UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2002

OR

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

Commission File No. 0-21341

Ocwen Financial Corporation
(Exact name of registrant as specified in its charter)

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

1675 Palm Beach Lakes Boulevard, West Palm Beach, Florida 33401
(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 X No .

Number of shares of Common Stock, $.01 par value, outstanding as of August 9, 2002: 67,336,276 shares

OCWEN FINANCIAL CORPORATION
FORM 10-Q

I N D E X

PART I - FINANCIAL INFORMATION
ITEM 1. INTERIM FINANCIAL STATEMENTS (Unaudited)

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

	June 30, 2002	December 31, 2001
Assets		
Cash and amounts due from depository institutions	$ 34,213	$ 23,076
Interest earning deposits	122,161	111,579
Federal funds sold and repurchase agreements	88,000	126,000
Trading securities, at fair value:		
Collateralized mortgage obligations (AAA-rated)	90,338	161,191
Subordinates, residuals and other securities	41,210	65,058
Real estate held for sale	--	13,418
Investment in real estate	59,598	116,896
Affordable housing properties	37,941	102,069
Loans, net	122,009	185,293
Match funded assets	159,220	174,351
Real estate owned, net	84,101	110,465
Premises and equipment, net	47,333	44,589
Income taxes receivable	20,441	20,842
Advances on loans and loans serviced for others	254,734	283,183
Mortgage servicing rights	133,677	101,107
Other assets	96,805	72,033
	$ 1,391,781	$ 1,711,150
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	$ 441,863	$ 656,878
Escrow deposits on loans and loans serviced for others	88,773	73,565
Securities sold under agreements to repurchase	66,817	79,405
Bonds - match funded agreements	146,214	156,908
Obligations outstanding under lines of credit	68,883	84,304
Notes, debentures and other interest bearing obligations	157,580	160,305
Accrued interest payable	8,794	12,836
Excess of net assets acquired over purchase price	--	18,333
Accrued expenses, payables and other liabilities	30,333	28,351
Total liabilities	1,009,257	1,270,885
Minority interest in subsidiary	1,625	--
Company obligated, mandatorily redeemable securities of subsidiary trust holding solely junior subordinated debentures of the Company	56,249	61,159
Commitments and contingencies (Note 9)		
Stockholders' equity		
Preferred stock, $.01 par value; 20,000,000 shares authorized; 0 shares issued and outstanding	--	--
Common stock, $.01 par value; 200,000,000 shares authorized; 67,333,477 and 67,289,313 shares issued and outstanding at June 30, 2002 and December 31, 2001, respectively	673	673
Additional paid-in capital	224,375	224,142
Retained earnings	99,722	154,412
Accumulated other comprehensive loss, net of taxes:		
Net unrealized foreign currency translation loss	(120)	(121)
Total stockholders' equity	324,650	379,106
	$ 1,391,781	$ 1,711,150

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 2002	Three Months 2001	Six Months 2002	Six Months 2001
Net interest expense				
Income	$ 8,806	$ 25,218	$ 21,520	$ 50,035
Expense	14,714	24,728	31,110	51,608
Net interest income (expense) before provision for loan losses	(5,908)	490	(9,590)	(1,573)
Provision for loan losses	10,732	10,297	11,411	18,417
Net interest expense after provision for loan losses	(16,640)	(9,807)	(21,001)	(19,990)
Non-interest income				
Servicing and other fees	35,848	33,740	71,574	64,857
Gain (loss) on interest earning assets, net	(996)	422	(2,773)	(1,409)
Gain on trading and match funded securities, net	161	4,550	2,953	9,739
Loss on real estate owned, net	(11,858)	(1,885)	(15,970)	(3,090)
Loss on other non-interest earning assets, net	(93)	(975)	(841)	(519)
Net operating gains (losses) on investments in real estate	(13,993)	490	(9,339)	3,265
Amortization of excess of net assets acquired over purchase price	--	4,583	--	9,166
Gain on repurchases of debt	1,070	385	1,074	3,819
Equity in income of investment in unconsolidated entities	40	139	31	184
Other income	2,328	2,437	7,357	4,483
	12,507	43,886	54,066	90,495
Non-interest expense				
Compensation and employee benefits	19,708	21,309	40,781	42,244
Occupancy and equipment	3,331	3,174	6,045	6,267
Technology and communication costs	6,009	5,556	11,061	15,704
Loan expenses	3,436	2,835	7,371	7,070
Net operating losses on investments in affordable housing properties	6,228	2,756	21,910	7,818
Amortization of excess of purchase price over net assets acquired	--	778	--	1,556
Professional services and regulatory fees	3,172	3,934	7,768	7,750
Other operating expenses	2,615	2,514	4,590	5,303
	44,499	42,856	99,526	93,712
Distributions on Company-obligated, mandatorily redeemable securities of subsidiary trust holding solely junior subordinated debentures of the Company	1,566	1,697	3,229	3,750
Loss before income taxes and effect of change in accounting principle	(50,198)	(10,474)	(69,690)	(26,957)
Income tax expense	--	10,967	1,166	18,000
Net loss before effect of change in accounting principle	(50,198)	(21,441)	(70,856)	(44,957)
Effect of change in accounting principle, net of taxes	--	--	16,166	--
Net loss	$ (50,198)	$ (21,441)	$ (54,690)	$ (44,957)
Earnings (loss) per share				
Basic and Diluted				
Net loss before effect of change in accounting principle	$ (0.75)	$ (0.32)	$ (1.05)	$ (0.67)
Effect of change in accounting principle, net of taxes	--	--	0.24	--
Net loss	$ (0.75)	$ (0.32)	$ (0.81)	$ (0.67)
Weighted average common shares outstanding	67,317,005	67,198,359	67,305,747	67,175,361

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

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

	Three Months		Six Months	
For the periods ended June 30,	2002	2001	2002	2001
Net loss..	$ (50,198)	$ (21,441)	$ (54,690)	$ (44,957)
Other comprehensive loss, net of taxes:				
Change in unrealized foreign currency translation adjustment arising during the period (1)...................................	161	363	1	(508)
Change in accounting principle for derivative financial instruments	--	--	--	59
Reclassification of gain on derivative financial instruments to earnings...	--	20	--	(59)
Change in unrealized gain on derivative financial instruments......	--	20	--	--
Other comprehensive loss..	161	383	1	(508)
Comprehensive loss..	$ (50,037)	$ (21,058)	$ (54,689)	$ (45,465)

(1) Net of tax benefit of $(95) and $106 for the three months ended June 30, 2002 and 2001, respectively, and $15 and $292 for the six months ended June 30, 2002 and 2001, respectively.

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

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2002
(Dollars in thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Taxes	Total
	Shares	Amount				
Balances at December 31, 2001	67,289,313	$ 673	$ 224,142	$ 154,412	$ (121)	$ 379,106
Net loss	--	--	--	(54,690)	--	(54,690)
Directors' compensation	14,026	--	38	--	--	38
Stock options exercised	30,138	--	195	--	--	195
Other comprehensive loss, net of taxes:						
Change in unrealized foreign currency translation loss	--	--	--	--	1	1
Balances at June 30, 2002	67,333,477	$ 673	$ 224,375	$ 99,722	$ (120)	$ 324,650

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

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

For the six months ended June 30,	2002	2001
Cash flows from operating activities		
Net loss	$ (54,690)	$ (44,957)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Net cash provided by trading activities	103,679	244,508
Premium amortization on securities, net	574	3,022
Depreciation and amortization	26,836	42,265
Provision for loan losses	11,411	18,417
Provision for real estate owned	19,076	9,702
Loss on interest-earning assets, net	2,773	1,409
Gain on trading and match funded securities	(2,953)	(9,739)
Loss on sale of other non-interest earning assets	841	519
Impairment charges on investment in real estate	15,317	1,471
Provision for losses on affordable housing properties	21,294	6,993
Gain on sale of real estate owned, net	(2,563)	(9,523)
Gain on repurchase of long-term debt	(1,074)	(3,819)
Effect of change in accounting principle before taxes	(15,000)	--
Decrease in income taxes receivable	401	1,849
(Increase) decrease in advances and match funded advances on loans and loans serviced for others	29,974	(117,455)
(Increase) decrease in other assets, net	8,669	(28,770)
Decrease in accrued expenses, interest payable and other liabilities	(1,743)	(13,848)
Net cash provided (used) by operating activities	162,822	102,044
Cash flows from investing activities		
Principal payments received on match funded loans	9,971	14,901
Investment in affordable housing properties	(3,288)	(8,335)
Proceeds from sales of affordable housing properties	11,524	34,044
Purchase of mortgage servicing rights	(56,997)	(43,263)
Proceeds from sales of loans	45,394	151,887
Proceeds from sale of real estate held for sale	4,779	1,000
Proceeds from sales of real estate held for investment	47,686	7,034
Purchase, originations and funded commitments of loans, net of undisbursed loan funds	(8,334)	(20,120)
Capital improvements to real estate held for investment	(7,627)	(810)
Principal payments received on loans	15,157	47,008
Proceeds from sale of real estate owned	18,741	69,663
Capital improvements to real estate owned	(1,592)	(7,246)
Additions to premises and equipment	(9,112)	(3,858)
Net cash provided (used) by investing activities	66,302	241,905

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,	2002	2001
Cash flows from financing activities		
Decrease in deposits and escrow deposits on loans and loans serviced for others	(199,807)	(213,997)
Decrease in securities sold under agreements to repurchase	(12,588)	--
Proceeds from (repayment of) obligations under lines of credit, net	(15,421)	71,612
Payments on bonds-match funded agreements, net	(11,220)	(26,672)
Repurchase of Capital Securities	(3,796)	(14,247)
Repurchases of notes	(728)	(4,267)
Repayment of other interest bearing obligations, net	(1,997)	--
Exercise of stock options	152	784
Net cash provided (used) by financing activities	(245,405)	(186,787)
Net increase (decrease) in cash and cash equivalents	(16,281)	157,162
Cash and cash equivalents at beginning of period	260,655	153,736
Cash and cash equivalents at end of period	$ 244,374	$ 310,898
Reconciliation of cash and cash equivalents at end of period		
Cash and amounts due from depository institutions	$ 34,213	$ 52,381
Interest-earning deposits	122,161	9,517
Federal funds sold and repurchase agreements	88,000	249,000
	$ 244,374	$ 310,898
Supplemental disclosure of cash flow information		
Cash paid during the period for		
Interest	$ 35,152	$ 53,989
Income tax payments	$ 32	$ 2,461
Supplemental schedule of non-cash investing and financing activities		
Real estate owned acquired through foreclosure	$ 7,572	$ 40,545
Exchange of real estate held for sale for loans	$ 9,153	$ --

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

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. Ocwen Financial Corporation's ("OCN") interim consolidated financial statements include the accounts of OCN and its subsidiaries. OCN owns directly and indirectly all of the outstanding common and preferred stock of its primary subsidiaries, Ocwen Federal Bank FSB (the "Bank"), Investors Mortgage Insurance Holding Company ("IMI"), Ocwen Technology Xchange, Inc. ("OTX") and Ocwen Asset Investment Corp. ("OAC"). OCN also owns 99.6% of Ocwen Financial Services, Inc. ("OFS"), with the remaining 0.4% owned by the shareholders of Admiral Home Loan. All significant intercompany transactions and balances have been eliminated in consolidation.

The Bank is a federally chartered savings bank regulated by the Office of Thrift Supervision ("OTS"). Ocwen is a registered savings and loan holding company under the Home Owner's Loan Act and as such is also regulated by the OTS.

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, 2002 and December 31, 2001, the results of our operations for the three and six months ended June 30, 2002 and 2001, our comprehensive loss for the three and six months ended June 30, 2002 and 2001, our changes in stockholders' equity for the six months ended June 30, 2002 and our cash flows for the six months ended June 30, 2002 and 2001, respectively. The results of operations and other data for the three and six month periods ended June 30, 2002 and 2001, are not necessarily indicative of the results that may be expected for any other interim periods or the entire year ending December 31, 2002. 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, 2001. Certain reclassifications have been made to the prior periods' interim consolidated financial statements to conform to the June 30, 2002 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 statements of financial condition 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 the allowance for loan losses and our valuation of securities, real estate, affordable housing properties, servicing rights, intangibles and our deferred tax asset. Actual results could differ from those estimates and assumptions.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Excess of Cost over Net Assets Acquired

We report the excess of purchase price over net assets of acquired businesses ("goodwill") at cost. Prior to our adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" on January 1, 2002, we amortized goodwill on a straight-line basis over the estimated future periods to be benefited, ranging from 3 to 7 years. Effective January 1, 2002 we no longer amortize our goodwill, but do review the carrying value at least annually for impairment in accordance with the provisions of SFAS No. 142.

SFAS 142 prescribes a new methodology for performing the impairment analyses for goodwill and other intangibles, which changes to an approach based on fair value of the assets rather than undiscounted cash flows as used prior to adoption. We perform this analysis using projections of future income discounted at a market rate. The determination of market discount rates is subjective and may vary by product based on the type of product, stage of development and sales to date.

See Note 3 below for a discussion of the initial impact on our financial statements from the adoption of SFAS No. 142.

NOTE 3: CURRENT ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board ("FASB") has issued Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets." Except for goodwill and intangible assets acquired after June 30, 2001, which are immediately subject to its provisions, SFAS No. 142 is effective starting with fiscal years beginning after December 15, 2001.

Under SFAS No. 142, goodwill and intangible assets that have indefinite useful lives will no longer be amortized. Both goodwill and intangible assets that are not being amortized must be tested at least annually for impairment. In addition, SFAS No. 142 requires additional disclosures regarding goodwill and other intangible assets, including changes in the carrying amount of goodwill from period to period, the carrying amount of intangible assets by major intangible asset class and the estimated intangible asset amortization for the next five years.

We adopted the provisions of SFAS No. 142 effective January 1, 2002. As a result, we reversed the unamortized balance of the excess of net assets acquired over purchase price. This reversal resulted in a credit to income of $18,333. The impact from the adoption of other elements of SFAS No. 142 resulted in impairment charges of $3,333 on goodwill and intangible assets originally recorded in connection with the formation of REALSynergy, Inc. in 1999. These amounts have been reported as the effect of a change in accounting principle, net of income tax benefit of $1,166.

