORATION

as Guarantor

in favor of

THE GUARANTEED PARTIES (AS DEFINED HEREIN)

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GUARANTY

GUARANTY dated as of June 28, 2005 made by Ocwen Financial Corporation, a Florida corporation (the "Guarantor"), in favor of the Guaranteed Parties (this term and certain other capitalized terms are defined in Schedule 1).

PRELIMINARY STATEMENTS.

(1) Ocwen Federal Bank FSB (the "FSB"), a federal savings bank chartered and regulated by the Office of Thrift Supervision (together with any governmental authority succeeding to any of its principal functions in the event that the Office of Thrift Supervision ceases to exist, the "OTS") pursuant to the Home Owners' Loan Act, is wholly owned by the Guarantor and certain of the wholly-owned subsidiaries of the Guarantor.

(2) The FSB desires to dissolve its corporate existence and terminate its federal bank charter (the "Dissolution") and has submitted a Plan of Voluntary Dissolution to OTS, duly approved by the FSB's board of directors, pursuant to Section 546.4 of the rules and regulations of OTS, 12 C.F.R. Section 546.4 (the "Plan").

(3) The Plan provides for (a) the sale of the FSB's deposit liabilities and certain assets used by the FSB at its sole branch location in Fort Lee, New Jersey (the "Branch") or in connection with the business of the Branch (the "Branch Sale") to Marathon National Bank of New York or its designee ("Marathon"), and (b) the subsequent transfer to Ocwen Loan Servicing, LLC, a Delaware limited liability company ("OLS"), a wholly-owned subsidiary of the Guarantor, of all remaining assets and liabilities of the FSB pursuant to the Assignment and Assumption Agreement dated as of the date hereof among the Guarantor, OLS and certain other parties thereto.

(4) OTS desires to protect the interests of the Guaranteed Parties after the Dissolution.

(5) The Guarantor wishes to demonstrate to OTS its commitment to ensuring that the FSB's obligations to the Guaranteed Parties that remain after the Dissolution will be satisfied.

NOW, THEREFORE, in consideration of the premises and in order to induce the OTS to approve the Plan, the Guarantor hereby agrees as follows:

Section 1. Guaranty. The Guarantor hereby absolutely, unconditionally and irrevocably guarantees the punctual payment when due of all of the Assumed Liabilities arising on or prior to the date hereof (regardless of whether any Claim has been asserted with respect thereto as of the date hereof), whether direct or indirect, absolute or contingent, and whether for principal, interest, premiums, fees, indemnities, contract or tort causes of action, costs, expenses or otherwise (collectively, the "Guaranteed Obligations"), and agrees to pay any and all expenses (including, without limitation, fees and expenses of counsel) incurred by OTS or any Guaranteed Party in enforcing any rights under this Guaranty. Without limiting the generality of the foregoing, the Guarantor's liability shall extend to all amounts that constitute part of the Guaranteed Obligations and would be owed by the FSB or OLS to any Guaranteed Party but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, conservatorship, receivership, reorganization or similar proceeding involving the FSB or OLS.

Section 2. Guaranty Absolute. The Guarantor guarantees that the Guaranteed Obligations will be paid strictly as, when and to the extent payable by the FSB or OLS. The obligations of the Guarantor under or in respect of this Guaranty are independent of the Guaranteed Obligations, and a separate action or actions may be brought and prosecuted against the Guarantor to enforce this Guaranty, irrespective of whether any action is brought against the FSB or OLS or whether the FSB or OLS is joined in any such action or actions. The liability of the Guarantor under this Guaranty shall be irrevocable, absolute and unconditional irrespective of, and the Guarantor hereby irrevocably waives any defenses it may now have or hereafter acquire in any way relating to, any or all of the following:

(a) any lack of validity or enforceability of the Cash Collateral Agreement or any agreement or instrument relating thereto;

(b) any compromise or settlement of, or any change in the time, manner or place of payment of, or in any other term of, all or any of the Guaranteed Obligations;

(c) any taking, exchange, release or non-perfection of any Cash Collateral or any other collateral, or any taking, release or amendment or waiver of, or consent to departure from, any other guaranty, for all or any of the Guaranteed Obligations;

(d) any manner of application of Cash Collateral or any other collateral, or proceeds thereof, to all or any of the Guaranteed Obligations, or any manner of sale or other disposition of any Cash Collateral or any other collateral for all or any of the Guaranteed Obligations or any other assets of the Guarantor, the FSB, OLS or any of their respective Subsidiaries;

(e) any change, restructuring or termination of the corporate structure or existence of the Guarantor, the FSB, OLS or any of their respective Subsidiaries;

(f) any failure of OTS or any Guaranteed Party to disclose to the Guarantor any information relating to the business, condition (financial or otherwise), operations, performance, properties or prospects of the FSB or OLS now or hereafter known to such OTS or such Guaranteed Party (the Guarantor waiving any duty on the part of OTS and the Guaranteed Parties to disclose such information);

(g) the failure of any other Person to execute or deliver any other guaranty or agreement or the release or reduction of liability of any other guarantor or surety with respect to the Guaranteed Obligations; or

(h) any other circumstance (including, without limitation, any statute of limitations) or any existence of or reliance on any representation by OTS or any Guaranteed Party that might otherwise constitute a defense available to, or a discharge of, the Guarantor or any other guarantor or surety.

This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Obligations is rescinded or must otherwise be returned by any Guaranteed Party or any other Person upon the insolvency, bankruptcy or reorganization of the FSB, OLS or the Guarantor or otherwise, all as though such payment had not been made.

Section 3. Waivers and Acknowledgments. (a) The Guarantor hereby unconditionally and irrevocably waives promptness, diligence, notice of acceptance, presentment, demand for performance, notice of nonperformance, default, acceleration, protest or dishonor and any other notice with respect to any of the Guaranteed Obligations and this Guaranty and any requirement that any Guaranteed Party protect, secure, perfect or insure any Lien or any property subject thereto or exhaust any right or take any action against any other Person or any Cash Collateral or other collateral.

(b) The Guarantor hereby unconditionally and irrevocably waives any right to revoke this Guaranty and acknowledges that this Guaranty is continuing in nature and applies to all Guaranteed Obligations, regardless of whether any Claim has been asserted with respect thereto as of the date hereof.

(c) The Guarantor hereby unconditionally and irrevocably waives (i) any defense arising by reason of any claim or defense based upon an election of remedies by OTS or any Guaranteed Party that in any manner impairs, reduces, releases or otherwise adversely affects the subrogation, reimbursement, exoneration, contribution or indemnification rights of the Guarantor or other rights of the Guarantor to proceed against the FSB, OLS or any other guarantor or any other Person or any Cash Collateral and (ii) any defense based on any right of set-off or counterclaim against or in respect of the obligations of the Guarantor hereunder.

(d) The Guarantor hereby unconditionally and irrevocably waives any duty on the part of any Guaranteed Party or OTS to disclose to the Guarantor any matter, fact or thing relating to the business, condition (financial or otherwise), operations, performance, properties or prospects of the Guarantor, the FSB, OLS or any of their Subsidiaries now or hereafter known by such Guaranteed Party or OTS.

(e) The Guarantor waives any and all notice of the creation, renewal, extension or accrual of any of the Guaranteed Obligations and notice or proof of reliance by the Guaranteed Parties upon this Guaranty or acceptance of this Guaranty. The Guaranteed Obligations shall be conclusively deemed to have been created, contracted or incurred, or renewed, extended or amended in reliance upon this Guaranty.

(f) The Guarantor acknowledges that it will receive substantial direct and indirect benefits from the consummation of the Dissolution contemplated by the Plan and that the waivers set forth in Section 2 and this Section 3 are knowingly made in contemplation of such benefits.

Section 4. Subrogation. The Guarantor hereby unconditionally and irrevocably agrees not to exercise any rights that it may now have or hereafter acquire against the FSB, OLS or any other insider guarantor that arise from the existence, payment, performance or enforcement of the Guarantor's obligations under or in respect of this Guaranty or the Cash Collateral Agreement, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or

remedy of OTS or any Guaranteed Party against the FSB, OLS or any other insider guarantor or any Cash Collateral, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from the FSB, OLS or any other insider guarantor, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right, until the Termination Date. If any amount shall be paid to the Guarantor in violation of the immediately preceding sentence at any time prior to the Termination Date, such amount shall be received and held in trust for the benefit of the Guaranteed Parties, shall be segregated from other property and funds of the Guarantor and shall forthwith be deposited into the Cash Collateral Account in the same form as so received (with any necessary endorsement or assignment) to be credited and applied to the Guaranteed Obligations and all other amounts payable under this Guaranty, whether matured or unmatured, or to be held as Cash Collateral (in accordance with the terms of the Cash Collateral Agreement) for any Guaranteed Obligations or other amounts payable under this Guaranty thereafter arising. If (i) the Guarantor shall make payment to any Guaranteed Party of all or any part of the Guaranteed Obligations and (ii) the Termination Date shall have occurred, the Guaranteed Parties will, at the Guarantor's request and expense, execute and deliver to the Guarantor appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to the Guarantor of an interest in the Guaranteed Obligations resulting from such payment made by the Guarantor pursuant to this Guaranty.

Section 5. Cash Collateral Account. Pursuant to the terms of the Cash Collateral Agreement, the Guarantor shall establish and maintain the Cash Collateral Account (as defined therein). On the date hereof, the Guarantor shall fund the Cash Collateral Account with cash or Cash Equivalents (as defined in the Cash Collateral Agreement) in an amount not less than the Minimum Cash Collateral Amount. If, at any time prior to the Termination Date, the balance of the Cash Collateral Account shall fall below the Minimum Cash Collateral Amount, the Guarantor shall within five business days deposit into the Cash Collateral Account the difference between the balance of the Cash Collateral Account at such time and the Minimum Cash Collateral Amount.

Section 6. Representations and Warranties. The Guarantor hereby represents and warrants as follows:

(a) The Guarantor (i) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and (ii) has the requisite corporate power and authority and the legal right to own and operate its property, to lease the property it operates and to conduct the business in which it is currently engaged.

(b) The execution, delivery and performance by the Guarantor of this Guaranty and the Cash Collateral Agreement, are within the Guarantor's corporate power, have been duly authorized by all necessary corporate action, and do not (i) contravene the Guarantor's charter or bylaws, (ii) violate any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award, (iii) conflict with or result in the breach of, or constitute a default or require any payment to be made under, any contract, loan agreement, indenture, mortgage, deed of trust, lease or other instrument binding on or affecting the Guarantor, any of its Subsidiaries or any of their properties or (iv) except for the Liens created under the Cash Collateral Agreement, result in or require the creation or imposition of any Lien upon or with respect to any of the properties of the Guarantor or any of its Subsidiaries.

(c) No governmental authorization, and no notice to or filing with, any Governmental Authority or any other third party is required for (i) the due execution, delivery or performance by the Guarantor of this Guaranty or the Cash Collateral Agreement, (ii) the grant by the Guarantor of the Liens granted by it pursuant to the Cash Collateral Agreement, (iii) the perfection or maintenance of the Liens created under the Cash Collateral Agreement (including the first priority nature thereof) or (iv) the exercise by OTS or any Guaranteed Party of its rights under the Guaranty or the remedies in respect of the Cash Collateral pursuant to the Cash Collateral Agreement.

(d) This Guaranty and the Cash Collateral Agreement have been duly executed and delivered by the Guarantor. Each of this Guaranty and the Cash Collateral Agreement is the legal, valid and binding obligation of the Guarantor, enforceable against the Guarantor in accordance with its terms, subject to the effect of applicable bankruptcy, insolvency, reorganization, receivership, moratorium and other similar laws relating to or affecting creditors' rights generally.

(e) There are no conditions precedent to the effectiveness of this Guaranty that have not been satisfied or waived.

(f) The Guarantor has, independently and without reliance upon any other Person and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Guaranty and the Cash Collateral Agreement, and the Guarantor has established adequate means of obtaining from the FSB and OLS on a continuing basis information pertaining to, and is now and on a continuing basis will be completely familiar with, the business, condition (financial or otherwise), operations, performance, properties and prospects of the FSB and OLS.

Section 7. Affirmative Covenants. The Guarantor covenants and agrees that, until the Termination Date, the Guarantor will:

(a) Cash Collateral Account. Maintain the Cash Collateral Account, perform and observe all of the terms of the Cash Collateral Agreement, and maintain at all times the Minimum Cash Collateral Amount.

(b) Reporting Requirements. Furnish to OTS:

(i) Default Notice. As soon as possible and in any event within five days after the occurrence of each Default hereunder, a statement of the chief financial officer of the Guarantor setting forth details of such Default and the action that the Guarantor has taken and proposes to take with respect thereto.

(ii) Annual Financials. As soon as available and in any event within 90 days after the end of each fiscal year, a copy of the annual audit report for such year for the Guarantor and its Subsidiaries, including therein a Consolidated balance sheet of the Guarantor and its Subsidiaries as of the end of such fiscal year and a Consolidated statement of income and a Consolidated statement of cash flows of the Guarantor and its Subsidiaries for such fiscal year, in each case accompanied by (A) an opinion as to such audit report of PricewaterhouseCoopers LLP or other independent public accountants of recognized standing and (B) a certificate of the chief financial officer of the Guarantor stating that no Default has occurred and is continuing or, if a Default has occurred and is continuing, a statement as to the nature thereof and the action that the Guarantor has taken and proposes to take with respect thereto.

(iii) Quarterly Financials. As soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year, a Consolidated balance sheet of the Guarantor and its Subsidiaries as of the end of such quarter and a Consolidated statement of income and a Consolidated statement of cash flows of the Guarantor and its Subsidiaries for the period commencing at the end of the previous fiscal quarter and ending with the end of such fiscal quarter and a Consolidated statement of income and a Consolidated statement of cash flows of the Guarantor and its Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, setting forth in each case in comparative form the corresponding figures for the corresponding date or period of the preceding fiscal year, all in reasonable detail and duly certified (subject to normal year-end audit adjustments) by the chief financial officer of the Guarantor as having been prepared in accordance with GAAP, together with a certificate of said officer stating that no Default has occurred and is continuing or, if a Default has occurred and is continuing, a statement as to the nature thereof and the action that the Guarantor has taken and proposes to take with respect thereto.

(iv) Litigation. Promptly after the commencement thereof, notice of all actions, suits, investigations, litigation and proceedings before any Governmental Authority affecting the Guarantor or any of its Subsidiaries that could be reasonably likely to have a material adverse effect on the business, condition (financial or otherwise), operations, performance, properties or prospects of the Guarantor or OLS.

(c) Transactions with Affiliates. Conduct, and cause each of its Subsidiaries to conduct, all transactions with any of their Affiliates on terms that are fair and reasonable and no less favorable to the Guarantor or such Subsidiary than it would obtain in a comparable arm's-length transaction with a Person not an Affiliate.

(d) Preservation of Existence, etc. Preserve, renew and maintain, and cause each of its Subsidiaries to preserve, renew and maintain, in full force and effect their legal existence and good standing under the laws of their jurisdiction of organization, except in a transaction permitted by Section 8(b).

(e) Unencumbered Financial Assets. The Guarantor shall maintain at all times Financial Assets with a fair market value of not less than \$35,000,000 that are (i) free and clear of any Lien and (ii) not the subject of any transaction restricted under Section 8(c).

Section 8. Negative Covenants. The Guarantor covenants and agrees that, until the Termination Date, the Guarantor will not, at any time:

(c) Debt. Create, incur or assume, or permit any of its Subsidiaries to create, incur or assume, any Debt, except that the Guarantor or any Subsidiary may create, incur or assume Debt if, immediately after giving effect to such creation, incurrence or assumption, the ratio of (x) the Consolidated Debt of the Guarantor and its Subsidiaries at such time to (y) the tangible net worth (shareholders' equity less intangible assets, all determined in accordance with GAAP, it being understood and agreed that servicing assets shall be considered intangible assets for purposes of this calculation) of the Guarantor and its Subsidiaries for the fiscal quarter most recently ended does not exceed 7.25 : 1.00 (the "Leverage Ratio").