(Dollars in thousands, except per share data)

The following tables restate the prior period for the effect of the adoption of SFAS No. 142:

	Three Months		Six Months	
For the periods ended June 30,	2002	2001	2002	2001
Loss before effect of change in accounting principle	$ (50,198)	$ (21,441)	$ (70,856)	$ (44,957)
Adjustments related to adoption of SFAS No. 142:				
Deduct amortization of excess of net assets acquired over purchase price	--	(4,583)	--	(9,166)
Add back amortization of goodwill	--	778	--	1,556
Add back amortization of intellectual property	--	265	--	530
Total adjustments	--	(3,540)	--	(7,080)
Adjusted loss before effect of change in accounting principle	$ (50,198)	$ (24,981)	$ (70,856)	$ (52,037)
Net loss	$ (50,198)	$ (21,441)	$ (54,690)	$ (44,957)
Adjustments related to adoption of SFAS No. 142:				
Deduct amortization of excess of net assets acquired over purchase price	--	(4,583)	--	(9,166)
Add back amortization of goodwill	--	778	--	1,556
Add back amortization of intellectual property	--	265	--	530
Total adjustments	--	(3,540)	--	(7,080)
Adjusted net loss	$ (50,198)	$ (24,981)	$ (54,690)	$ (52,037)
Earnings (loss) per share:				
Loss before effect of change in accounting principle	$ (0.75)	$ (0.32)	$ (1.05)	$ (0.67)
Adjustments related to adoption of SFAS No. 142:				
Deduct amortization of excess of net assets acquired over purchase price	--	(0.07)	--	(0.14)
Add back amortization of goodwill and intellectual property	--	0.02	--	0.04
Adjusted loss before effect of change in accounting principle	$ (0.75)	$ (0.37)	$ (1.05)	$ (0.77)
Net loss	$ (0.75)	$ (0.32)	$ (0.81)	$ (0.67)
Adjustments related to adoption of SFAS No. 142:				
Deduct amortization of excess of net assets acquired over purchase price	--	(0.07)	--	(0.14)
Add back amortization of goodwill and intellectual property	--	0.02	--	0.04
Adjusted net loss	$ (0.75)	$ (0.37)	$ (0.81)	$ (0.77)
Weighted average common shares outstanding	67,317,005	67,198,359	67,305,747	67,175,361

On October 3, 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS is effective for fiscal years beginning after December 15, 2001. SFAS No. 144 is designed to establish a single model for long-lived assets to be disposed of and, as such, supercedes SFAS 121, "Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" as they relate to the disposal of a business segment.

We adopted the provisions of SFAS No. 144 effective January 1, 2002. Adoption of SFAS No. 144 did not have a material impact on our results of operations, financial positions or cash flows.

In May 2002, the FASB issued SFAS No. 145, "Rescission of FASB statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 4 required that gains or losses from the extinguishment of debt, net of taxes, be reported as an extraordinary item in the statement of operations. We immediately adopted the provisions of SFAS No. 145 as they relate to the rescission of SFAS No. 4.

Effective with the rescission of SFAS No. 4, the reporting of gains or losses from the extinguishment of debt are reported as a component of non-interest income in the statement of operations. Results of operations for prior periods have been reclassified to conform with this presentation.

NOTE 4: COMPANY OBLIGATED, MANDATORILY REDEEMABLE SECURITIES OF SUBSIDIARY TRUST HOLDING SOLELY JUNIOR SUBORDINATED DEBENTURES OF THE COMPANY

In August 1997, the Ocwen Capital Trust ("OCT") issued $125,000 of 10.875% Capital Securities (the "Capital Securities"). Proceeds from the issuance of the Capital Securities were invested 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. To date, OCT has repurchased $68,751 of its Capital Securities. During the six months ended June 30, 2002, OCT repurchased $4,910 of its Capital Securities in the open market resulting in a gain of $1,074.

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 $1,000 per Capital Security. Payment of distributions out of moneys held by OCT, and payments on liquidation of OCT or the redemption of Capital Securities, are guaranteed by OCN to the extent OCT has funds available. If OCN does not make principal or interest payments on the Junior Subordinated Debentures, OCT will not have sufficient funds to make distributions on the Capital Securities, in which event the guarantee shall not apply to such distributions until OCT has sufficient funds available therefore. Accumulated distributions payable on the Capital Securities amounted to $2,549 and $2,771 at June 30, 2002 and December 31, 2001, respectively, and are included in accrued interest payable.

OCN has the right to defer payment of interest on the Junior Subordinated Debentures at any time or from time to time for a period not exceeding 10 consecutive semiannual periods with respect to each deferral period, provided that no extension period may extend beyond the stated maturity of the Junior Subordinated Debentures. Upon the termination of any such extension period and the payment of all amounts then due on any interest payment date, 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 interest payments on the Junior Subordinated Debentures are deferred, distributions on the Capital Securities will also be deferred and OCN may not permit any subsidiary to, (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, our 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.

The Junior Subordinated Debentures are redeemable prior to 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 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.

(Dollars in thousands, except per share data)

For financial reporting purposes, OCT is treated as a subsidiary of Ocwen Financial Corporation and, accordingly, the accounts of OCT are included in the consolidated financial statements of OCN. Intercompany transactions between OCT and OCN, including the Junior Subordinated Debentures, are eliminated in the consolidated financial statements of OCN. The Capital Securities are presented as a separate caption between liabilities and stockholders' equity in the consolidated statement of financial condition of OCN as "Company-obligated, mandatorily redeemable securities of subsidiary trust holding solely Junior Subordinated Debentures of the company." Distributions on the Capital Securities are recorded as a separate caption immediately following non-interest expense in the consolidated statements of operations of OCN. We intend to continue this method of accounting going forward.

In connection with the issuance of the Capital Securities, we incurred certain costs, which have been capitalized and are being amortized over the term of the Capital Securities. The unamortized balance of these issuance costs amounted to $1,879 and $2,083 at June 30, 2002 and December 31, 2001, respectively, and is included in other assets.

NOTE 5: DERIVATIVE FINANCIAL INSTRUMENTS

We use derivative financial instruments for the purpose of managing our exposure to adverse fluctuations in interest and foreign currency exchange rates.

Interest Rate Management

We have purchased amortizing caps and floors to hedge our interest rate exposure relating to our match funded loans and securities. During 2001, we determined that these caps and floors no longer qualified for hedge accounting; therefore, changes in fair value are recorded in the income statement. The terms of these outstanding caps and floors at June 30, 2002 and December 31, 2001 are as follows:

	Notional Amount	Maturity	Index	Strike Rate	Fair Value
June 30, 2002:					
Caps...........................	$ 118,675	October 2003	LIBOR 1-Month	7.00%	$ 6
Floors.........................	$ 32,404	October 2003	CMT 2-Year	4.35	349
					$ 355
December 31, 2001:					
Caps...........................	$ 125,933	October 2003	LIBOR 1-Month	7.00%	$ 104
Floors.........................	$ 34,100	October 2003	CMT 2-Year	4.35	300
					$ 404

(Dollars in thousands, except per share data)

Foreign Currency Management

We enter into foreign currency derivatives to hedge our investments in foreign subsidiaries that own residual interests backed by residential loans originated in the UK ("UK residuals") and in the shopping center located in Halifax, Nova Scotia (the "Nova Scotia Shopping Center"). It is our policy to periodically adjust the amount of foreign currency derivative contracts we have entered into in response to changes in our recorded investments in these assets. As hedges of our investment in foreign operations, changes in the fair value of these contracts are included in the net unrealized foreign currency translation adjustment in accumulated other comprehensive income. The following table sets forth the terms and values of these foreign currency financial instruments at June 30, 2002 and December 31, 2001:

	Position	Maturity	Notional Amount		Strike Rate	Fair Value
June 30, 2002:						
Canadian Dollar currency futures..........	Short	September 2002	C$	11,400	$0.6598	$ 14
British Pound currency futures............	Short	September 2002	(pound)	16,938	$1.4680	(955)
						$ (941)
December 31, 2001:						
Canadian Dollar currency futures..........	Short	March 2002	C$	34,000	$0.6380	$ 353
British Pound currency futures............	Short	March 2002	(pound)	17,250	$1.4350	(235)
						$ 118

NOTE 6: REGULATORY REQUIREMENTS

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 and the regulations promulgated thereunder established certain minimum levels of regulatory capital for savings institutions subject to OTS supervision. The Bank must follow specific capital guidelines stipulated by the OTS that involve quantitative measures of the Bank's assets, liabilities and certain off-balance sheet items. An institution that fails to comply with its regulatory capital requirements must obtain OTS approval of a capital plan and can be subject to a capital directive and certain restrictions on its operations. At June 30, 2002, the minimum regulatory capital requirements were:

- Tangible and core capital of 1.50% and 3.00% of total adjusted assets, respectively, consisting principally of stockholders' equity, but excluding most intangible assets, such as goodwill and any net unrealized gains or losses on debt securities available for sale. The OTS minimum core capital ratio provides that only those institutions with a Uniform Financial Institution Rating System rating of "1" are subject to a 3% minimum core capital ratio. All other institutions are subject to a 4% minimum core capital ratio.

- Risk-based capital consisting of core capital plus certain subordinated debt and other capital instruments and, subject to certain limitations, general valuation allowances on loans receivable, equal to 8.00% of the value of risk-weighted assets.

At June 30, 2002, the Bank was "well capitalized" under the prompt corrective action regulations adopted by the OTS pursuant to the Federal Deposit Insurance Corporation Improvement Act of 1991. To be categorized as "well capitalized," the Bank must maintain minimum core capital, Tier 1 risk-based capital and risk-based capital ratios as set forth in the following table. The Bank's capital amounts and classification are subject to review by federal regulators about components, risk-weightings and other factors. There are no conditions or events since June 30, 2002 that management believes have changed the institution's category.

Following an examination by the OTS in late 1996 and early 1997, the Bank committed to the OTS to maintain a core capital (leverage) ratio and a total risk-based capital ratio of at least 9% and 13%, respectively. The Bank continues to be in compliance with this commitment and with the regulatory capital requirements of general applicability (as indicated below). Based on discussions with the OTS, the Bank believes that this commitment does not affect its status as a "well-capitalized" institution, assuming the Bank's continued compliance with the regulatory capital requirements required to be maintained by it pursuant to such commitment.

As a result of an examination in 2000, the Bank was required to submit a written plan to the OTS by October 16, 2000 to address issues raised by the agency under Part 570 of the rules and regulations. Under the plan, the Bank will take certain actions regarding its operations with respect to asset reviews and the management of interest rate risk exposure and will have periodic reporting obligations to the OTS. In addition, as part of the plan, the Bank submitted a business plan and budget outlining the Bank's operations through 2003. The business plan submitted reflects proposed changes in the Bank's deposit gathering strategies and potential future sources of revenue as the Bank continues its shift away from capital-intensive businesses into fee-based sources of income. The OTS approved the plan on February 2, 2001.

(Dollars in thousands, except per share data)

The following table summarizes the Bank's actual and required regulatory capital at June 30, 2002:

	Actual		Minimum For Capital Adequacy Purposes		To Be Well Capitalized For Prompt Corrective Action Provisions		Committed Capital Requirements
	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Stockholders' equity, and ratio to total assets	14.99%	$ 160,936					
Non-includable subsidiary		(651)					
Disallowed deferred tax assets		(768)					
Tier 1 (core) capital and ratio to adjusted total assets	14.88%	159,517	4.00%	$ 42,886	5.00%	$ 53,608	9.00%
Non-mortgage servicing assets		(3,109)					
Tangible capital and ratio to tangible assets	14.63%	$ 156,408	1.50%	$ 16,036			
Tier 1 capital and ratio to risk-weighted assets	18.73%	$ 159,517			6.00%	$ 51,104	
Allowance for loan and lease losses		10,713					
Qualifying subordinated debentures		26,800					
Tier 2 capital		37,513					
Total risk-based capital and ratio to risk-weighted assets	23.13%	$ 197,030	8.00%	$ 68,138	10.00%	$ 85,173	13.00%
Total regulatory assets		$1,073,604					
Adjusted total assets		$1,072,160					
Tangible assets		$1,069,051					
Risk-weighted assets		$ 851,728					

(Dollars in thousands, except per share data)

NOTE 7: NET INTEREST INCOME (EXPENSE) BEFORE PROVISION FOR LOAN LOSSES

For the periods ended June 30,	Three Months 2002	Three Months 2001	Six Months 2002	Six Months 2001
Interest income:				
Federal funds sold and repurchase agreements	$ 693	$ 2,454	$ 1,272	$ 4,098
Trading securities	4,159	4,174	8,517	9,873
Investment securities and other	69	251	161	598
Match funded loans and securities	1,808	2,737	4,057	5,220
Loans	2,077	15,602	7,513	30,246
	8,806	25,218	21,520	50,035
Interest expense:				
Deposits	7,082	16,307	15,699	34,379
Securities sold under agreements to repurchase	71	--	198	--
Bonds - match funded agreements	1,807	1,742	3,716	4,708
Obligations outstanding under lines of credit	1,107	1,737	2,149	2,456
Notes, debentures and other interest bearing obligations	4,647	4,942	9,348	10,065
	14,714	24,728	31,110	51,608
Net interest income (expense) before provision for loan losses	$ (5,908)	$ 490	$ (9,590)	$ (1,573)

(Dollars in thousands, except per share data)

NOTE 8: BUSINESS SEGMENT REPORTING

An operating segment is defined as a component of an enterprise (a) that 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. We conduct a variety of business activities within the following segments:

	Net Interest Income (Expense)	Provision for Loan Losses	Non-Interest Income	Non-Interest Expense	Pre-Tax Income (Loss)	Total Assets
At or for the three months ended June 30, 2002:						
Residential Loan Servicing	$ (4,335)	$ --	$ 30,423	$ 18,005	$ 8,083	$ 497,612
OTX	--	--	1,612	6,516	(4,904)	9,276
Ocwen Realty Advisors	--	--	3,518	3,018	499	451
Unsecured Collections	--	(186)	2,851	1,898	1,139	312
Residential Discount Loans	1,677	(165)	73	1,305	609	54,461
Commercial Finance	(2,738)	7,313	(25,968)	2,304	(38,324)	257,182
Affordable Housing	(1,177)	3,770	65	6,794	(11,675)	94,803
Subprime Finance	2,392	--	(235)	1,841	316	53,001
Corporate items and other	(1,727)	--	168	2,818	(5,941)	424,683
	$ (5,908)	$ 10,732	$ 12,507	$ 44,499	$ (50,198)	$ 1,391,781
At or for the three months ended June 30, 2001:						
Residential Loan Servicing	$ (4,517)	$ --	$ 30,876	$ 17,850	$ 8,509	$ 347,970
OTX	(111)	--	252	7,932	(7,790)	15,651
Ocwen Realty Advisors	--	--	2,385	2,181	205	872
Unsecured Collections	42	781	477	1,878	(2,141)	2,983
Residential Discount Loans	5,092	7,677	62	2,019	(4,542)	250,165
Commercial Finance	1,407	1,851	451	3,168	(3,161)	494,036
Affordable Housing	(2,158)	(12)	(1,119)	3,697	(6,964)	142,262
Subprime Finance	699	--	4,020	887	3,832	97,435
Corporate items and other	36	--	6,482	3,244	1,578	645,851
	$ 490	$ 10,297	$ 43,886	$ 42,856	$ (10,474)	$ 1,997,225

(Dollars in thousands, except per share data)

	Net Interest Income (Expense)	Provision for Loan Losses	Non-Interest Income	Non-Interest Expense	Pre-Tax Income (Loss)	Total Assets
At or for the six months ended June 30, 2002:						
Residential Loan Servicing	$ (8,737)	$ --	$ 60,587	$ 36,218	$ 15,631	$ 497,612
OTX	--	--	3,143	13,329	(10,186)	9,276
Ocwen Realty Advisors	--	--	7,628	6,609	1,019	451
Unsecured Collections	--	(251)	5,465	3,633	2,083	312
Residential Discount Loans	4,049	(2,302)	(1,768)	2,862	1,720	54,461
Commercial Finance	(3,588)	10,025	(24,606)	4,523	(42,744)	257,182
Affordable Housing	(2,872)	3,939	312	23,161	(29,658)	94,803
Subprime Finance	4,143	--	3,170	2,505	4,809	53,001
Corporate items and other	(2,585)	--	135	6,686	(12,364)	424,683
	$ (9,590)	$ 11,411	$ 54,066	$ 99,526	$ (69,690)	$ 1,391,781
At or for the six months ended June 30, 2001:						
Residential Loan Servicing	$ (8,188)	$ --	$ 57,786	$ 32,577	$ 17,021	$ 347,970
OTX	(263)	--	991	22,286	(21,558)	15,651
Ocwen Realty Advisors	--	--	5,109	4,762	346	872
Unsecured Collections	36	1,522	922	3,775	(4,341)	2,983
Residential Discount Loans	8,213	9,279	(1,359)	3,874	(6,299)	250,165
Commercial Finance	(433)	7,595	4,829	7,974	(11,175)	494,036
Affordable Housing	(4,204)	21	(541)	10,049	(14,816)	142,262
Subprime Finance	601	--	6,325	1,374	5,551	97,435
Corporate items and other	2,665	--	16,433	7,041	8,314	645,851
	$ (1,573)	$ 18,417	$ 90,495	$ 93,712	$ (26,957)	$ 1,997,225

NOTE 9: COMMITMENTS AND CONTINGENCIES

At June 30, 2002, we had commitments of $1,151 to fund construction loans (including loans accounted for as investments in real estate) secured by multi-family and commercial properties. In addition, we had commitments under outstanding letters of credit in the amount of $210. Through our investment in subordinated securities and subprime residuals, which had a fair value of $41,210 at June 30, 2002, we support senior classes of securities.

On April 20, 1999, a complaint was filed on behalf of a putative class of public shareholders of the Company in the Circuit Court of the Fifteenth Judicial Circuit, Palm Beach County, Florida against OCN and OAC. On April 23, 1999, a complaint was filed on behalf of a putative class of public shareholders of OAC in the Circuit Court of the Fifteenth Judicial Circuit, Palm Beach County, Florida, against OAC and certain directors of OAC. The plaintiffs in both complaints sought to enjoin consummation of the acquisition of OAC by OCN. The cases were consolidated, and on September 13, 1999 a consolidated amended complaint was filed. The injunction was denied, and on October 14, 1999 OCN was dismissed as a party. Plaintiffs' remaining claims were for damages for alleged breaches of common law fiduciary duties. In October 2001, the parties reached an agreement in principle.

On June 3, 1999, Walton Street Capital, L.L.C. ("Walton") filed suit against OAC and Ocwen Partnership, L.P. in the Circuit Court of Cook County, Illinois. Walton has alleged that OAC committed an anticipatory breach of contract with respect to the proposed sale by OAC of all of its interest in its commercial mortgage-backed securities portfolio to Walton. Walton has claimed damages in an amount in excess of $20,000. As of October 20, 2000, both Walton and OAC filed motions for Summary Judgement. On December 21, 2000, the Circuit Court granted Walton's Limited Motion for Summary Judgement concerning liability. On February 20, 2001, Ocwen filed a motion for reconsideration requesting the Circuit Court vacate its order granting summary judgment to Walton. On January 29, 2002, after oral argument, the Circuit Court reversed its earlier ruling by vacating the order granting summary judgment. The parties are engaged in discovery.

The former owners of Admiral Home Loan filed a Demand for Arbitration against OCN and William C. Erbey claiming damages in the amount of $21,250 based on alleged breaches of the 1997 acquisition agreement pursuant to which a subsidiary of OCN acquired all of the assets of Admiral Home Loan. Although litigation is always uncertain, the Respondents believe the claims are without merit. Discovery continues and the matter is set for binding arbitration before a three-person panel in February, 2003.

In the first quarter of 2002, we disclosed that the New Jersey Housing and Mortgage Finance Agency challenged the receipt of previously allocated federal low income housing tax credits for an affordable housing development in which we invested as a limited partner. The general partner contested this challenge, which stemmed from issues regarding the timely submission of various supporting documents related to the project. Although we could have incurred a loss of $3,000 to $7,000, the general partner was successful in contesting the challenge, and we incurred no loss related to this challenge.

We are subject to various other pending legal proceedings. In our opinion, the resolution of these other claims will not have a material effect on the interim consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Dollars in thousands, except share data)

General

Our primary businesses are the servicing and special servicing of nonconforming, subperforming and nonperforming residential and commercial mortgage loans. We also specialize in the development of related loan servicing technology and business-to-business e-commerce solutions for the mortgage and real estate industries.

Ocwen is a registered savings and loan holding company subject to regulation by the OTS. The Bank is subject to regulation by the OTS, its chartering authority, and by the Federal Deposit Insurance Corporation (the "FDIC") as a result of its membership in the Savings Association Insurance Fund, which insures the Bank's deposits up to the maximum extent permitted by law. The Bank is also subject to regulation by the Board of Governors of the Federal Reserve System and is currently a member of the Federal Home Loan Bank ("FHLB") of New York, one of the 12 regional banks that comprise the FHLB System.

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 included in Item 1 herein (which is incorporated herein by reference).

Selected Consolidated Financial Information	June 30, 2002	December 31, 2001	Increase (Decrease)
Balance Sheet Data			
Total assets	$ 1,391,781	$ 1,711,150	(19)%
Trading securities, at fair value	131,548	226,249	(42)
Affordable housing properties	37,941	102,069	(63)
Loans, net	122,009	185,293	(34)
Match funded assets, net	159,220	174,351	(9)
Real estate owned, net	84,101	110,465	(24)
Investments in real estate and real estate held for sale	59,598	116,896	(49)
Advances on loans and loans serviced for others	254,734	283,183	(10)
Mortgage servicing rights	133,677	101,107	32
Deposits and escrow deposits on loans and loans serviced for others	530,636	730,443	(27)
Bonds-match funded agreements	146,214	156,908	(7)
Borrowings and other interest-bearing obligations	293,280	324,014	(9)
Company-obligated mandatorily redeemable securities of subsidiary trust holding solely junior subordinated debentures of the Company	56,249	61,159	(8)
Stockholders' equity	324,650	379,106	(14)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Dollars in thousands, except share data)

	At or for the Three Months Ended June 30, 2002	2001	Favorable (Unfavorable)
Operations Data			
Net interest income (expense)	$ (5,908)	$ 490	(1,306)%
Provision for loan losses	10,732	10,297	(4)%
Non-interest income	12,507	43,886	(72)%
Non-interest expense	44,499	42,856	(4)%
Distributions on Capital Securities	1,566	1,697	8%
Income tax expense	--	10,967	100%
Net loss	(50,198)	(21,441)	(134)%
Per Common Share			
Net loss:			
Basic	$ (0.75)	$ (0.32)	(134)%
Diluted	(0.75)	(0.32)	(134)%
Stock price:			
High	$ 7.50	$ 10.44	(28)%
Low	5.31	8.54	(38)%
Close	5.50	10.25	(46)%
Key Ratios			
Annualized return on average assets	(13.08)%	(4.11)%	(218)%
Annualized return on average equity	(57.04)	(18.19)	(214)%
Efficiency ratio (1)	674.33	96.57	(598)%
Core (leverage) capital ratio	14.88	12.87	16%
Risk-based capital ratio	23.13	20.15	15%

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Dollars in thousands, except share data)

	At or for the Six Months Ended June 30,		
	2002	2001	Favorable (Unfavorable)
Operations Data			
Net interest expense	$ (9,590)	$ (1,573)	(510)%
Provision for loan losses	11,411	18,417	38%
Non-interest income	54,066	90,495	(40)%
Non-interest expense	99,526	93,712	(6)%
Distributions on Capital Securities	3,229	3,750	14%
Income tax expense	1,166	18,000	94%
Effect of change in accounting principle, net of taxes	16,166	--	100%
Net loss	(54,690)	(44,957)	(22)%
Per Common Share			
Net loss:			
Basic	$ (0.81)	$ (0.67)	(21)%
Diluted	(0.81)	(0.67)	(21)%
Stock price:			
High	$ 8.48	$ 10.44	(19)%
Low	5.31	5.44	(2)%
Key Ratios			
Annualized return on average assets	(6.90)%	(4.19)%	(65)%
Annualized return on average equity	(29.76)	(18.56)	(60)%
Efficiency ratio (1)	223.77	105.39	(112)%

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

Overview of Risks and Related Critical Accounting Policies

For the past several years, we have been undergoing a fundamental transition in the nature of our business. We are exiting our capital-intensive businesses and growing our fee-based revenue sources. Both of these strategies are affected by risks in the marketplace, and our ability to measure and report our operating results and financial position is heavily impacted 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. Our significant accounting policies are discussed 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, 2001 and in Note 2 of our Interim Consolidated Financial Statements (which are incorporated herein by reference). The following is a summary of our more subjective and complex accounting policies, as they relate to our overall business strategy.

Our exit from our capital intensive discount loan, real estate and affordable housing businesses is largely focused on the orderly disposition or resolution of the assets associated with these lines of business. The critical accounting policies that affect the measurement of these businesses are those that determine the valuation of real estate and affordable housing assets as well as the determination of the allowance for loan losses.

Real estate-related assets include real estate owned, investments in real estate, and investments in affordable housing properties. These assets are carried at different bases by asset class and at different amounts within each asset class, depending on whether the assets are classified as held for investment or held for sale. In addition, all of these assets are subject to ongoing impairment tests using various impairment methodologies that differ by asset class. In general, none of the assets have readily determinable fair values based on quoted market prices. In certain cases, we utilize appraisals or other market value estimates, in conjunction with estimates of completion costs or costs of disposition, to determine asset values. In other cases, we value these assets based on future cash flow analyses. These cash flow analyses involve assumptions such as discount rates, anticipated rents received, etc. that are highly subject to management judgment and estimation. Our task of estimation is even more challenging given the current risks in the economic environment, which can result in material and sometimes rapid changes in valuation estimates. Individual assumptions between and within asset classes can vary significantly, with variances in assumptions resulting in substantially different asset values.

The allowance for loan losses is established and maintained at levels we deem adequate to cover losses resulting from the inability of borrowers to make contractually required loan payments. Estimates for loan losses are developed by analyzing historical loan losses, current trends in delinquencies and charge offs, plans for problem loan administration and resolution, the views of our regulators, changes in the size and composition of the loan portfolio, and peer group information. Where there is a question as to the impairment of specific loans, we obtain valuations of the property or other collateral securing the loan, and, if applicable, the borrower's current financial information. We also include in our estimates of inherent probable loan losses the impact of economic events, the outcome of which are uncertain. These events may include, but are not limited to, deterioration in general economic conditions, increases or decreases in overall lending rates, political conditions, legislation that directly and indirectly affects the banking industry, and regional economic conditions affecting specific geographical areas in which we conduct business.

Our most significant area of growth during the past year has been our residential loan servicing business, which virtually doubled the transaction volumes processed during the course of 2001. Inherent in our growth of this business has been an increase in purchased mortgage servicing rights, an intangible asset representing the present value of the right to service loans in a portfolio. Our ability to continue to expand the business at this rate may be limited by liquidity or regulatory constraints. The most critical accounting policy for this business line is the methodology we use to determine the valuation of mortgage servicing rights. Application of this methodology requires the development of a number of estimates, including anticipated amortization and periodic revaluation. Both our initial and ongoing valuations and the rate of amortization of mortgage servicing rights are significantly affected by interest rates, prepayment speeds and the payment performance of the underlying loans. In general, during periods of declining interest rates, the value of mortgage servicing assets declines due to increasing prepayments attributable to increased mortgage refinance activity. We amortize mortgage servicing rights over the period of estimated net servicing income based on our projections of the amount and timing of future cash flows. The amount and timing of servicing asset amortization is adjusted periodically based on actual results and updated projections.