(d) Mergers, Etc. Merge into or consolidate with any Person or permit any Person to merge into it, or transfer all or substantially all of its assets, or permit any of its Subsidiaries to merge into or consolidate with any Person or permit any Person to merge into it, or transfer all or substantially all of its assets, except that, so long as no Default exists or would result therefrom:

(i) any Subsidiary of the Guarantor (other than OLS) may merge into or consolidate with any other Subsidiary of the Guarantor; provided that, in the case of any such merger or consolidation, the Person formed by such merger or consolidation shall be a wholly-owned Subsidiary of the Guarantor;

(ii) any Subsidiary of the Guarantor (other than OLS) may transfer all or substantially all of its assets to the Guarantor or to a wholly-owned Subsidiary of the Guarantor; and

(iii) the Guarantor may merge into or consolidate with, or permit to merge into it, or transfer all or substantially all of its assets to, a Qualifying Entity; provided, that the tangible net worth of the Guarantor (or the surviving entity or transferee, as applicable) after giving effect to such merger, consolidation or transfer and any related transactions is (x) at least \$350,000,000 and (y) no less than the tangible net worth of the Guarantor as reflected in the most recent financial statements of the Guarantor delivered pursuant to Section 7(b)(ii) or (iii). "Qualifying Entity" means a corporation or limited liability company that (A) is organized under the laws of the United States of America, any state thereof or the District of Columbia, (B) has, immediately prior to such merger, consolidation or transfer, a rating for its unsecured, non-credit-enhanced Debt of at least Baa2 from Moody's or BBB from S&P, in each case, with a "stable" or "positive" outlook (each, a "Minimum Rating") (and if the unsecured, non-credit-enhanced Debt of such Person is rated by both Moody's and S&P, Minimum Ratings from both for such Debt) and (C) assumes all of the Guarantor's obligations under this Guaranty, the Cash Collateral Agreement and the Collateral Trust Agreement pursuant to a writing, and accompanied by such supporting corporate documents and opinions, in each case as is acceptable to OTS, if the Guarantor is not the surviving entity of any such merger or if there is any such transfer.

(c) Sales, Etc., of Assets. Sell, lease, transfer or otherwise dispose of, or permit any of its Subsidiaries to sell, lease, transfer or otherwise dispose of, any assets, or grant any option or other right to purchase, lease or otherwise acquire, or permit any of its Subsidiaries to grant any option or other right to purchase, lease or otherwise acquire, any assets, except for sales, transfers or other dispositions of assets (i) for consideration consisting of at least 85% cash and (ii) for fair value; provided that the Guarantor shall be in compliance with the Leverage Ratio on a pro forma basis after giving effect to any such sale, transfer or other disposition. Notwithstanding the foregoing, the requirement set forth in subsection (c)(i) above shall not apply to sales, transfers or other dispositions of any of the assets listed on Schedule II hereto.

(d) Restricted Payments. Declare or pay any dividends, purchase, redeem, retire, defease or otherwise acquire for value any of its capital stock or other ownership or profit interests (or warrants, rights or options with respect thereto) (collectively, the "Equity Interests") now or hereafter outstanding, return any capital to its stockholders, partners or members (or the equivalent Persons thereof) as such, make any distribution of assets, Equity Interests, obligations or securities to its stockholders, partners or members (or the equivalent Persons thereof) as such, or permit any of its Subsidiaries to do any of the foregoing, or permit any of its Subsidiaries to purchase, redeem, retire, defease or otherwise acquire for value any Equity Interests in the Guarantor, except that, so long as no Default shall have occurred and be continuing at the time of any action described below or would result therefrom:

(i) the Guarantor may (A) declare and pay dividends and distributions payable only in common stock of the Guarantor (or rights to acquire the same), (B) purchase, redeem, retire, defease or otherwise acquire (x) shares of its capital stock with the proceeds received contemporaneously from the issue of new shares of its capital stock with equal or inferior voting powers, designations, preferences and rights or (y) any or all of its 3.25% Contingent Convertible Senior Unsecured Notes due 2024, or (C) consistent with Section 563.141 of the rules and regulations of the OTS, as if such Section 563.141 were applicable to the Guarantor, declare, pay, purchase, redeem, retire, defease or otherwise acquire any Equity Interests (each, a "Capital Distribution"), provided that (x) the total amount of Capital Distributions during any calendar year, inclusive of any proposed Capital Distributions, does not exceed the Guarantor's consolidated net income for such calendar year plus its retained earnings for the two preceding calendar years, (y) the Guarantor's net worth is not less than \$333,000,000 after giving effect to any Capital Distribution and (z) the Guarantor's unsecured, non-credit-enhanced Debt has a rating of at least B2 from Moody's and B- from S&P at the time of any Capital Distribution, in each case, with a "stable" or "positive" outlook.

(ii) any Subsidiary of the Guarantor may declare and pay cash dividends to the Guarantor or to any wholly-owned Subsidiary of the Guarantor of which it is a Subsidiary.

(e) Partnerships, Etc. Become a general partner in any general or limited partnership, or permit any of its Subsidiaries to do so, other than any Subsidiary the sole assets of which consist of its interest in such partnership.

Section 9. Amendments, Etc. No amendment or waiver of any provision of this Guaranty and no consent to any departure by the Guarantor therefrom shall in any event be effective unless the same shall be in writing and signed by OTS, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 10. Notices Generally; Notice of Claims. (a) All notices and other communications provided for hereunder shall be in writing (including telegraphic, telecopy or electronic communication) and mailed, telegraphed, telecopied or delivered to it, if to the Guarantor, the FSB or OLS, addressed to the Guarantor, the FSB or OLS, as applicable, at:

1661 Worthington Road, Suite 100
West Palm Beach, FL 33401
Fax: (561) 692-8177
Attn: Secretary;

if to OTS, at:

Office of Thrift Supervision
Harborside Financial Center
Plaza Five, Suite 1600
Jersey City, New Jersey 07311
Fax: (201) 413-7543
Attn: Regional Director;

or, as to any party, at such other address as shall be designated by such party in a written notice to each other party. All such notices and other communications shall, when mailed, telegraphed, telecopied, or e-mailed, be effective when deposited in the mails, delivered to the telegraph company, transmitted by telecopier or sent by electronic communication, respectively. Delivery by telecopier of an executed counterpart of a signature page to any amendment or waiver of any provision of this Guaranty shall be effective as delivery of an original executed counterpart thereof.

(b) The Guarantor will publicly disclose the existence of this Guaranty, the Cash Collateral Agreement and the Collateral Trust Agreement, and will make publicly available, through a notice that is conspicuously displayed on its web site, (i) information regarding the purpose of this Guaranty and (ii) instructions for making a claim hereunder and under the Collateral Trust Agreement, including, without limitation, the name, address and contact information of (A) its contact for purposes of making claims in respect of this Guaranty and (B) the Collateral Trustee. Such information and instructions may, upon notice posted to such web site, be changed from time to time by the Guarantor, provided that such information and instructions remain conspicuously displayed on such web site.

Section 11. No Waiver; Remedies. No failure on the part of OTS or any Guaranteed Party to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 12. Indemnification. (a) Without limitation on any other obligations of the Guarantor or remedies of OTS or the Guaranteed Parties under this Guaranty, the Guarantor shall, to the fullest extent permitted by law, indemnify, defend and save and hold harmless each Guaranteed Party and OTS and each of their Affiliates and any of their respective officers, directors, employees, agents and advisors (each, an "Indemnified Party") from and against, and shall pay on demand, any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) that may be incurred by or asserted or awarded against any Indemnified Party in connection with or as a result of any failure of any Guaranteed Obligations to be the legal, valid and binding obligations of the Guarantor, enforceable against the Guarantor in accordance with their terms.

(b) The Guarantor hereby also agrees that none of OTS or any of OTS's officers, employees, agents or advisors shall have any liability (whether direct or indirect, in contract, tort or otherwise) to the Guarantor or any of its Affiliates or any of their respective officers, directors, employees, agents and advisors, and the Guarantor hereby agrees not to assert any claim against OTS or any of OTS's officers, employees, agents or advisors on any theory of liability, for (without limitation) special, indirect, consequential or punitive damages arising out of or otherwise relating to this Guaranty, the Cash Collateral Agreement, the Dissolution, or any of the transactions contemplated in connection therewith.

Section 13. Subordination. The Guarantor hereby subordinates any and all debts, liabilities and other obligations owed to the Guarantor by the FSB or OLS (the "Subordinated Obligations") to the Guaranteed Obligations to the extent and in the manner hereinafter set forth in this Section 13:

(a) Prohibited Payments, Etc. Except (i) during the continuance of a Default or (ii) upon the commencement and during the continuance of any proceeding under any Bankruptcy Law relating to the FSB or OLS, the Guarantor may receive regularly scheduled payments from the FSB or OLS on account of the Subordinated Obligations. After the occurrence and during the continuance of any Default, or upon the commencement and during the continuance of any proceeding under any Bankruptcy Law relating to the FSB or OLS, however, unless OTS otherwise agrees, the Guarantor shall not demand, accept or take any action to collect any payment on account of the Subordinated Obligations.

(b) Prior Payment of Guaranteed Obligations. In any proceeding under any Bankruptcy Law relating to the FSB or OLS, the Guarantor agrees that the Guaranteed Parties shall be entitled to receive payment in full in cash of all Guaranteed Obligations (including all interest and expenses accruing after the commencement of a proceeding under any Bankruptcy Law, whether or not constituting an allowed claim in such proceeding ("Post Petition Interest")) before the Guarantor receives payment of any Subordinated Obligations.

(c) Turn-Over. After the occurrence and during the continuance of any Default, or upon the commencement and during the continuance of any proceeding under any Bankruptcy Law relating to the FSB or OLS, the Guarantor shall, if OTS so requests, collect, enforce and receive payments on account of the Subordinated Obligations as trustee for the Guaranteed Obligations and deposit such payments into the Cash Collateral Account on account of the Guaranteed Obligations (including all Post Petition Interest), together with any necessary endorsements or other instruments of transfer, but without reducing or affecting in any manner the liability of the Guarantor under the other provisions of this Guaranty.

(d) OTS Authorization. After the occurrence and during the continuance of any Default, OTS is authorized and empowered (but without any obligation to so do), in its discretion, (i) in the name of the Guarantor, to collect and enforce, and to submit claims in respect of, Subordinated Obligations and to apply any amounts received thereon to the Guaranteed Obligations (including any and all Post Petition Interest), and (ii) to require the Guarantor (A) to collect and enforce, and to submit claims in respect of, Subordinated Obligations and (B) to deposit any amounts received on such obligations into the Cash Collateral Account for application to the Guaranteed Obligations (including any and all Post Petition Interest).

Section 14. Continuing Guaranty; Assignments. This Guaranty is a continuing guaranty and shall (a) remain in full force and effect until the Termination Date (except that the last sentence of Section 2 shall continue to remain in effect after the Termination Date), (b) be binding upon the Guarantor, its successors and assigns and (c) inure to the benefit of and be enforceable by the Guaranteed Parties and the OTS and their successors, transferees and assigns. Without limiting the generality of clause (c) of the immediately preceding sentence, any Guaranteed Party may assign or otherwise transfer all or any portion of its rights and obligations under this Guaranty to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Guaranteed Party herein or otherwise. The Guarantor shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of OTS.

Section 15. Third-Party Beneficiaries; Enforcement. (a) The Guarantor and OTS acknowledge that each Guaranteed Party is an intended third party beneficiary of this Guaranty, and shall have the right to: (i) make any demand for payment hereunder with respect to (I) any Guaranteed Obligation that (A) has been reduced to judgment and enforcement thereof has not been effectively stayed or (B) that is otherwise matured and fixed and presently due and payable, and (II) any other amount payable hereunder and (ii) enforce such rights directly against the Guarantor. The rights and remedies provided in this subsection (a) shall be the sole rights and remedies available to Guaranteed Parties other than (x) Substantial Guaranteed Parties, who shall have the additional rights and remedies set forth in subsection (b) below and (y) OTS, which may enforce the terms and conditions of this Guaranty directly against the Guarantor as provided in subsections (b) and (c) below and in any other manner provided or permitted by law.

(b) The Guarantor acknowledges and agrees that if any Substantial Guaranteed Party or OTS has good cause to believe that the Guarantor or any of its Affiliates has taken or is about to take any action, including, without limitation, any action that would constitute a breach of the covenants set forth in Sections 7 or 8 above, that would impair the ability of the Guarantor to perform its obligations under this Guaranty, such Substantial Guaranteed Party and/or OTS will have the right to pursue an action against the Guarantor for injunction or other appropriate relief. This subsection (b) confers additional rights upon Substantial Guaranteed Parties and shall not be construed to limit their rights as Guaranteed Parties in any way.

(c) The Guarantor hereby acknowledges and agrees that OTS is relying upon this Guaranty in connection with its approval of the FSB's application under Section 546.4 of the rules and regulations of OTS, and that this Guaranty shall be deemed to be a "written agreement" for purposes of Section 1818 of the Federal Deposit Insurance Act, 12 U.S.C. Section 1818, fully enforceable as such by OTS.

(d) The Guarantor will not challenge the jurisdiction or venue of any United States District Court in any action to enforce the terms of this Guaranty. Nothing in this subsection (d) shall affect any right that any party may otherwise have to bring any action or proceeding relating to this Guaranty in the courts of any jurisdiction or the Guarantor's right, if any, to seek removal of any such action or proceeding from state court to federal court.

Section 16. Independent Counsel. The Guarantor will pay on demand the amount of any and all reasonable fees and expenses incurred in connection with retention by the OTS of legal counsel, consultants, and other advisers deemed necessary or appropriate by the OTS in connection with the administration or enforcement of this Guaranty, the Cash Collateral Agreement, and the Collateral Trust Agreement.

Section 17. No Liability. (a) OTS shall not be required to take any action under the Guaranty, the Cash Collateral Agreement or the Collateral Trust Agreement, and neither OTS nor any of its agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with the Guaranty, the Cash Collateral Agreement or the Collateral Trust Agreement. Without limitation of the generality of the foregoing, OTS: (i) may consult with and rely on legal counsel (including counsel for the Guarantor or any of its Affiliates), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (ii) makes no warranty or representation to any Guaranteed Party and shall not be responsible to any Guaranteed Party for any statements, warranties or representations (whether written or oral) made in or in connection with the Guaranty, the Cash Collateral Agreement or the Collateral Trust Agreement; (iii) shall not have any duty to ascertain or to inquire as to the performance, observance or satisfaction of any of the terms, covenants or conditions of the Guaranty, the Cash Collateral Agreement or the Collateral Trust Agreement on the part of the Guarantor or the existence at any time of any Default under the Guaranty; (iv) shall not be responsible to any Guaranteed Party for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of, or the perfection or priority of any lien or security interest created or purported to be created under or in connection with, the Guaranty or the Cash Collateral Agreement or any other instrument or document furnished pursuant thereto; and (v) shall incur no liability under or in respect of the Guaranty, the Cash Collateral Agreement or the Collateral Trust Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telegram, telecopy or electronic communication) believed by it to be genuine and signed or sent by the proper party or parties.

(b) Any Notice of Non-Objection delivered to the Collateral Trustee by the OTS pursuant to Section 4.02(c) of the Collateral Trust Agreement shall be conclusive and binding on all parties (including, without limitation, the Guaranteed Parties). Without limitation of subsection (a) above, the OTS shall incur no liability whatsoever to any Guaranteed Party in connection with the delivery of such a Notice of Non-Objection on the basis of any good-faith belief (without any requirement that the OTS independently investigate the same or make an independent determination with respect thereto) that the Termination Date has occurred.