Our other core business line is Ocwen Technology Xchange ("OTX"), our technology solutions business. We have goodwill and intellectual property recorded as a result of the acquisitions of three predecessor technology companies, as well as capitalized software development costs for the period of early development, which ended in 1999. Effective January 1, 2002 we adopted Statement of Financial Accounting Standards ("SFAS") No. 142, Goodwill and Other Intangibles. SFAS 142 prescribes a new methodology for performing the impairment analyses for goodwill and other intangibles, which changed to an approach based on fair value of the assets rather than undiscounted cash flows as used prior to adoption. We have performed this analysis using our previously developed projections of future income discounted at a market rate. The determination of market discount rates is also subjective and may vary by product based on the type of product, stage of development and sales to date. This impairment analysis resulted in a write-down of $3,333 related to the remaining balance of goodwill and intangible assets recorded in connection with our formation of REALSynergy, Inc. in 1999, which is reported as the effect of a change in accounting principle net of income tax benefit of $1,166.

Another risk factor affecting all of our business lines is the determination of our overall tax provision. This is a complex task and requires extensive judgment, particularly in evaluating the realizability of the gross deferred tax assets in the near term. During 2001 we recorded a substantial increase to our valuation allowance, and as of June 30, 2002 our remaining net deferred tax asset amounted to $8,720. The evaluation of the need for a valuation allowance takes into consideration our recent earnings history, current tax position, and estimates of taxable income in the near term. The tax character (ordinary versus capital) and the carryforward periods of certain tax attributes (e.g., capital losses and tax credits) must also be considered. Significant judgment is required in considering the relative impact of negative and positive evidence related to realizability of the deferred tax assets. The determination of the amount of the aggregate valuation allowance is based on scenario analyses of the projected results of operations by line of business resulting in a range of potential valuation allowances, within which a final amount is determined.

Results of Operations

General. We recorded a net loss of $(50,198) for the second quarter of 2002, as compared to a net loss of $(21,441) for the second quarter of 2001. Our loss per share was $(0.75) for the second quarter of 2002, as compared with a loss per share of $(0.32) for the second quarter of 2001. For the first six months of 2002 we recorded a net loss of $(54,690) or $(0.81) per share compared to a net loss of $(44,957) or $(0.67) per share for the first six months of 2001. The loss for the second quarter of 2002 includes $45,191 of loss provisions and impairment charges on our remaining assets not associated with our core loan servicing and technology businesses (non-core assets), reflecting an increase in reserve levels. During 2002, we have continued our transition in business strategy from capital-intensive businesses to fee-based businesses:

loan servicing and technology solutions for the mortgage and real estate industries. Our results reflect growth in our residential loan servicing businesses, continued investment in the development of our technology products, cessation of loan origination and acquisition activities and continuing sales of non-core assets. The following table presents a summary of our non-core assets that remain to be sold.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Dollars in thousands, except share data)

	June 30, 2002	March 31, 2002	December 31, 2001
Loans, net:			
Affordable housing	$ 11,882	$ 15,198	$ 17,215
All other	110,127	135,359	168,078
Real estate held for sale	--	--	13,418
Investment in real estate	59,598	91,664	116,896
Real estate owned, net	84,101	100,490	110,465
Subordinates, residuals and other trading securities	41,210	39,899	65,058
Affordable housing properties (1)	18,877	19,729	52,176
	$ 325,795	$ 402,339	$ 543,306

(1) Excludes those properties subject to completed sales contracts that have not met accounting criteria for sales treatment.

The combined results of our core business segments, Residual Loan Servicing, OTX, Ocwen Realty Advisors and Unsecured Collections improved in both the three and six month periods ended June 30, 2002 as compared to the same periods of the prior year. See "Segment Profitability" below. Results for the first six months of 2002 included a net increase to income during the first quarter of $16,166 from the adoption of SFAS No. 141 and No. 142. This is comprised of a credit to income of $18,333 for the reversal of the unamortized balance of the excess of net assets acquired over purchase price and a write-down of $2,167 (net of tax benefit of $1,166) of unamortized goodwill and intangible assets at OTX.

Segment Profitability. The following is a discussion of the income (loss) before income taxes and effect of change in accounting principle of each of our reportable segments for the three and six months ended June 30, 2002 and 2001:

- Residential Loan Servicing. Segment income declined from $8,509 for the three months ended June 30, 2001 to $8,083 for the three months ended June 30, 2002. Residential servicing and other fees amounted to $29,869 for the three months ended June 30, 2002 as compared to $30,484 for the same period of the prior year. Although gross servicing fees increased during the second quarter of 2002 as compared to 2001 as a result of continued growth, the increase in servicing fees was offset by an increase in amortization of servicing rights. The average balance of residential loans we service for others amounted to $24,794,375 and $12,880,434 for the three months ended June 30, 2002 and 2001, respectively. Results for 2002 continue to be impacted negatively by lower earnings on collection account or float balances as a result of the lower short-term interest rate environment we have experienced since the first quarter of 2001. See "Non-Interest Income - Servicing and Other Fees."

  Segment income declined from $17,021 for the six months ended June 30, 2001 to $15,631 for the six months ended June 30, 2002. Results for 2002 include a provision of $1,000 in the first quarter related to a pending settlement of a class action litigation claim. Residential servicing and other fees amounted to $59,466 for the six months ended June 30, 2002 as compared to $57,439 for the same period of the prior year, reflecting continued growth in residential loans we service for others. The average balance of residential loans we service for others amounted to $23,850,396 and $11,780,930 for the six months ended June 30, 2002 and 2001, respectively. Offsetting the increase in servicing and other fees was a $2,641 increase in non-interest expenses (excluding the $1,000 litigation reserve noted above) for the six months ended June 30, 2002 as compared to the same period of the prior year.

- OTX. Segment losses declined from $(7,790) for the three months ended June 30, 2001 to $(4,904) for the same period in 2002.The net losses incurred by OTX reflect our continuing investment in the development and marketing of our technology businesses. Non-interest expenses for the three months ended June 30, 2002 declined by $1,416 as compared to the same period of the prior year. Non-interest expense for the three months ended June 30, 2001 included $1,043 of goodwill and intellectual property amortization that has not been recognized in 2002 as a result of the adoption of SFAS No. 142 on January 1,2002.

  Segment losses declined from $(21,558) for the six months ended June 30, 2001 to $(10,186) for the same period in 2002. Non-interest expenses for the six months ended June 30, 2002 declined by $8,957 as compared to the same period of the prior year. Losses for the six months ended June 30, 2001 included $4,685 of nonrecurring expenses in the first quarter, including $3,185 for a payment due in connection with the 1997 acquisition of Amos, Inc. Non-interest expense for the first six months of 2001 also

included $2,086 of goodwill and intellectual property amortization that has not been recognized in 2002 as a result of the adoption of SFAS No. 142.

- Ocwen Realty Advisors. Segment income was $499 and $205 for the three months ended June 30, 2002 and 2001, respectively, and $1,019 and $346 for the six months ended June 30, 2002 and 2001, respectively. Through Ocwen Realty Advisors ("ORA") we provide property valuation services and real estate research for residential and commercial properties, including those that we own or service for others.

- Unsecured Collections. Segment results improved from a loss of $(2,141) for the three months ended June 30, 2001 to income of $1,139 for the three months ended June 30, 2002. This segment is primarily comprised of activities related to our charged-off unsecured credit card receivables, which we acquired at a discount, as well as collections we make on behalf of others. We accounted for collections of our unsecured credit card receivables under the cost recovery method, until the fourth quarter of 2001, when we reduced the net book value of our unsecured receivables to zero as a result of collections and reserves. We report collections as non-interest income, and they amounted to $1,083 for the second quarter of 2002. Servicing fees for this segment amounted to $1,764 and $477 during the three months ended June 30, 2002 and 2001, respectively. Results for the three months ended June 30, 2001 included provisions for losses of $781.

  Segment results improved from a loss of $(4,341) for the six months ended June 30, 2001 to income of $2,083 for the six months ended June 30, 2002. Collections amounted to $2,490 for the six months ended June 30, 2002. Servicing fees for this segment amounted to $2,972 and $922 during the six months ended June 30, 2002 and 2001, respectively. Results for the six months ended June 30, 2001 included provisions for losses of $1,522.

- Residential Discount Loans. Segment income improved from a loss of $(4,542) for the three months ended June 30, 2001 to income of $609 for the three months ended June 30, 2002. Results for the second quarter of 2002 included $(427) of losses from the sale of loans as compared to $1,129 of gains from loan sales during the second quarter of 2001. Provisions for loan losses declined from $7,677 for the second quarter of 2001 to a negative provision of $(165) for the second quarter of 2002. Gains from the sale and operation of real estate owned improved to $336 for the three months ended June 30, 2002 as compared to a loss of $(1,943) for the same period of the prior year. As a result of sales, the amount of loans and real estate owned remaining in this segment declined to $6,303 at June 30, 2002, from $11,734 at March 31, 2002 and $53,813 at December 31, 2001.

  Segment income improved from a loss of $(6,299) for the six months ended June 30, 2001 to income of $1,720 for the six months ended June 30, 2002. Results for the first six months of 2002 included $(2,436) of losses from the sale of loans as compared to $1,130 of gains from loan sales during the same period of 2001. Provisions for loan losses declined from $9,279 for the first six months of 2001 to a negative provision of $(2,302) for the first six months of 2002. Gains from the sale and operation of real estate owned improved to $500 for the six months ended June 30, 2002 as compared to a loss of $(5,503) for the same period of the prior year. Net trading gains on residential subordinate securities amounted to $147 and $2,497 for the six months ended June 30, 2002 and 2001, respectively.

- Commercial Finance. Segment losses increased from $(3,161) for the three months ended June 30, 2001 to $(38,324) for the three months ended June 30, 2002. The increased loss for the second quarter of 2002 is primarily due to $35,184 of loss provisions and impairment charges on real estate owned, loans and investments in real estate. The results for the three months ended June 30, 2002 include losses of $(12,142) from the sale and operation of real estate owned as compared to income of $106 for the same period of the prior year, reflecting an increase in the provision for losses from $798 in 2001 to $12,553 in 2002. The provision for loan losses increased to $7,313 during the three months ended June 30, 2002 from $1,851 for the same period of the prior year. Net operating gains on investments in real estate declined from income of $523 for the second quarter of 2001 to a loss of $(13,993) for the second quarter of 2002. The net operating loss on investments in real estate for the second quarter of 2002 included $15,317 of impairment charges, as compared to $1,471 for the second quarter of 2001. Total loans, investments in real estate and real estate owned held by this segment have declined from $354,159 at December 31, 2001, and $315,385 at March 31,2002 to $247,221 at June 30, 2002. The combined ratio of allowance for losses as a percentage of loans and real estate owned increased from 9.3% at December 31, 2001 to 11% at March 31, 2002 and 19.7% at June 30, 2002.

  Segment losses increased from $(11,175) for the six months ended June 30, 2001 to $(42,744) for the six months ended June 30, 2002. Results for the second quarter of 2001 includes $(2,631) of losses from sales of commercial loans. The provision for loan losses increased to $10,025 during the six months ended June 30, 2002 from $7,595 for the same period of the prior year. Non-interest expenses for this segment declined by $3,451 during the first six months of 2002 as compared to the same period of 2001. The results for the six months ended June 30, 2002 include losses of $(16,331) from the sale and operation of real estate owned as compared to income of

$2,738 for the same period of the prior year, reflecting an increase in the provision for losses from $2,519 in 2001 to $17,754 in 2002. Operating income on investments in real estate declined from income of $3,305 for the first six months of 2001 to a loss of $(9,339) for the same period of 2002. This decline in operating income is primarily due to impairment charges on investments in real estate, which amounted to $15,317 and $1,471 for the six months ended June 30, 2002 and 2001 respectively.

- Affordable Housing. Segment losses increased from $(6,964) for the three months ended June 30, 2001 to $(11,675) for the three months ended June 30, 2002. Contributing to the losses were charges of $2,054 and $2,490 for the three months ended June 30, 2002 and 2001, respectively, to reserve for estimated losses from the sale of properties. The loss for the second quarter of 2002 also includes a $3,944 charge to record a discount on a long-term sale of seven properties with a book value of $29,124. This discount will accrete to income over the term of the related receivable balance, which extends through June 2014. The provision for loan losses increased to $3,770 for the second quarter of 2002 as compared to $(12) for the second quarter of 2001. The net book value of our remaining properties amounted to $37,941 at June 30, 2002, of which $19,064 is subject to sales contracts although they have not yet qualified as sales for accounting purposes. During 2000, we began reducing our investment in affordable housing properties both 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. See "Changes in Financial Condition - Affordable Housing Properties."

  Segment losses increased from $(14,816) for the six months ended June 30, 2001 to $(29,685) for the six months ended June 30, 2002. Charges of $17,350 and $7,358 were recorded during the first six months of 2002 and 2001, respectively, to reserve for estimated losses from the sale of properties. As disclosed above, the loss for 2002 also includes the $3,944 charge to record a discount on the long-term sale of properties in the second quarter. The provision for loan losses increased to $3,939 for the first six months of 2002 as compared to $22 for the same period of 2001.

- Subprime Finance. Our domestic subprime origination business was closed in 1999. Assets remaining in this segment at June 30, 2002 are primarily comprised of subprime residual trading securities with a fair value of $36,493 and match funded securities with a fair value of $14,899. Segment results declined from income of $3,832 for the three months ended June 30, 2001 to $316 for the three months ended June 30, 2002. Results for the three months ended June 30, 2002 include $(65) of net trading losses on subprime residual and match funded securities, as compared to net trading gains of $3,979 for the same period of the prior year.

  Segment results declined from income of $5,551 for the six months ended June 30, 2001 to $4,809 for the six months ended June 30, 2002. Results for the six months ended June 30, 2002 include $3,338 of net trading gains on subprime residual and match funded securities, including $3,871 of realized gains from sales, as compared to net trading gains of $6,520 for the same period of the prior year.

- Corporate Items and Other. Segment results were a loss of $(5,941) and income of $1,578 for the three months ended June 30, 2002 and 2001, respectively. For the six months ended June 30, 2002, pre-tax results declined to a loss of $(12,364) from income of $8,314 for the same period in 2001. Pre-tax results for this segment consist of our business activities that are individually insignificant, amounts we do not allocate to our operating segments, distributions on our Capital Securities, transfer pricing mismatches, other general corporate expenses and the results of the collateralized mortgage obligation ("CMO") trading portfolio. Results for the three and six months ended June 30, 2001 included $4,583 and $9,166, respectively, of amortization of the excess of net assets acquired over purchase price.