Section 18. Execution in Counterparts. This Guaranty and each amendment, waiver and consent with respect hereto may be executed in any number of counterparts and by different parties thereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Guaranty by telecopier shall be effective as delivery of an original executed counterpart of this Guaranty.

Section 19. Governing Law; Jurisdiction; Waiver of Jury Trial, Etc. (a) This Guaranty shall be governed by, and construed in accordance with, the laws of the State of New York.

(b) The Guarantor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any federal court of the United States of America sitting in New York City, and any appellate court thereof, or, if any such court refuses jurisdiction, the Supreme Court of the State of New York in and for New York County, in any action or proceeding arising out of or relating to this Guaranty, the Cash Collateral Agreement or the Collateral Trust Agreement, or for recognition or enforcement of any judgment, and the Guarantor hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined, to the extent permitted by law, in such federal court or, if such federal court refuses jurisdiction, in the Supreme Court of the State of New York in and for New York County. The Guarantor agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Guaranty shall affect any right that any party may otherwise have to bring any action or proceeding relating to this Guaranty in the courts of any jurisdiction.

(c) The Guarantor irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Guaranty, the Cash Collateral Agreement or the Collateral Trust Agreement in any federal court. The Guarantor hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such suit, action or proceeding in any such court.

(d) THE GUARANTOR HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS GUARANTY, THE CASH COLLATERAL AGREEMENT OR THE COLLATERAL TRUST AGREEMENT OR THE ACTIONS OF OTS OR ANY GUARANTEED PARTY IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT OF ANY THEREOF.

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IN WITNESS WHEREOF, the Guarantor has caused this Guaranty to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

OCWEN FINANCIAL CORPORATION

By /s/ WILLIAM C. ERBEY

Name: William C. Erbey
Title: Chairman and CEO

SCHEDULE I

Certain Defined Terms

All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the financial statements required to be delivered pursuant to Sections 7(b)(ii) and (iii), except as otherwise specifically prescribed herein.

As used in this Guaranty, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Action" means any claim, action, suit, arbitration, inquiry, proceeding or investigation by or before any Governmental Authority.

"Affiliate" means, with respect to a particular Person, (a) any Person which, directly or indirectly, controls, is controlled by, or is under common control with such particular Person, or (b) any Person who is a director or officer of such particular Person. For purposes of this definition, control of a Person shall mean the power, direct or indirect, (i) to vote 5% or more of the securities having ordinary voting power for the election of directors of such Person, or (ii) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Assumed Liabilities" means all Liabilities of the FSB (other than Liabilities assumed by Marathon in connection with the Branch Sale).

"Bankruptcy Law" means Title 11, U.S. Code, 12 U.S.C. 1464(d)(2), or any similar federal or state law for the relief of debtors.

"Cash Collateral" has the meaning specified in the Cash Collateral Agreement.

"Cash Collateral Account" has the meaning specified in the Cash Collateral Agreement.

"Cash Collateral Agreement" means that certain Cash Collateral Agreement dated the date hereof by and among the Guarantor, the Collateral Trustee and the Account Bank described therein, in substantially the form of Exhibit A.

"Claim" means (a) any right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured, or (b) any right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured.

"Collateral Trust Agreement" means that certain Collateral Trust Agreement dated the date hereof between the Guarantor and the Collateral Trustee.

"Collateral Trustee" has the meaning specified in the Collateral Trust Agreement.

"Consolidated" refers to the consolidation of accounts in accordance with GAAP.

"Contracts" means all contracts, subcontracts, agreements, leases, licenses, commitments, sales or purchase orders, and other instruments, arrangements or understandings of any kind.

"Debt" of any Person means, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of property or services, (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all obligations of such Person as lessee under leases that have been or should be, in accordance with GAAP, recorded as capital leases, (f) all obligations of such Person under acceptance, letter of credit or similar facilities, (g) all obligations of such Person to purchase, redeem, retire, defease or otherwise make any payment in respect of any Equity Interests in such Person or any other Person or any warrants, rights or options to acquire such Equity

Interests, (h) all Debt of other Persons referred to in clauses (a) through (g) above or clause (i) below and other payment obligations guaranteed directly or indirectly in any manner by such Person, or in effect guaranteed directly or indirectly by such Person and (i) all indebtedness and other payment obligations referred to in clauses (a) through (h) above of another Person secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien on property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such indebtedness or other payment obligations.

"Default" means any failure by the Guarantor to perform or observe any term, covenant or agreement contained in this Guaranty or the Cash Collateral Agreement on its part to be performed or observed.

"Equity Interests" has the meaning specified in Section 8(d).

"Event of Default" means a Default that remains unremedied for 10 days after the earlier of the date on which (a) any officer of the Guarantor becomes aware of such Default or (b) written notice of such Default has been given to the Guarantor by OTS or any Substantial Guaranteed Party.

"Financial Asset" shall have the meaning set forth in Article 8 of the Uniform Commercial Code as in effect from time to time in the State of New York.

"GAAP" means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, that are applicable to the circumstances as of the date of determination, consistently applied.

"Governmental Authority" means any nation or government, any state, province, city, municipal entity or other political subdivision thereof, and any governmental, executive, legislative, judicial, administrative or regulatory agency, department, authority, instrumentality, commission, board, bureau or similar body, whether federal, state, provincial, territorial, local or foreign.

"Guaranteed Obligations" has the meaning specified in Section 1.

"Guaranteed Party" means (a) any holder of any Claim with respect to the Assumed Liabilities and (b) the OTS.

"Liability" means any debt, liability, commitment or obligation of every kind and description, whether accrued or fixed, absolute or contingent, matured or unmatured, determined or determinable, known or unknown, including those arising under any law or order of any Governmental Authority and those arising under any Contract or in connection with any Action.

"Lien" means any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, including, without limitation, the lien or retained security title of a conditional vendor and any easement, right of way or other encumbrance on title to real property.

"Minimum Cash Collateral Amount" means (a) so long as no Event of Default has occurred and is continuing, \$5,000,000, and (b) upon the occurrence and during the continuance of an Event of Default, \$20,000,000.

"Moody's" means Moody's Investors Service, Inc. and any successor thereto.

"Person" means an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and any successor thereto.

"Subsidiaries" of any Person means any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency), (b) the interest in the capital of such partnership, joint venture or limited liability company or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries.

"Substantial Guaranteed Party" means (a) any authorized representative of the Guaranteed Parties party to the action pending in the United States District Court for the Northern District of Illinois under caption styled: In re Ocwen Federal Bank FSB Mortgage Servicing Litigation, MDL Docket No. 1604, provided that the plaintiffs in such action are certified as a class; (b) any Guaranteed Party that has obtained a judgment against the FSB or OLS for an aggregate amount of \$5,000,000 or more, regardless of whether such judgment has been stayed pending appeal; and (c) any other creditor of the FSB and/or OLS holding matured, fixed, and presently due and payable Claims in respect of any Guaranteed Obligations in an aggregate amount in excess of \$5,000,000.

"Termination Date" means the later of (a) the sixth anniversary of the date on which the FSB's federal bank charter is cancelled and (b) the date on which both of the following have been indefeasibly paid in full in cash: (i) all Guaranteed Obligations with respect to which a Claim has been asserted (whether under this Guaranty or otherwise) on or prior to the sixth anniversary of the date on which the FSB's federal bank charter is cancelled and (ii) all other amounts payable by the Guarantor under this Guaranty (whether in respect of enforcement costs, indemnification payments or otherwise).

CASH COLLATERAL AGREEMENT

Dated as of June 28, 2005

Among

OCWEN FINANCIAL CORPORATION

as Grantor,

THE BANK OF NEW YORK TRUST COMPANY, N.A.,

as Collateral Trustee,

and

THE BANK OF NEW YORK TRUST COMPANY, N.A.,

as Account Bank

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CASH COLLATERAL AGREEMENT

CASH COLLATERAL AGREEMENT, dated as of June 28, 2005, among OCWEN FINANCIAL CORPORATION (the "Grantor"), THE BANK OF NEW YORK TRUST COMPANY, N.A. ("BONY"), a national banking association (together with any successor trustee appointed pursuant to Article 6 of the Collateral Trust Agreement, as defined below, the "Collateral Trustee"), as trustee for the Guaranteed Parties (as defined below), and BONY, as securities intermediary and depository bank (the "Account Bank").

PRELIMINARY STATEMENTS:

(1) The Grantor has executed and delivered to the Office of Thrift Supervision, for the benefit of the Guaranteed Parties, a Guaranty dated as of the date hereof in respect of the Guaranteed Obligations (as defined therein). Capitalized terms used but not defined herein are used herein as defined in the Guaranty.

(2) In order to secure the Guaranteed Obligations, the Grantor has deposited the Minimum Cash Collateral Amount in a non-interest bearing cash collateral account (the "Cash Collateral Account") with the Account Bank at its office at 10161 Centurion Parkway, Jacksonville, FL 32256, Account No. 174351, in the name of the Grantor but under the sole control and dominion of the Collateral Trustee and subject to the terms of this Agreement and the Collateral Trust Agreement dated June 28, 2005 between the Grantor and the Collateral Trustee (the "Collateral Trust Agreement").

(3) Terms defined in Article 8 or 9 of the Uniform Commercial Code in effect in the State of New York (the "Code") are used in this Agreement as such terms are defined in such Article 8 or 9.

NOW THEREFORE, in consideration of the premises, the Grantor, the Collateral Trustee and the Account Bank hereby agree as follows:

SECTION 1. Grant of Security. The Grantor hereby pledges, assigns and grants to the Collateral Trustee, for the benefit of the Guaranteed Parties, a security interest (collectively, the "Security Interest") in the Grantor's right, title and interest to the following, whether now or hereafter existing or arising (the "Cash Collateral"):

(a) the Cash Collateral Account and all funds and financial assets from time to time credited thereto (including, without limitation, all Investments and Cash Equivalents, as defined herein, and all investment property), and all certificates and instruments, if any, from time to time representing or evidencing the Cash Collateral Account;

(b) all promissory notes, certificates of deposit, deposit accounts, checks and other instruments from time to time delivered to or otherwise possessed by the Collateral Trustee or the Account Bank for or on behalf of the Grantor in substitution for or in addition to any or all of the then existing Cash Collateral;

(c) all interest, dividends, distributions, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the then existing Cash Collateral; and

(d) all proceeds of any and all of the foregoing Cash Collateral.

SECTION 2. Security for Obligations. This Agreement secures the payment of all amounts, now or hereafter existing, consisting of any of the following: (i) the Guaranteed Obligations, (ii) all other amounts payable under or in respect of the Guaranty and (iii) all amounts payable under or in respect of this Agreement or the Collateral Trust Agreement.

SECTION 3. Delivery of Cash Collateral. All certificates or instruments, if any, representing or evidencing the Cash Collateral shall be delivered to and held by or on behalf of the Collateral Trustee pursuant hereto and shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to the Collateral Trustee. In addition, the Collateral Trustee shall have the right at any time to exchange certificates or instruments representing or evidencing Cash Collateral for certificates or instruments of smaller or larger denominations.

SECTION 4. The Cash Collateral Account. The Grantor and the Account Bank represent and warrant to, and agree with, the Collateral Trustee that:

(a) The Account Bank maintains the Cash Collateral Account for the Grantor, and all property (including, without limitation, all funds and financial assets) held by the Account Bank for the account of the Grantor are, and will continue to be, credited to the Cash Collateral Account in accordance with instructions given by the Grantor (unless otherwise provided herein).

(b) To the extent that funds are credited to the Cash Collateral Account, the Cash Collateral Account is a deposit account; and to the extent that financial assets are credited to the Cash Collateral Account, the Cash Collateral Account is a securities account. The Account Bank is (i) the bank with which the Cash Collateral Account is maintained and (ii) the securities intermediary with respect to financial assets held in the Cash Collateral Account. The Grantor is (x) the Account Bank's customer with respect to the Cash Collateral Account and (y) the entitlement holder with respect to all financial assets credited from time to time to the Cash Collateral Account.

(c) Notwithstanding any other agreement to the contrary, the Account Bank's jurisdiction with respect to the Cash Collateral Account for purposes of the Code is, and will continue to be for so long as the Security Interest shall be in effect, the State of New York.

(d) The Grantor and the Account Bank do not know of any claim to or interest in the Cash Collateral Account or any property (including, without limitation, funds and financial assets) credited to the Cash Collateral Account, except for claims and interests of the parties referred to in this Agreement.

SECTION 5. Control by Collateral Trustee. The Account Bank will comply with (i) all instructions directing disposition of the funds in the Cash Collateral Account, (ii) all notifications and entitlement orders that the Account Bank receives directing it to transfer or redeem any financial asset in the Cash Collateral Account and (iii) all other directions concerning the Cash Collateral Account, including, without limitation, directions to distribute to the Collateral Trustee proceeds of any such transfer or redemption or interest or dividends on financial assets in the Cash Collateral Account (any such instruction, notification or direction referred to in clause (i), (ii) or (iii) above being an "Account Direction"), in each case of clauses (i), (ii) and (iii) above originated by the Collateral Trustee without further consent by the Grantor.

SECTION 6. Grantor's Rights in Cash Collateral Account. (a) The Account Bank will not comply with instructions or directions from the Grantor with respect to Account Directions or any other instructions or directions whatsoever concerning the Cash Collateral Account except as provided below in Section 6(b).

(b) Until the Account Bank receives a notice from the Collateral Trustee that the Collateral Trustee will exercise exclusive control over the Cash Collateral Account (a "Notice of Exclusive Control"), the Account Bank may at the direction of the Grantor distribute to the Grantor all interest and regular cash dividends on property (including, without limitation, funds and financial assets) in the Cash Collateral Account (but not any other amounts) to the extent that, after giving effect to any such proposed distribution, the amount remaining in the Cash Collateral Account is not less than the Minimum Cash Collateral Amount.

(c) If the Account Bank receives from the Collateral Trustee a Notice of Exclusive Control, the Account Bank will cease distributing to the Grantor all interest and dividends on property (including, without limitation, funds and financial assets) in the Cash Collateral Account until the Account Bank receives written notice from the Collateral Trustee withdrawing the Notice of Exclusive Control.

SECTION 7. Priority of Security Interest. (a) The Account Bank (i) subordinates to the Security Interest and in favor of the Collateral Trustee and the Guaranteed Parties any security interest, lien or right of recoupment or setoff that the Account Bank may have, now or in the future, against the Cash Collateral Account or any funds and financial assets credited to the Cash Collateral Account and (ii) agrees that it will not exercise any right in respect of any such security interest or lien or any such right of recoupment or setoff until the Security Interest is terminated, except that the Account Bank (A) will retain its prior security interest and lien on funds and financial assets credited to the Cash Collateral Account, (B) may exercise any right in respect of such security interest or lien, and (C) may exercise any right of recoupment or setoff against the Cash Collateral Account, in the case of clauses (A), (B) and (C) above, to secure or to satisfy payment (x) of the purchase price for financial assets credited to the Cash Collateral Account and (y) for its customary fees and expenses for the routine maintenance and operation of the Cash Collateral Account.

(b) The Account Bank will not enter into any other agreement with any Person relating to Account Directions or other directions with respect to the Cash Collateral Account.

SECTION 8. Statements, Confirmations, and Notices of Adverse Claims. (a) The Account Bank will send copies of all statements and confirmations for the Cash Collateral Account simultaneously to the Collateral Trustee and the Grantor.

(b) The Account Bank will promptly notify the Collateral Trustee and the Grantor if at any time the amount on deposit in the Cash Collateral Account is less than \$5,000,000.