See Note 8 to the Interim Consolidated Financial Statements, included in Item 1 herein (which is incorporated herein by reference), for additional information related to our operating segments.

Net Interest Income (Expense): Net interest income (expense) is the difference between interest income earned from our interest-earning assets and interest expense incurred on our interest-bearing liabilities. Net interest income (expense) is determined by net interest spread (i.e., the difference between the yield earned on our interest-earning assets and the rates incurred on our interest-bearing liabilities), the relative amount of interest-earning assets and interest-bearing liabilities and the degree of mismatch in the maturity and repricing characteristics of our interest-earning assets and interest-bearing liabilities.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Dollars in thousands, except share data)

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

	Three Months Ended June 30,					
	2002			2001		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
Average Assets:						
Federal funds sold and repurchase agreements........	$ 151,017	$ 693	1.84%	$ 226,748	$ 2,454	4.33%
Trading securities (1):						
CMOs (AAA-rated)................................	114,132	830	2.91	73,969	1,185	6.41
Subordinates, residuals and other................	62,466	3,329	21.32	113,457	2,989	10.54
Investment securities and other.....................	55,313	69	0.50	13,894	251	7.23
Match funded loans and securities (2)...............	69,532	1,808	10.40	109,602	2,737	9.99
Loans, net (2).....................................	179,763	2,077	4.62	506,500	15,602	12.32
Total interest earning assets....................	632,223	8,806	5.57	1,044,170	25,218	9.66
Non-interest earning cash...........................	25,994			65,057		
Allowance for loan losses...........................	(17,980)			(18,412)		
Real estate held for sale...........................	--			21,135		
Affordable housing properties.......................	61,595			129,142		
Real estate owned, net..............................	97,216			134,245		
Investment in real estate...........................	90,187			115,937		
Advances on loans and loans serviced for others.....	265,109			324,379		
Mortgage servicing rights...........................	122,075			75,547		
Match funded advances on loans serviced for others..	97,523			--		
Other assets..	160,761			194,083		
Total assets....................................	$1,534,703			$2,085,283		
Average Liabilities and Stockholders' Equity:						
Interest-bearing demand deposits....................	$ 13,569	$ 56	1.65%	$ 11,088	$ 103	3.72%
Savings deposits....................................	1,764	5	1.13	1,417	8	2.26
Certificates of deposit.............................	483,880	7,021	5.80	1,005,445	16,196	6.44
Total interest-bearing deposits..................	499,213	7,082	5.68	1,017,950	16,307	6.41
Securities sold under agreements to repurchase......	15,341	71	1.85	--	--	--
Bonds-match funded agreements.......................	148,755	1,807	4.86	91,000	1,742	7.66
Obligations outstanding under lines of credit.......	92,772	1,107	4.77	85,330	1,737	8.14
Notes, debentures and other.........................	159,928	4,647	11.62	169,030	4,942	11.69
Total interest-bearing liabilities..............	916,009	14,714	6.43	1,363,310	24,728	7.26
Non-interest bearing deposits.......................	9,661			15,025		
Escrow deposits.....................................	83,744			66,786		
Excess of net assets acquired over purchase price...	1,478			31,001		
Other liabilities...................................	114,223			75,193		
Total liabilities...............................	1,125,115			1,551,315		
Capital Securities..................................	57,592			62,408		
Stockholders' equity................................	351,996			471,560		
Total liabilities and stockholders' equity.......	$1,534,703			$2,085,283		
Net interest income (expense).......................		$ (5,908)			$ 490	
Net interest spread.................................			(0.86)%			2.40%
Net interest margin.................................			(3.74)%			0.19%
Ratio of interest-earning assets to interest-bearing liabilities.......................	69%			76%		

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

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

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	Six Months Ended June 30,					
	2002			2001		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
Average Assets:						
Federal funds sold and repurchase agreements........	$ 144,290	$ 1,272	1.76%	$ 178,227	$ 4,098	4.60%
Trading securities (1):						
CMOs (AAA-rated)................................	124,913	2,144	3.43	138,373	4,477	6.47
Subordinates, residuals and other................	65,853	6,373	19.36	115,597	5,396	9.34
Investment securities and other.....................	47,814	161	0.67	14,195	598	8.43
Match funded loans and securities (2)...............	72,750	4,057	11.15	116,686	5,220	8.95
Loans, net (2)......................................	199,684	7,513	7.52	584,202	30,246	10.35
Total interest earning assets....................	655,304	21,520	6.57	1,147,280	50,035	8.72
Non-interest earning cash...........................	27,672			55,930		
Allowance for loan losses...........................	(19,601)			(20,120)		
Real estate held for sale...........................	6,637			21,437		
Affordable housing properties.......................	82,086			135,441		
Real estate owned, net..............................	104,274			134,372		
Investment in real estate...........................	99,916			118,862		
Advances on loans and loans serviced for others.....	269,054			284,836		
Mortgage servicing rights...........................	112,768			63,240		
Match funded advances on loans serviced for others..	100,495			--		
Other assets..	145,838			205,526		
Total assets....................................	$1,584,443			$2,146,804		
Average Liabilities and Stockholders' Equity:						
Interest-bearing demand deposits....................	$ 14,936	$ 123	1.65%	$ 12,769	$ 239	3.74%
Savings deposits....................................	1,587	9	1.13	1,365	16	2.34
Certificates of deposit.............................	523,933	15,567	5.94	1,057,011	34,124	6.46
Total interest-bearing deposits..................	540,456	15,699	5.81	1,071,145	34,379	6.42
Securities sold under agreements to repurchase......	21,420	198	1.85	--	--	--
Bonds-match funded agreements.......................	151,148	3,716	4.92	97,936	4,708	9.61
Obligations outstanding under lines of credit.......	92,222	2,149	4.66	59,108	2,456	8.31
Notes, debentures and other.........................	161,272	9,348	11.59	171,411	10,065	11.74
Total interest-bearing liabilities..............	966,518	31,110	6.44	1,399,600	51,608	7.37
Non-interest bearing deposits.......................	9,195			15,094		
Escrow deposits.....................................	81,607			59,400		
Excess of net assets acquired over purchase price...	1,478			33,052		
Other liabilities...................................	98,688			86,371		
Total liabilities...............................	1,157,486			1,593,517		
Capital Securities..................................	59,376			68,793		
Stockholders' equity................................	367,581			484,494		
Total liabilities and stockholders' equity.......	$1,584,443			$2,146,804		
Net interest income (expense).......................		$ (9,590)			$ (1,573)	
Net interest spread.................................			0.13%			1.35%
Net interest margin.................................			(2.93)%			(0.27)%
Ratio of interest-earning assets to interest-bearing liabilities.......................	68%			81%		

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

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

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

	Three Months			Six Months		
	2002 vs. 2001			2002 vs. 2001		
	Increase (Decrease) Due To			Increase (Decrease) Due To		
For the periods ended June 30,	Rate	Volume	Total	Rate	Volume	Total
Interest-Earning Assets:						
Federal funds sold and repurchase agreements..........	$ (1,114)	$ (647)	$ (1,761)	$ (2,159)	$ (667)	$ (2,826)
Trading securities:						
CMOs (AAA-rated)..................................	(823)	468	(355)	(1,933)	(400)	(2,333)
Subordinates, residuals and other..................	2,102	(1,762)	340	4,012	(3,035)	977
Investment securities and other.......................	(400)	218	(182)	(915)	478	(437)
Match funded loans and securities.....................	109	(1,038)	(929)	1,095	(2,258)	(1,163)
Loans...	(6,956)	(6,569)	(13,525)	(5,193)	(17,540)	(22,733)
Total interest-earning assets......................	(7,082)	(9,330)	(16,412)	(5,093)	(23,422)	(28,515)
Interest-Bearing Liabilities:						
Interest-bearing demand deposits......................	$ (66)	$ 19	$ (47)	$ (92)	$ (24)	$ (116)
Savings deposits......................................	(5)	2	(3)	(9)	2	(7)
Certificates of deposit...............................	(1,473)	(7,702)	(9,175)	(2,531)	(16,026)	(18,557)
Total interest-bearing deposits....................	(1,544)	(7,681)	(9,225)	(2,632)	(16,048)	(18,680)
Securities sold under agreements to repurchase........	--	71	71	--	198	198
Bonds-match funded agreements.........................	(785)	850	65	(2,892)	1,900	(992)
Obligations outstanding under lines of credit.........	(770)	140	(630)	(1,344)	1,037	(307)
Notes, debentures and other interest-bearing obligations...	(31)	(264)	(295)	(128)	(589)	(717)
Total interest-bearing liabilities..............	(3,130)	(6,884)	(10,014)	(6,996)	(13,502)	(20,498)
Increase (decrease) in net interest income...........	$ (3,952)	$ (2,446)	$ (6,398)	$ 1,903	$ (9,920)	$ (8,017)

We incurred net interest expense before provision for loan losses of $(5,908) for the three months ended June 30, 2002 as compared to net interest income of $490 for the same period of the prior year, a decline of $6,398 or 1,306%. The decline in net interest income was due to a decrease in the balance of our average interest-earning assets and a decrease in the net interest spread, offset by a decrease in the balance of our average interest-bearing liabilities. The average balance of our interest-earning assets decreased by $411,947 or 39% during the second quarter of 2002 and reduced interest income by $9,330. The average balance of our interest-bearing liabilities decreased by $447,301 or 33% during the second quarter of 2002 and decreased interest expense by $6,884. The net impact of these volume changes resulted in a $2,446 decrease in net interest income. The net interest spread decreased 326 basis points as a result of a 409 basis-point decrease in the weighted average yield on our interest-earning assets, offset by an 83 basis-point decline in the weighted average rate on our interest-bearing liabilities. The net impact of these rate changes resulted in a $3,952 decrease in net interest income.

We incurred net interest expense before provision for loan losses of $(9,590) for the six months ended June 30, 2002 as compared to net interest expense of $(1,573) for the same period of the prior year, an increase of $8,017 or 510%. The increase was due to a decrease in the balance of our average interest-earning assets and a decrease in the net interest spread, offset by a decrease in the balance of our average interest-bearing liabilities. The average balance of our interest-earning assets decreased by $491,976 or 43% during 2002 and reduced interest income by $23,422. The average balance of our interest-bearing liabilities decreased by $433,082 or 31% during 2002 and decreased interest expense by $13,502. The net impact of these volume changes resulted in a $9,920 decrease in net interest income. The net interest spread decreased 122 basis points as a result of a 215 basis-point decrease in the weighted average yield on our interest-earning assets, offset by a 93 basis-point decline in the weighted average rate on our interest-earning liabilities. The net impact of these rate changes resulted in a $1,903 increase in net interest income.

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For the three months ended June 30,	Average Balance 2002	Average Balance 2001	Increase (Decrease) $	Annualized Average Yield 2002	Annualized Average Yield 2001	Increase (Decrease) Basis Points
Federal funds sold and repurchase agreements	$ 151,017	$ 226,748	$ (75,731)	1.84%	4.33%	(249)
Trading securities:						
CMOs (AAA-rated)	114,132	73,969	40,163	2.91%	6.41%	(350)
Subordinates, residuals and other	62,466	113,457	(50,991)	21.32%	10.54%	1,078
Investment securities and other	55,313	13,894	41,419	0.50%	7.23%	(673)
Match funded loans and securities	69,532	109,602	(40,070)	10.40%	9.99%	41
Loans, net	179,763	506,500	(326,737)	4.62%	12.32%	(770)
	$ 632,223	$ 1,044,170	$ (411,947)	5.57%	9.66%	(409)

For the six months ended June 30,	Average Balance 2002	Average Balance 2001	Increase (Decrease) $	Annualized Average Yield 2002	Annualized Average Yield 2001	Increase (Decrease) Basis Points
Federal funds sold and repurchase agreements	$ 144,290	$ 178,227	$ (33,937)	1.76%	4.60%	(284)
Trading securities:						
CMOs (AAA-rated)	124,913	138,373	(13,460)	3.43%	6.47%	(304)
Subordinates, residuals and other	65,853	115,597	(49,744)	19.36%	9.34%	1,002
Investment securities and other	47,814	14,195	33,619	0.67%	8.43%	(776)
Match funded loans and securities	72,750	116,686	(43,936)	11.15%	8.95%	220
Loans, net	199,684	584,202	(384,518)	7.52%	10.35%	(283)
	$ 655,304	$ 1,147,280	$ (491,976)	6.57%	8.72%	(215)

Interest income earned from our investment of available cash in federal funds sold and repurchase agreements declined $1,761 or 72% during the second quarter of 2002 as compared to the same period of 2001 as a result of a 249 basis-point decline in the average yield and a $75,731 or 33% decline in the average balance. For the six month periods, interest income declined $2,826 or 69% in 2002 as compared to 2001 due to a 284 basis-point decline in the average yield and a $33,937 or 19% decline in the average balance. The decline in the average yield in 2002 is due to a decline in interest rates on overnight funds.

Interest income we earned from our securities portfolio declined from $9,873 during the six months ended June 30, 2001 to $8,517 in the same period of 2002, a $1,356 or 14% decline. The decline in interest income is due to a decline in the average balances of our investment in CMOs, subordinates and residuals and a decline in the average yield earned on CMOs, offset by an increase in the average yield earned on subordinates and residuals. Our average investment in CMOs declined $13,460 or 10% and our average investment in subordinates and residuals declined $49,744 or 43%. The decline in the average balance of our CMOs during 2002 reflects our planned reduction in the use of these securities to meet the Qualified Thrift Lender requirements. The decline in the average balance of our subordinate and residuals during 2002 was primarily due to sales of subprime residuals and amortization. Because CMOs have less cash flow variability, their average lives and yields to maturity are more stable, and therefore, CMOs are priced to yield less than classes of mortgage-related securities such as subordinates and residuals that are less stable.