(c) When the Account Bank receives written notice of any claim or interest in the Cash Collateral Account or any funds or financial assets credited to the Cash Collateral Account other than the claims and interests of the parties referred to in this Agreement, the Account Bank will promptly notify the Collateral Trustee and the Grantor of such claim or interest.

SECTION 9. Maintaining the Cash Collateral Account; Minimum Cash Collateral Amount. Until the Termination Date shall have occurred:

(a) The Grantor will maintain the Cash Collateral Account with the Account Bank.

(b) The Grantor will maintain the Minimum Cash Collateral Amount at all times, in accordance with the terms of the Guaranty.

SECTION 10. Investing of Amounts in the Cash Collateral Account. The Account Bank will (as directed in writing by the Grantor), subject to the provisions of Section 11 and Section 19, from time to time (a) invest amounts on deposit in the Cash Collateral Account in such Cash Equivalents as the Grantor may select, and (b) invest interest paid on the property referred to in clause (a) above, and reinvest other proceeds of any such property that may mature or be sold, in each case in such Cash Equivalents as the Grantor may select, so long as all such (the Cash Equivalents referred to in clauses (a) and (b) above being collectively "Investments"). Interest and proceeds that are not invested or reinvested in Investments as provided above shall be deposited and held in the Cash Collateral Account. The Collateral Trustee and the Grantor agree that all Investments shall be treated as financial assets under Article 8 of the Code. As used herein, "Cash Equivalents" means any of the following, to the extent owned by the Grantor free and clear of all Liens other than Liens created under this Agreement and having a maturity of not greater than 90 days from the date of issuance thereof: (i) readily marketable direct obligations of the Government of the United States or any agency or instrumentality thereof or obligations unconditionally guaranteed by the full faith and credit of the Government of the United States, (ii) insured certificates of deposit of or time deposits with any FDIC-insured depository institution, provided that the full amount of such certificates of deposit or time deposits is covered by FDIC insurance, and (iii) investments, classified in accordance with GAAP as Current Assets of the Grantor, in money market funds that are registered under the Investment Company Act of 1940, as amended, that are administered by financial institutions that have the highest rating obtainable from either Moody's or S&P and the portfolios of which are limited solely to investments of the character, quality and maturity described in clauses (i) and (ii) of this definition.

SECTION 11. Release of Amounts. Except as provided in Sections 6 and 19, the Collateral Trustee will direct the Account Bank to pay and release to the Grantor or at its order, except as provided in Sections 6 and 19, at the request of the Grantor, all Cash Collateral to the extent that the remaining balance in the Cash Collateral Account exceeds the then Minimum Cash Collateral Amount.

SECTION 12. Representations and Warranties. The Grantor represents and warrants as follows:

(a) The Grantor is the legal and beneficial owner of the Cash Collateral free and clear of any lien, security interest, option or other charge or encumbrance except for the security interest created by this Agreement.

(b) This Agreement creates in favor of the Collateral Trustee, for the benefit of the Guaranteed Parties, a valid security interest in the Cash Collateral granted by the Grantor, securing the payment of the Guaranteed Obligations.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for (i) the grant by the Grantor of the security interest granted hereunder or for the execution, delivery or performance of this Agreement by the Grantor, (ii) the perfection or maintenance of the security interest created hereunder (including the first priority nature of such security interest) or (iii) for the exercise by the Collateral Trustee of its rights and remedies hereunder.

(d) There are no conditions precedent to the effectiveness of this Agreement that have not been satisfied or waived.

(e) The amount deposited in the Cash Collateral Account is not less than the Minimum Cash Collateral Amount.

SECTION 13. Further Assurances. The Grantor agrees that at any time and from time to time, at the expense of the Grantor, the Grantor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that the Collateral Trustee may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable the Collateral Trustee to exercise and enforce its rights and remedies hereunder with respect to any Cash Collateral.

SECTION 14. Transfers and Other Liens. The Grantor agrees that it will not sell, assign (by operation of law or otherwise), or otherwise dispose of, or grant any option with respect to, any of the Cash Collateral.

SECTION 15. Collateral Trustee Appointed Attorney-in-Fact. The Grantor hereby appoints the Collateral Trustee as its attorney-in-fact, acting with full authority in the place and stead of the Grantor and in the name of the Grantor or otherwise, from time to time in the Collateral Trustee's discretion to take any action and to execute any instrument that the Collateral Trustee may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation, to receive, indorse and collect all instruments made payable to the Grantor representing any interest payment, dividend or other distribution in respect of the Cash Collateral or any part thereof and to give full discharge for the same.

SECTION 16. Collateral Trustee May Perform. If the Grantor fails to perform any agreement contained herein, the Collateral Trustee, acting for itself and on behalf of the Guaranteed Parties, may itself perform, or cause performance of, such agreement, and the expenses of the Collateral Trustee incurred in connection therewith shall be payable by the Grantor under Section 20.

SECTION 17. Account Bank's and Collateral Trustee's Duties. The powers conferred on the Collateral Trustee hereunder are solely to protect the interest of the Guaranteed Parties in the Cash Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Cash Collateral in its possession and the accounting for moneys actually received by it hereunder, the Account Bank shall have no duty as to any Cash Collateral, as to ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Cash Collateral, whether or not the Collateral Trustee or the Account Bank is deemed to have knowledge of such matters, or as to the taking of necessary steps to preserve rights against any parties or any other rights pertaining to any Cash Collateral. The Account Bank shall be deemed to have exercised reasonable care in the custody and preservation of any Cash Collateral in its possession if such Cash Collateral is accorded treatment substantially equal to that which the Account Bank accords its own property.

SECTION 18. The Account Bank's Responsibility. (a) The Account Bank will not be liable to the Grantor or the Collateral Trustee for complying with a Notice of Exclusive Control or with an Account Direction or other direction concerning the Cash Collateral Account originated by the Collateral Trustee, even if the Grantor notifies the Account Bank that the Collateral Trustee is not legally entitled to issue the Notice of Exclusive Control or Account Direction or such other direction unless the Account Bank takes the action after it is served with an injunction, restraining order or other legal process enjoining it from doing so, issued by a court of competent jurisdiction, and had a reasonable opportunity to act on the injunction, restraining order or other legal process.

(b) This Agreement does not create any obligation of the Account Bank except for those expressly set forth in this Agreement and, to the extent the Cash Collateral Account is a securities account, in Part 5 of Article 8 of the Code and, to the extent the Cash Collateral Account is a deposit account, in Article 4 of the Code. In particular, the Account Bank need not investigate whether the Collateral Trustee is entitled under the Collateral Trustee's agreements with the Grantor to give an Account Direction or other direction concerning the Cash Collateral Account or a Notice of Exclusive Control. The Account Bank may rely on notices and communications it believes given by the appropriate party.

SECTION 19. Remedies upon Event of Default. If any Event of Default under the Guaranty shall have occurred and be continuing:

(a) In addition to, and not in limitation of, the rights of the Collateral Trustee under Section 4.01 of the Collateral Trust Agreement, the Collateral Trustee may, upon notice to the Grantor and from time to time, direct the Account Bank to pay and release all or any part of the amount on deposit in the Cash Collateral Account at such time either to the Collateral Trustee (for application pursuant to Section 19(b) and (c) below) or to a Guaranteed Party that has submitted a Certificate of Demand, as defined in the Collateral Trust Agreement, in accordance with Section 4.01 thereof, to be applied against the Guaranteed Obligations then due and payable or any part thereof. Upon such payment and release by the Account Bank, the Grantor shall forthwith deposit an amount in the Cash Collateral Account equal to the amount by which the Minimum Cash Collateral Amount exceeds the amount on deposit in the Cash Collateral Account following any such application.