Interest income we earned on loans decreased by $13,525 or 87% during the three months ended June 30, 2002 as compared to the same period of the prior year as a result of a $326,737 or a 65% decline in the average balance and a decline in the average yield of 770 basis points. For the six month periods, interest income we earned on loans decreased by $22,733 or 75% during 2002 as compared to the same period of 2001 as a result of a $384,518 or 66% decline in the average balance and a 283 basis point decrease in the average yield. Sales, foreclosures and the absence of acquisitions have resulted in the declines in the average balance of loans during 2002. The yield on loans is likely to fluctuate from period to period as a result of the timing of resolutions, particularly the resolution of large multi-family residential and commercial real estate loans, and the mix of the overall portfolio between performing and non-performing loans. Resolution income declined from $3,215 and $6,496 for the three and six months ended June 30, 2001, respectively, to $161 and $2,691 for the same periods of 2002, respectively. See "Changes in Financial Condition - Loans, Net."

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For the three months ended June 30,	Average Balance 2002	Average Balance 2001	Increase (Decrease) $	Annualized Average Yield 2002	Annualized Average Yield 2001	Increase (Decrease) Basis Points
Interest-bearing deposits	$ 499,213	$ 1,017,950	$ (518,737)	5.68%	6.41%	(73)
Securities sold under agreements to repurchase	15,341	--	15,341	1.85%	--%	185
Bonds-match funded agreements	148,755	91,000	57,755	4.86%	7.66%	(280)
Obligations outstanding under lines of credit	92,772	85,330	7,442	4.77%	8.14%	(337)
Notes, debentures and other	159,928	169,030	(9,102)	11.62%	11.69%	(7)
	$ 916,009	$ 1,363,310	$ (447,301)	6.43%	7.26%	(83)

For the six months ended June 30,	Average Balance 2002	Average Balance 2001	Increase (Decrease) $	Annualized Average Yield 2002	Annualized Average Yield 2001	Increase (Decrease) Basis Points
Interest-bearing deposits	$ 540,456	$ 1,071,145	$ (530,689)	5.81%	6.42%	(61)
Securities sold under agreements to repurchase	21,420	--	21,420	1.85%	--%	185
Bonds-match funded agreements	151,148	97,936	53,212	4.92%	9.61%	(469)
Obligations outstanding under lines of credit	92,222	59,108	33,114	4.66%	8.31%	(365)
Notes, debentures and other	161,272	171,411	(10,139)	11.59%	11.74%	(15)
	$ 966,518	$ 1,399,600	$ (433,082)	6.44%	7.37%	(93)

Interest expense we incurred on our interest-bearing deposits decreased $9,225 or 57% during the three months ended June 30, 2002 as compared to the same period of the prior year primarily due to a $518,737 or 51% decrease in the average balance. For the six month periods, interest expense we incurred on our interest-bearing deposits decreased $18,680 or 54% during the six months ended June 30, 2002 as compared to the same period of the prior year primarily due to a $530,689 or 50% decrease in the average balance. The decline in the average balance of deposits during 2002 resulted primarily from maturing brokered certificates of deposit. We did not issue any new brokered certificates of deposit during 2002 and, at this time, do not intend to issue any such deposits in the foreseeable future. The decline in average deposits is consistent with the decline in average total assets during 2002 as compared to the same period in the prior year as we continue our transition in business strategy from capital-intensive businesses to fee-based businesses. See "Changes in Financial Condition - Deposits."

Interest expense we incurred on bonds-match funded agreements declined $992 or 21% during the six months ended June 30, 2002 as compared to the same period of the prior year as a result of a 469 basis-point decline in the average rate, offset in part by a $53,212 or 54% increase in the average balance outstanding. The decline in the average rate during 2002 is largely due to declines in LIBOR. The increase in the average balance during 2002 is due to new match funded debt that resulted from our transfer of certain residential loan servicing related advances to a third party in December 2001, offset in part by principal repayments. See "Changes in Financial Condition - Bonds - Match Funded Agreements."

Provisions for Loan Losses. Provisions we record for losses on our loans are charged to operations to maintain an allowance for losses on our loans and match funded loans at a level that we consider adequate based upon an evaluation of known and inherent risks in such portfolios. Our ongoing evaluation is based on an analysis of our loans and match funded loans, historical loss experience, current economic conditions and trends, collateral values and other relevant factors.

The following table presents the provisions for loan losses for the periods indicated:

For the periods ended June 30,	Three Months 2002	Three Months 2001	Six Months 2002	Six Months 2001
Loans:				
Residential	$ (423)	$ 7,644	$ (2,601)	$ 9,018
Nonresidential	11,086	2,648	13,964	9,216
	10,663	10,292	11,363	18,234
Match funded loans	69	5	48	183
	$ 10,732	$ 10,297	$ 11,411	$ 18,417

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The decline in the provision we recorded on loans during the six months ended June 30, 2002 as compared to the same periods in 2001 is primarily due to sales and resolutions of residential loans, offset in part by an increase in reserves on commercial and affordable housing (multi-family) loans. As indicated in the table below, we have increased our allowance as a percentage of loan value at June 30, 2002.

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

	Allowance	Loan Balance	Allowance as a % of Loans
June 30, 2002:			
Loans (1)	$ 18,528	$ 140,537	13.2%
Match funded loans	218	44,599	0.5%
	$ 18,746	$ 185,136	10.1%
December 31, 2001:			
Loans	10,414	195,707	5.3%
Match funded loans	170	53,123	0.3%
	$ 10,584	$ 248,830	4.3%
June 30, 2001:			
Loans	$ 19,191	$ 404,706	4.7%
Match funded loans	232	67,096	0.3%
	$ 19,423	$ 471,802	4.1%

(1) The increase in reserves at June 30, 2002 relates to nonresidential loans and is in response to adverse changes in current market conditions and our analysis of recent events and underlying collateral values.

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

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

	Three Months		Six Months	
For the periods ended June 30,	2002	2001	2002	2001
Servicing and other fees..	$ 35,848	$ 33,740	$ 71,574	$ 64,857
Gain (loss) on interest earning assets, net..........................	(996)	422	(2,773)	(1,409)
Gain on trading and match funded securities, net.....................	161	4,550	2,953	9,739
Loss on real estate owned, net......................................	(11,858)	(1,885)	(15,970)	(3,090)
Loss on other non-interest earning assets, net......................	(93)	(975)	(841)	(519)
Net operating gains (losses) on investments in real estate...........	(13,993)	490	(9,339)	3,265
Amortization of excess of net assets acquired over purchase price....	--	4,583	--	9,166
Gain on repurchase of debt..	1,070	385	1,074	3,819
Equity in income of investment in unconsolidated entities............	40	139	31	184
Other income..	2,328	2,437	7,357	4,483
	$ 12,507	$ 43,886	$ 54,066	$ 90,495

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Servicing and Other Fees. Our servicing and other fees are primarily comprised of fees we earned from investors for servicing mortgage loans (primarily residential) on their behalf. The increase in servicing fees is largely due to the growth in residential loans we service for others. The average unpaid principal balance of all loans we serviced amounted to $26,235,201 and $13,761,392 during the three months ended June 30, 2002 and 2001, respectively, $25,291,305 and $12,654,882 during the six months ended June 30, 2002 and 2001, respectively. The following table sets forth the principal components of our servicing and other fees for the periods indicated:

	Three Months		Six Months	
For the periods ended June 30,	2002	2001	2002	2001
Loan servicing and related fees:				
Loan servicing fees	$ 35,585	$ 27,136	$ 68,263	$ 49,744
Late charges	6,956	4,509	14,034	8,807
Interest on custodial accounts (1)	2,131	2,097	3,737	3,772
Special servicing fees (2)	920	2,279	2,273	4,525
Other, net	3,014	3,060	4,845	5,484
Servicer expenses (3)	(6,300)	(3,001)	(11,816)	(5,350)
Amortization of servicing rights	(13,459)	(7,054)	(24,193)	(11,761)
	28,847	29,026	57,143	55,221
Other fees:				
Property valuation fees (ORA)	3,507	2,386	7,742	5,109
Default servicing fees	1,131	993	2,413	2,175
Retail banking fees	1,123	577	2,089	985
Other	1,240	758	2,187	1,367
	$ 35,848	$ 33,740	$ 71,574	$ 64,857

(1) Interest we earned on custodial accounts during the holding period between collection of borrower payments and remittance to investors.

(2) Fees we earned under special servicing arrangements wherein we act as a special servicer for third parties, typically as part of a securitization. Under these arrangements, we service loans that become greater than 90 days past due and receive base special servicing fees plus incentive fees to the extent we achieve certain loss mitigation parameters.

(3) Servicer expenses are largely comprised of expense resulting from the difference between a full month of interest and the interest collected on loans that are repaid before the end of a calendar month.

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The following table sets forth loans we serviced at the dates indicated:

	Subprime Loans (1)		Other Loans		Total	
	Amount	No. of Loans	Amount	No. of Loans	Amount	No. of Loans
June 30, 2002:						
Performing:						
Residential servicing	$22,357,644	266,660	$ 1,060,175	17,977	$23,417,819	284,637
Commercial servicing	--	--	988,237	508	988,237	508
	$22,357,644	266,660	$ 2,048,412	18,485	$24,406,056	285,145
Non-performing:						
Residential servicing	$ 2,308,427	30,016	$ 263,233	4,340	$ 2,571,660	34,356
Commercial servicing	--	--	462,951	186	462,951	186
	$ 2,308,427	30,016	$ 726,184	4,526	$ 3,034,611	34,542
Total loans serviced for others:						
Residential servicing	$24,666,071	296,676	$ 1,323,408	22,317	$25,989,479	318,993
Commercial servicing	--	--	1,451,188	694	1,451,188	694
	$24,666,071	296,676	$ 2,774,596	23,011	$27,440,667	319,687
December 31, 2001:						
Performing:						
Residential servicing	$18,068,542	242,664	$ 926,667	18,335	$18,995,209	260,999
Commercial servicing	--	--	1,055,317	1,701	1,055,317	1,701
	$18,068,542	242,664	$ 1,981,984	20,036	$20,050,526	262,700
Non-performing:						
Residential servicing	$ 2,638,235	35,585	$ 318,652	5,068	$ 2,956,887	40,653
Commercial servicing	--	--	156,599	200	156,599	200
	$ 2,638,235	35,585	$ 475,251	5,268	$ 3,113,486	40,853
Total loans serviced for others:						
Residential servicing	$20,706,777	278,249	$ 1,245,319	23,403	$21,952,096	301,652
Commercial servicing	--	--	1,211,916	1,901	1,211,916	1,901
	$20,706,777	278,249	$ 2,457,235	25,304	$23,164,012	303,553

(1) Subprime loans represent loans we service that were made by others to borrowers who did not qualify under guidelines of the FNMA and FHLMC ("nonconforming loans").

Loss on Interest Earning Assets, Net. For the three months ended June 30, 2002, the net loss we incurred on interest-earning assets is primarily comprised of $(472) of losses from sales of single family loans and $(541) of losses we incurred on sales of commercial loans. Net gain on interest-earning assets for the three months ended June 30, 2001 resulted primarily from gains of $1,114 from sales of single family loans offset in part by losses of $(732) incurred on sales of commercial loans.

For the six months ended June 30, 2002, the net loss we incurred on interest-earning assets is primarily comprised of $(2,822) of losses on the sale of single family loans and $(541) of losses from sales of commercial loans. Net loss on interest-earning assets for the six months ended June 30, 2001 resulted primarily from losses of $(2,631) incurred on sales of commercial loans, offset by gains of $1,114 from the sale of single family loans.

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Gain on Trading and Match Funded Securities, Net. The gain on trading and match funded securities, net, includes both unrealized gains and losses on securities and realized gains and losses resulting from sales thereof. Changes in fair value are reported in income in the period of change.

	Three Months		Six Months	
For the periods ended June 30,	2002	2001	2002	2001
Unrealized gain (loss):				
Trading securities	$ 663	$ (912)	$ (1,191)	$ 2,734
Match funded securities	96	331	273	1,596
	759	(581)	(918)	4,330
Realized gain (loss):				
Trading securities	(598)	5,131	3,871	5,408
Match funded securities	--	--	--	--
	(598)	5,131	3,871	5,408
	$ 161	$ 4,550	$ 2,953	$ 9,739

Loss on Real Estate Owned, Net. The following table sets forth the results of our real estate owned (which does not include investments in real estate that are discussed below), during the periods indicated:

	Three Months		Six Months	
For the periods ended June 30,	2002	2001	2002	2001
Gains on sales	$ 1,002	$ 3,147	$ 2,563	$ 9,523
Provision for losses in fair value	(12,954)	(3,522)	(19,076)	(9,703)
Carrying costs, net	94	(1,510)	543	(2,910)
Loss on real estate owned, net	$ (11,858)	$ (1,885)	$ (15,970)	$ (3,090)

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

Net Operating Gains on Investments in Real Estate. The following table sets forth the results of our investment in real estate operations during the periods indicated:

	Three Months		Six Months	
For the periods ended June 30,	2002	2001	2002	2001
Operating income, net (1)	$ 833	$ 2,799	$ 2,069	$ 4,268
Equity in earnings of loans accounted for as investments in real estate (2)	491	(838)	3,909	468
Impairment charges (3)	(15,317)	(1,471)	(15,317)	(1,471)
	$ (13,993)	$ 490	$ (9,339)	$ 3,265

(1) Operating income declined principally because, in the second quarter of 2001, we received past-due rent of approximately $1,600 from a tenant of an office building in Jacksonville, Florida, as a result of a settlement agreement with the tenant.

(2) The increase in equity in earnings related to certain loans accounted for as investments in real estate is primarily due to the repayment of loans during the first quarter of 2002, which generated significant resolution gains.

(3) In 2002, impairment charges principally represent write-downs totaling $14,549 of the carrying value of our remaining properties held for investment. In 2001, the charges represent the write-down of the carrying value of our investment in a property that was sold in 2002. These changes were recorded to reduce the carrying value of these properties to our estimate of their net realizable values. See "Changes in Financial Condition - Investments in Real Estate."

Amortization of Excess of Net Assets Acquired over Purchase Price. The amortization of excess of net assets acquired over purchase price resulted from our acquisition of OAC on October 7, 1999. The acquisition resulted in an excess of net assets acquired over purchase price of $60,042, which was amortized on a straight-line basis through 2001. Effective January 1, 2002, upon adoption of

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SFAS No. 142, we reversed the unamortized balance of $18,333 to income as the effect of a change in accounting principle as required by this statement. See Note 3 to our Interim Consolidated Financial Statements included in Item 1.

Gain on Repurchase of Debt. The following table sets forth the components of the net gains resulting from repurchases of our debt securities during the periods indicated:

	Three Months		Six Months	
For the periods ended June 30,	2002	2001	2002	2001
Capital Securities:				
Face amount repurchased	$ 4,910	$ 2,526	$ 4,910	$ 18,371
Gain	$ 1,074	$ 385	$ 1,074	$ 3,722
11.875% Notes due October 1, 2003:				
Face amount repurchased	$ 500	$ --	$ 725	$ 4,200
Loss	$ (4)	$ --	$ --	$ 97
Total Debt Repurchases:				
Face amount repurchased	$ 5,410	$ 2,526	$ 5,635	$ 22,571
Net gain	$ 1,070	$ 385	$ 1,074	$ 3,819

Other income. Other income is primarily comprised of revenues generated from collections of unsecured receivables, consulting revenues generated by a joint venture in Jamaica, real estate commissions from the sale of real estate owned properties and software revenue. The increase in other income during 2002 as compared to the prior year was primarily due to the revenues we generated from collections of unsecured receivables that are accounted for under the cost recovery method and that had been reduced to zero as of December 31, 2001 through collections and reserves.

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

	Three Months		Six Months	
For the periods ended June 30,	2002	2001	2002	2001
Compensation and employee benefits	$ 19,708	$ 21,309	$ 40,781	$ 42,244
Occupancy and equipment	3,331	3,174	6,045	6,267
Technology and communication costs	6,009	5,556	11,061	15,704
Loan expenses	3,436	2,835	7,371	7,070
Net operating losses on investments in affordable housing properties	6,228	2,756	21,910	7,818
Amortization of excess of purchase price over net assets acquired	--	778	--	1,556
Professional services and regulatory fees	3,172	3,934	7,768	7,750
Other operating expenses	2,615	2,514	4,590	5,303
	$ 44,499	$ 42,856	$ 99,526	$ 93,712

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

For the periods ended June 30,	Three Months 2002	Three Months 2001	Six Months 2002	Six Months 2001
Salaries (1)	$ 13,765	$ 14,534	$ 27,847	$ 27,933
Bonuses (2)	2,187	2,294	4,582	4,564
Payroll taxes	1,092	1,223	2,609	2,782
Commissions	1,148	1,165	2,022	2,159
Insurance	718	699	1,386	1,518
Severance	93	212	601	913
Contract programmers	144	253	389	745
Relocation	129	345	248	492
Other	432	584	1,097	1,138
	$ 19,708	$ 21,309	$ 40,781	$ 42,244

(1) Salaries includes fees paid for the services of temporary employees.

(2) Bonus expense includes compensation related to stock options we granted to employees at an exercise price below fair market value.

Occupancy and Equipment. Occupancy and equipment costs consist principally of rents, depreciation, mail and delivery expenses and other costs of our office operations.

Technology and Communication Costs. Technology and communication costs consist primarily of depreciation on our computer hardware and software, technology-related consulting fees (primarily OTX), imaging and telephone expenses. Technology cost for the first quarter of 2001 included $4,685 of one-time expense comprised primarily of a $3,185 payment related to the acquisition of an OTX subsidiary in 1997.

Loan Expenses. Loan expenses are largely comprised of appraisal fees incurred in connection with property valuation services we provided through ORA.

Net Operating Losses on Investments in Affordable Housing Properties. The increase in net operating losses we recorded on investments in affordable housing properties during 2002 is primarily the result of charges we recorded in the amount of $2,054 and $17,350 during the three and six months ended June 30, 2002, respectively, as compared to $2,490 and $7,358, respectively, for the same periods of the prior year. These charges represent expected losses from the sale of properties and reflect revisions to completion cost estimates and modifications to projected sales results. Losses for 2002 also include a $3,944 charge to record a discount on a long-term sale of seven properties during the second quarter. This discount will be accreted to income over the term of the related receivable balance, which extends through June 2014.

Professional Services and Regulatory Fees. Professional services and regulatory fees are primarily comprised of non-technology related consulting fees, legal and audit fees and FDIC insurance.

Other Operating Expenses. Other operating expenses include travel costs, check processing costs, marketing costs and amortization of deferred costs.

Distributions on Company Obligated, Mandatorily Redeemable Securities of Subsidiary Trust Holding Solely Junior Subordinated Debentures of the Company. Cash distributions on the Capital Securities are payable semi-annually in arrears on February 1 and August 1 of each year at an annual rate of 10.875%. We recorded $1,566 and $1,697 of distributions to holders of the Capital Securities during the three months ended June 30, 2002 and 2001, respectively, and $3,229 and $3,750 during the six months ended June 30, 2002 and 2001, respectively. The decline in distributions is the result of repurchases during 2002 and 2001. See Note 4 to the Interim Consolidated Financial Statements included in Item 1 (which is incorporated herein by reference) and "Changes in Financial Condition - Company-Obligated, Mandatorily Redeemable Securities of Subsidiary Trust Holding Solely Junior Subordinated Debentures of the Company."

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

	Three Months		Six Months	
For the periods ended June 30,	2002	2001	2002	2001
Income tax expense on loss before taxes and effect of change in accounting principle	$ (18,197)	$ (7,420)	$ (25,879)	$ (11,800)
Provision for valuation allowance on current year's deferred tax asset	18,197	10,387	27,045	11,800
Provision for valuation allowance on prior year's deferred tax asset	--	8,000	--	18,000
Income tax expense	--	10,967	1,166	18,000
Income tax benefit on effect of change in accounting principle	--	--	(1,166)	--
Total income tax expense	$ --	$ 10,967	$ --	$ 18,000

For the three months ended June 30, 2002, our effective tax rate was 0%. The provision for valuation allowance on current year's deferred tax asset in the second quarter of 2001 includes $2,967 to provide for the current year's deferred tax asset recognized in the first quarter of 2001. Income tax expense includes the effects of tax credits of $628 and $657 during the three months ended June 30, 2002 and 2001, respectively, resulting from our investment in affordable housing properties.

For the six months ended June 30, 2002, our effective tax rate was 0%. Income tax expense of $1,166 offsets the benefit of $1,166 related to the effect of the change in accounting principle recorded during the quarter. Income tax expense includes the effects of tax credits of $1,487 and $952 during the six months ended June 30, 2002 and 2001, respectively, resulting from our investment in affordable housing properties.

The provision for deferred tax asset valuation allowance is a non-cash charge increasing the aggregate valuation allowance based on our estimate under the applicable accounting rules of the amount of the deferred tax asset that we are more likely than not to realize.

Changes in Financial Condition

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

	June 30, 2002	December 31, 2001
Mortgage-related securities:		
Collateralized mortgage obligations (AAA-rated) (1)	$ 90,338	$ 161,191
Subordinates and residuals (2):		
Single family residential:		
BB-rated subordinates	611	625
B-rated subordinates	762	799
Unrated subordinates	767	1,008
Unrated subprime residuals	36,493	60,049
	38,633	62,481
Multi-family residential and commercial unrated subordinates	2,577	2,577
	$ 41,210	$ 65,058

(1) During the six months ended June 30, 2002, CMO trading securities declined $70,853. This decline was primarily due to $140,276 of maturities and principal repayments offset in part by purchases of $70,964.

(2) During the six months ended June 30, 2002, subordinate and residual trading securities declined by $23,848. This decline was primarily due to $26,023 of sales.

Residual and subordinate securities at June 30, 2002 and December 31, 2001 include retained interests with a fair value of $1,967 and $25,274, respectively, from securitizations of loans that we completed in prior years. We determine the present value of anticipated cash flows utilizing valuation assumptions appropriate for each particular transaction. The significant valuation assumptions have included the anticipated prepayment speeds and the anticipated credit losses related to the underlying mortgages. In order to determine the present value of this estimated excess cash flow, we currently apply a discount rate of 9.63% to 25.00% to the projected cash flows on the unrated classes of securities. The annual prepayment rate of the securitized loans is a function of full and partial prepayments and defaults. We make assumptions as to the prepayment rates of the underlying loans, which we believe are reasonable, in estimating fair values of the subordinate securities and residual securities retained. During 2002, we utilized proprietary prepayment curves (reaching an approximate range of annualized rates of 14.60% to 18.62%). During 2002, we estimated annual losses of between 0.76% and 4.92% of the unpaid principal balance of the underlying loans.

Subordinate and residual interests are affected by the rate and timing of payments of principal (including prepayments, repurchase, defaults and liquidations) on the mortgage loans underlying a series of mortgage-related securities. The rate of principal payments may vary significantly over time depending on a variety of factors, such as the level of prevailing mortgage loan interest rates and economic, demographic, tax, legal and other factors. Prepayments on the mortgage loans underlying a series of mortgage-related securities are generally allocated to the more senior classes of mortgage-related securities. Although in the absence of defaults or interest shortfalls all subordinates receive interest, amounts otherwise allocable to residuals generally are used to make payments on more senior classes or to fund a reserve account for the protection of senior classes until overcollateralization or the balance in the reserve account reaches a specified level. In general, 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 the 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 our management recognizes the disparity. Other factors may also result in a write-down of our subordinate securities and residual securities in subsequent months.

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The following table presents information regarding our subordinate and residual trading securities summarized by classification and rating at June 30, 2002:

Rating/Description (1)	Fair Value	Percent Owned	Original Anticipated Yield to Maturity (2)	Anticipated Yield to Maturity at 6/30/02 (3)	Coupon	Anticipated Weighted Average Remaining Life (4)	Prospective Yield at 6/30/02 (5)
Single-family residential:							
BB-rated subordinates......	$ 611	100.00%	16.80%	7.15%	6.63%	2.74	72.45%
B-rated subordinates.......	762	100.00	17.49	27.88	7.02	1.96	73.15
Unrated subordinates.......	767	99.87	15.44	21.01	7.21	0.31	106.88
Unrated subprime residuals.	36,493	100.00	19.65	28.85	N/A	4.87	61.53
	38,633						
Commercial:							
Unrated subordinates.......	2,577	25.00	22.15	12.10	N/A	1.35	14.06
	$ 41,210						

N/A - Not Available

(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", which are superior to those rated "C." Additionally, multiple letters have a superior claim to designations with fewer letters. Thus, for example, "BBB" is superior to "BB," which in turn is superior to "B." The lower class designations in any securitization will receive interest payments 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) Represents the effective yield from inception to maturity based on the purchase price and anticipated future cash flows under pricing assumptions.

(3) 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, 2002 anticipated yield to maturity from that originally anticipated are primarily the result of changes in prepayment assumptions and loss assumptions.

(4) Represents the weighted average life based on the June 30, 2002 book value.

(5) Represents the effective yield based on the book value of the investment and the then current estimate of the future cash flows under assumptions at the respective date. Prospective yields are considerably higher than the anticipated yield to maturity because book values include impairments recorded on the securities when they were classified as available for sale.

The following table sets forth the principal amount of mortgage loans by the geographic location of the property securing the mortgages that underlie our subordinate and residual trading securities at June 30, 2002:

Description	U.K.	California	New Jersey	Texas	New York	Other (1)	Total
Single family residential......	$ 101,453	$ 69,858	$ 39,508	$ 38,918	$ 38,557	$ 326,222	$ 614,516
Commercial.....................	--	16,846	--	--	--	42,484	59,330
Multi-family...................	--	--	206	--	--	285	491
Total	$ 101,453	$ 86,704	$ 39,714	$ 38,918	$ 38,557	$ 368,991	$ 674,337
Percentage (2).................	15.04%	12.86%	5.89%	5.77%	5.72%	54.72%	100.00%

(1) Consists of properties located in 46 other states, none of which aggregated over $37,385 in any one state.

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

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Real Estate Held for Sale. Our real estate held for sale at December 31, 2001 consisted of three assisted living facilities with a carrying value of $13,418. These properties were sold during the first quarter of 2002 for a gain of $677.

Investments in Real Estate. Our investment in real estate consisted of the following at the dates indicated:

	June 30, 2002	December 31, 2001
Properties held for investment:		
Office buildings	$ 27,592	$ 32,132
Retail	9,452	29,637
Building improvements	16,453	17,513
Tenant improvements and lease commissions	1,650	4,537
Furniture and fixtures	55	52
	55,202	83,871
Accumulated depreciation	(4,687)	(5,327)
	50,515	78,544
Loans accounted for as investments in real estate:		
Nonresidential	2,172	30,436
Investment in real estate partnerships	6,911	7,916
	$ 59,598	$ 116,896

Properties Held for Investment. Properties held for investment at June 30, 2002 consisted of one office building (approximately 95.65% leased) located in Jacksonville, Florida and one shopping center (approximately 64.25% leased) located in Halifax, Nova Scotia. The $28,029 decline in the aggregate net carrying value of our investments in real estate during 2002 was primarily due to the sale of our shopping center in Bradenton, Florida, which had a carrying value of $19,902, impairment charges of $14,459 to reduce the properties to our estimate of their net realizable value, offset in part by $7,627 of capitalized improvements.

Loans Accounted for as Investments in Real Estate. We acquired certain acquisition, development and construction loans in January 2000 in which we participate in the expected residual profits of the underlying real estate, and where the borrower has not contributed substantial equity to the project. As such, we have accounted for these loans under the equity method of accounting as though we had an investment in a real estate limited partnership. The decline in the balance during 2002 is primarily due to repayments of loans.

Investments in Real Estate Partnerships. Consists of interests in four limited partnerships operating as real estate ventures, consisting of multi-family type properties. The decline in carrying value during 2002 is primarily the result of a $768 impairment write-down recorded during the second quarter.