(b) The Collateral Trustee, for itself and on behalf of the Guaranteed Parties, may also exercise in respect of the Cash Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the Code (whether or not the Code applies to the affected Cash Collateral), and may also, without

notice except as specified below, sell the Cash Collateral or any part thereof in one or more parcels at public or private sale, at any of the Collateral Trustee's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Collateral Trustee may deem commercially reasonable. The Grantor agrees that, to the extent notice of sale shall be required by law, at least ten days' prior written notice to the Grantor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Collateral Trustee shall not be obligated to make any sale of Cash Collateral regardless of notice of sale having been given. The Collateral Trustee may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(c) Any cash held by the Collateral Trustee pursuant to clause (b) above, and all cash proceeds received by the Collateral Trustee in respect of any sale of, collection from, or other realization upon all or any part of the Cash Collateral may, in the discretion of the Collateral Trustee, be held by the Collateral Trustee as collateral for, and/or then or at any time thereafter be applied (after payment of any amounts payable to the Collateral Trustee pursuant to Section 20) in whole or in part by the Collateral Trustee against, all or any part of the Guaranteed Obligations in such order as the Collateral Trustee shall elect.

SECTION 20. Expenses. The Grantor will upon demand pay to the Collateral Trustee the amount of any and all reasonable expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, that the Collateral Trustee may incur in connection with (a) the administration of this Agreement, (b) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Cash Collateral, (c) the exercise or enforcement of any of the rights of the Collateral Trustee hereunder or (d) the failure by the Grantor to perform or observe any of the provisions hereof.

SECTION 21. Indemnity. The Grantor will indemnify the Account Bank, the Collateral Trustee, and their respective officers, directors, employees and agents against claims, liabilities and expenses arising out of this Agreement (including, without limitation, reasonable attorney's fees and disbursements), except to the extent the claims, liabilities or expenses are caused by the gross negligence or willful misconduct of the Account Bank or the Collateral Trustee, as applicable, as found by a court of competent jurisdiction in a final, non-appealable judgment.

SECTION 22. Continuing Security Interest. This Agreement shall create a continuing security interest in the Cash Collateral and shall (a) remain in full force and effect until the Termination Date, (b) be binding upon the Grantor, its successors and assigns, and (c) inure to the benefit of, and be enforceable by, the Collateral Trustee and its successors, transferees and assigns. Upon the occurrence of the Termination Date, the security interest granted hereby shall terminate and all rights to the Cash Collateral shall revert to the Grantor. Upon any such termination, the Collateral Trustee will, in accordance with the provisions of Section 4.02 of the Collateral Trust Agreement and at the Grantor's expense, return to the Grantor such of the Cash Collateral as shall not have been sold or otherwise applied pursuant to the terms hereof and execute and deliver to the Grantor such documents as the Grantor shall reasonably request to evidence such termination. It is hereby acknowledged that, unless and until applied in accordance with Section 19, and subject to the terms of this Agreement, the Cash Collateral shall remain the property of the Grantor. For the avoidance of doubt, nothing in this Agreement shall constitute an obligation on the part of the Collateral Trustee to extend credit to the Grantor, but is solely intended to provide security for, and for the repayment of, the Guaranteed Obligations.

SECTION 23. Termination; Survival. (a) The Collateral Trustee may terminate this Agreement in accordance with the terms of the Collateral Trust Agreement by notice to the Account Bank and the Grantor. If the Collateral Trustee notifies the Account Bank that the Security Interest has terminated pursuant to Section 4.02 of the Collateral Trust Agreement, this Agreement will immediately terminate.

(b) The Account Bank may terminate this Agreement on 60 days' prior notice to the Collateral Trustee and the Grantor, provided that before such termination the Account Bank and the Grantor shall make arrangements to transfer the property (including, without limitation, all funds and financial assets) credited to the Cash Collateral Account to another Account Bank satisfactory to the Collateral Trustee in its sole discretion that shall have executed, together with the Grantor, a control agreement in favor of the Collateral Trustee in respect of such property in substantially the form of this Agreement or otherwise in form and substance satisfactory to the Collateral Trustee.

(c) Sections 18 and 21 will survive termination of this Agreement.

SECTION 24. Entire Agreement. This Agreement is the entire agreement, and supersedes any prior agreements, and contemporaneous oral agreements, of the parties concerning its subject matter.

SECTION 25. Amendments. No amendment of, or waiver of a right under, this Agreement will be binding unless it is in writing and signed by the party to be charged.

SECTION 26. Financial Assets. The Account Bank agrees with the Collateral Trustee and the Grantor that, to the fullest extent permitted by applicable law, all property (other than funds) credited from time to time to the Cash Collateral Account will be treated as financial assets under Article 8 of the Code.

SECTION 27. Notices. A notice or other communication to a party under this Agreement will be in writing, will be sent to the party's address set forth under its name below or to such other address as the party may notify the other parties and will be effective on receipt.

SECTION 28. Binding Effect. This Agreement shall become effective when it shall have been executed by the Grantor, the Collateral Trustee and the Account Bank, and thereafter shall be binding upon and inure to the benefit of the Grantor, the Collateral Trustee and the Account Bank and their respective successors and assigns.

SECTION 29. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of an original executed counterpart of this Agreement.

SECTION 30. Governing Law; Terms. This Agreement and the Cash Collateral Account will be governed by the law of the State of New York. The Account Bank and the Grantor may not change the law governing the Cash Collateral Account without the Collateral Trustee's express prior written agreement.

SECTION 31. Counterparts. A facsimile or other electronically transmitted copy of this Agreement shall have the same force and effect as an original hereof personally delivered to the intended recipient. This Agreement may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original and all of which together shall constitute one and the same instrument.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

OCWEN FINANCIAL CORPORATION

By /s/ WILLIAM C. ERBEY

Name: William C. Erbey
Title: Chairman and CEO

Address:
1661 Worthington Road, Suite 100
West Palm Beach, FL 33401
Attention: Secretary

THE BANK OF NEW YORK TRUST
COMPANY, N.A., as Collateral Trustee

By /s/ CRAIG A. KAYE

Name: Craig A. Kaye
Title: Assistant Vice President

Address:
10161 Centurion Parkway
Jacksonville, FL 32256
Attention: Corporate Trust
Administration

THE BANK OF NEW YORK TRUST
COMPANY, N.A., as Account Bank

By /s/ CRAIG A. KAYE

Name: Craig A. Kaye
Title: Assistant Vice President

Address:
10161 Centurion Parkway
Jacksonville, FL 32256
Attention: Corporate Trust
Administration

CERTIFICATION PURSUANT TO 15 U.S.C. SECTION 7241,
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, William C. Erbey, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ocwen Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a - 15(e) and 15d - 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a - 15(f) and 15d - 15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (e) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (f) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2005

/s/ WILLIAM C. ERBEY

William C. Erbey
Chairman and Chief Executive Officer

CERTIFICATION PURSUANT TO 15 U.S.C. SECTION 7241,
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Robert J. Leist, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ocwen Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a - 15(e) and 15d - 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a - 15(f) and 15d - 15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2005

/s/ ROBERT J. LEIST, JR.

Robert J. Leist, Jr.,
Senior Vice President &
Principal Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES OXLEY ACT OF 2002

I, William C. Erbey, state and attest that:

1. I am the Chief Executive Officer of Ocwen Financial Corporation (the "Registrant").
2. I hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that
 - o the Quarterly Report on Form 10-Q of the Registrant for the quarter ended June 30, 2005 (the "periodic report") containing financial statements fully complies with the requirements of Section 13(a) or 15(b) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
 - o the information contained in the periodic report fairly represents, in all material respects, the financial condition and results of operations of the Registrant for the periods presented.

Name: /s/ WILLIAM C. ERBEY

Title: Chairman and Chief Executive Officer

Date: August 9, 2005

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES OXLEY ACT OF 2002

I, Robert J. Leist, Jr., state and attest that:

1. I am the Principal Financial Officer of Ocwen Financial Corporation (the "Registrant").
2. I hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that
 - o the Quarterly Report on Form 10-Q of the Registrant for the quarter ended June 30, 2005 (the "periodic report") containing financial statements fully complies with the requirements of Section 13(a) or 15(b) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
 - o the information contained in the periodic report fairly represents, in all material respects, the financial condition and results of operations of the Registrant for the periods presented.

Name: /s/ ROBERT J. LEIST, JR.

Title: Senior Vice President &
Principal Financial Officer

Date: August 9, 2005