Affordable Housing Properties. We invested in multi-family residential projects that have been allocated low-income housing tax credits under Section 42 of the Internal Revenue Code of 1986, as amended, by a state tax credit allocating agency. The carrying values of our investments in affordable housing properties are as follows at the dates indicated:

	June 30, 2002	December 31, 2001
Properties subject to sales agreements (1)	$ 19,064	$ 49,893
Properties not yet sold	18,877	52,176
Total	$ 37,941	$ 102,069

(1) These sales agreements have not yet met all the accounting criteria to qualify for sales treatment.

The decline in the balances during the six months ended June 30, 2002 was primarily due to sales of projects with a book value of approximately $49,334 and loss provisions of $17,350 (including $2,054 during the second quarter) to reserve for estimated losses from future sales, offset by additional investments in projects under construction of approximately $3,288.

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The qualified affordable housing projects underlying our investments in low-income housing tax credit interests are geographically located throughout the United States. At June 30, 2002, our largest single investment was $10,743, which relates to a project located in North Wildwood, N.J.

Low-income housing tax credit partnerships in which we invest both as a limited and, through a subsidiary, as general partner are presented on a consolidated basis and totaled $35,550 and $73,463 at June 30, 2002 and December 31, 2001, respectively. We recorded a loss from operations after depreciation of $6,228 and $2,756 for the three months ended June 30, 2002 and 2001, respectively, and $21,910 and $7,818 for the six months ended June 30, 2002 and 2001, respectively, including the $17,350 of loss provisions and the $3,944 charge to record a discount on the long-term sale of seven properties with a book value of $29,124.

Loans, Net. The following table sets forth the composition of our loans, net, by portfolio type at the dates indicated:

	June 30, 2002	December 31, 2001
Discount loan portfolio	$ 64,957	$ 119,327
Loan portfolio	56,978	64,925
Loans available for sale	74	1,041
	$ 122,009	$ 185,293

Composition of Loans, Net. The following table sets forth the composition of our loans by type of loan at the dates indicated:

	June 30, 2002	December 31, 2001
Single family residential loans	$ 3,122	$ 58,118
Multi-family residential loans	37,530	33,319
Commercial real estate loans:		
Office buildings	52,636	56,713
Hotels	28,938	38,576
Retail properties	30,129	47,492
Other properties	1,038	607
	112,741	143,388
Other loans	200	231
	153,593	235,056
Unaccreted discount and deferred fees:		
Single family residential loans	(1,128)	(16,467)
Multi-family residential loans	(564)	(650)
Commercial real estate and other loans	(10,213)	(19,318)
	(11,905)	(36,435)
	141,688	198,621
Undisbursed loan funds	(1,151)	(2,914)
Allowance for loan losses	(18,528)	(10,414)
Loans, net	$ 122,009	$ 185,293

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Loans are secured by mortgages on property located throughout the United States. The following table sets forth the five states in which the largest amount of properties securing our loans were located at June 30, 2002:

	Single Family Residential	Multi-Family Residential	Commercial Real Estate and Other	Total
New York	$ 195	$ --	$ 43,111	$ 43,306
Wisconsin	--	--	34,222	34,222
Connecticut	75	--	11,705	11,780
California	11	8,563	--	8,574
Florida	142	5,644	1,824	7,610
Other (1)	1,571	22,759	11,866	36,196
Total	$ 1,994	$ 36,966	$ 102,728	$ 141,688

(1) Consists of properties located in 19 other states, none of which aggregated over $7,318 in any one state.

Activity in Loans. The following table sets forth our loan activity during the periods indicated:

	Three Months		Six Months	
For the periods ended June 30,	2002	2001	2002	2001
Amount:				
Balance at beginning of period	$ 150,557	$ 527,728	$ 185,293	$ 640,052
Originations (1):				
Single-family residential loans	879	--	879	--
Multi-family residential loans	--	--	9,501	--
Commercial real estate loans and other	--	2,916	7,068	13,959
	879	2,916	17,448	13,959
Resolutions and repayments (2)	(2,700)	(24,217)	(21,692)	(68,409)
Loans transferred to real estate owned	(5,877)	(15,417)	(13,215)	(65,552)
Sales	(14,172)	(113,086)	(64,002)	(170,837)
Decrease (increase) in undisbursed loan proceeds	1,066	(612)	1,762	4,943
Decrease in discount and deferred fees	2,909	18,362	24,531	39,681
Increase in allowance for loan losses	(10,653)	(7,177)	(8,116)	(5,340)
Balance at end of period	$ 122,009	$ 388,497	$ 122,009	$ 388,497

(1) Multifamily and commercial real estate originations represent loans made to facilitate sales of our own assets and fundings of construction loans we originated in prior years. The total includes a loan of $9,153 that we made to facilitate the sale of three assisted living facilities during the first quarter of 2002. Single-family originations represents repurchases of loans previously sold.

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

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The following table sets forth certain information relating to our non-performing loans at the dates indicated:

	June 30, 2002	December 31, 2001
Non-performing loans (1):		
Single family residential loans	$ 1,832	$ 32,430
Multi-family residential loans	25,959	23,637
Commercial real estate and other	32,887	38,240
Total	$ 60,678	$ 94,307
Non-performing loans as a percentage of (1):		
Total loans (2)	43.18%	48.19%
Total assets	4.36%	5.51%
Allowance for loan losses as a percentage of:		
Total loans (2)	13.18%	5.32%
Non-performing loans (1)	30.53%	11.04%

(1) Loans that are contractually past due 90 days or more in accordance with the original terms of the loan agreement.

(2) Total loans are net of unaccreted discount, unamortized deferred fees and undisbursed loan funds.

See "Changes in Financial Condition - Allowance for Loan Losses" below for additional information regarding the allowance for loan losses.

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

	June 30, 2002	December 31, 2001
Single family residential loans (1)	$ 44,599	$ 53,123
Allowance for loan losses	(218)	(170)
Match funded loans, net	44,381	52,953
Match funded securities	14,899	19,435
Match funded advances on loans serviced for others:		
Principal and interest	61,288	65,705
Taxes and insurance	26,047	21,900
Other	12,605	14,358
	99,940	101,963
	$ 159,220	$ 174,351

(1) Includes $3,222 and $4,405 of non-performing loans at June 30, 2002 and December 31, 2001, respectively.

Match funded loans were securitized and transferred by OAC to a real estate mortgage investment conduit on November 13, 1998. The transfer did not qualify as a sale for accounting purposes. Accordingly, we recorded the proceeds that we received from the transfer as a liability (bonds-match funded agreements). The $8,524 decline in the balance during the first half of 2002 was largely due to repayment of loan principal.

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The match funded loans are secured by mortgages on properties located throughout the United States. The following table sets forth the five states in which the largest amount of properties securing our loans were located at June 30, 2002:

Michigan	$ 7,453
Texas	3,968
California	3,730
Florida	2,764
Massachusetts	2,569
Other (1)	24,115
Total	$ 44,599

(1) Consists of properties located in 37 other states, none of which aggregated over $2,182 in any one state.

Match funded securities resulted from our transfer of four unrated residual securities to a trust on December 16, 1999 in exchange for non-recourse notes. The transfer did not qualify as a sale for accounting purposes. Accordingly, we reported the amount of proceeds we received from the transfer as a secured borrowing with pledge of collateral (bonds-match funded agreements). The decline of $4,536 in the balance during the first half of 2002 was primarily due to principal repayments.

The following table presents information regarding our match funded securities at June 30, 2002:

	Fair Value	Percent Owned	Original Anticipated Yield to Maturity	Anticipated Yield to Maturity at 6/30/02 (1)	Coupon	Anticipated Weighted Average Remaining Life(2)	Prospective Yield at 6/30/02
Unrated residuals	$ 14,899	100.00%	17.39%	3.91%	N/A	9.05	11.38%

N/A - Not Available

(1) Changes in the June 30, 2002 anticipated yield to maturity from that originally anticipated are primarily the result of changes in prepayment assumptions and, to a lesser extent, loss assumptions.

(2) Equals the weighted average duration based on the June 30, 2002 book value.

The following table sets forth the principal amount of mortgage loans by the geographic location of the property securing the mortgages that underlie our match-funded securities at June 30, 2002:

Description	California	Florida	Illinois	New York	Oregon	Other (1)	Total
Single family residential	$ 34,679	$ 27,310	$ 11,639	$ 9,851	$ 9,438	$ 137,471	$ 230,388
Multi-family	1,316	314	612	601	--	4,045	6,888
Total	$ 35,995	$ 27,624	$ 12,251	$ 10,452	$ 9,438	$ 141,516	$ 237,276
Percentage (2)	15.17%	11.64%	5.16%	4.40%	3.98%	59.65%	100.00%

(1) Consists of properties located in 44 other states, none of which aggregated over $9,104 in any one state.

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

Match funded advances on loans serviced for others resulted from our transfer of certain residential loan servicing related advances to a third party in exchange for cash in 2001. The original and subsequent transfers did not qualify as a sale for accounting purposes. Accordingly, we report the amount of proceeds we received from the sale as a secured borrowing with pledge of collateral (bonds-match funded agreements.) See "Bonds-Match Funded Agreements."

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Allowances for Loan Losses. We maintain an allowance for loan losses for each of our loan and match funded loan portfolios at a level that we consider adequate to provide for inherent losses in each portfolio based upon an ongoing evaluation of known and inherent risks in such portfolios.

The following table sets forth the breakdown of the allowance for loan losses on our loans and match funded loans by loan category and the percentage of allowance and loans in each category to totals in the respective portfolios at the dates indicated:

	June 30, 2002				December 31, 2001			
	Allowance		Loan Balance		Allowance		Loan Balance	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Loans:								
Single family	$ 176	1.0%	$ 1,994	1.4%	$ 3,401	32.7%	$ 41,651	21.3%
Multi-family	7,789	42.0	36,455	25.9	2,186	21.0	31,239	16.0
Commercial real estate and other	10,563	57.0	102,088	72.7	4,827	46.3	122,817	62.7
	$ 18,528	100.0%	$140,537	100.0%	$ 10,414	100.0%	$195,707	100.0%
Match funded loans:								
Single family	$ 218	100.0%	$ 44,599	100.0%	$ 170	100.0%	$ 53,123	100.0%

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

The following table sets forth an analysis of activity in the allowance for loan losses relating to our loans and match funded loans during the six months ended June 30, 2002:

	Balance December 31, 2001	Provision	Charge-offs	Recoveries	Balance June 30, 2002
Loans:					
Single family............................	$ 3,401	$ (2,601)	$ (875)	$ 251	$ 176
Multi-family.............................	2,186	5,836	(233)	--	7,789
Commercial real estate and other..........	4,827	8,128	(2,549)	157	10,563
	$ 10,414	$ 11,363	$ (3,657)	$ 408	$ 18,528
Match funded loans:					
Single family............................	$ 170	$ 48	$ --	$ --	$ 218

Real Estate Owned, Net. Real estate owned consists almost entirely of properties acquired by foreclosure or deed-in-lieu thereof on loans in our discount loan portfolio.

The following table sets forth certain information relating to our real estate owned at the dates indicated:

	June 30, 2002	December 31, 2001
Single family residential...................	$ 4,788	$ 16,424
Commercial real estate......................	79,313	94,041
Total...................................	$ 84,101	$ 110,465

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The following table sets forth certain geographical information by type of property at June 30, 2002 related to our real estate owned:

	Single Family Residential		Commercial Real Estate		Total	
	Amount	No. of Properties	Amount	No. of Properties	Amount	No. of Properties
Florida	$ --	--	$ 41,527	3	$ 41,527	3
Michigan	298	8	18,612	1	18,810	9
Georgia	270	2	12,520	1	12,790	3
Minnesota	8	1	4,398	1	4,406	2
Washington	--	--	1,720	1	1,720	1
Other (1)	4,212	113	536	1	4,748	114
Total	$ 4,788	124	$ 79,313	8	$ 84,101	132

(1) Consists of properties located in 26 other states, none of which aggregated over $994 in any one state.

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

	Three Months		Six Months	
For the periods ended June 30,	2002	2001	2002	2001
Amount:				
Balance at beginning of period	$ 100,490	$ 136,267	$ 110,465	$ 146,419
Properties acquired through foreclosure or deed-in-lieu thereof:				
Loans	5,877	15,417	13,215	65,552
Less discount transferred	(2,596)	(5,780)	(5,854)	(25,012)
Add advances transferred	42	1,235	211	5,402
	103,813	147,139	118,037	192,361
Capital improvements	806	5,640	1,592	7,246
Sales	(9,821)	(23,830)	(20,857)	(72,906)
Decrease (increase) in valuation allowance	(10,697)	93	(14,671)	2,341
Balance at end of period	$ 84,101	$ 129,042	$ 84,101	$ 129,042

	Three Months		Six Months	
For the periods ended June 30,	2002	2001	2002	2001
Number of Properties:				
Balance at beginning of period	232	994	389	1,298
Properties acquired through foreclosure or deed-in-lieu thereof	4	220	19	563
Sales	(104)	(471)	(276)	(1,118)
Balance at end of period	132	743	132	743

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

	June 30, 2002	December 31, 2001
One to two months	$ 28	$ 2,251
Three to four months	159	1,655
Five to seven months	261	2,244
Seven to 12 months	1,216	27,422
Over 12 months (1)	82,437	76,893
	$ 84,101	$ 110,465

(1) Real estate owned that we have held in excess of one year includes seven commercial properties with a carrying value of $79,314 at June 30, 2002, including a large retail property with a carrying value of $40,962. These properties are being repositioned for sale.

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We actively manage our real estate owned. Sales of real estate owned resulted in losses, net of the provision for loss in fair value, of $(11,952) during the three months ended June 30, 2002 as compared to $(375) during the same period of the prior year. For the six month periods, net losses from sales were $(16,513) for 2002 and $(180) for 2001. The average period during which we held our real estate owned, which was sold during the three months ended June 30, 2002 and 2001, was 12 and 11 months, respectively. For sales that occurred during the six months ended June 30, 2002 and 2001, the average holding period was 11 and 9 months, respectively.

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

	Three Months		Six Months	
For the periods ended June 30,	2002	2001	2002	2001
Balance at beginning of period	$ 23,072	$ 15,894	$ 19,098	$ 18,142
Provisions for losses	12,954	3,522	19,076	9,703
Charge-offs and sales	(2,257)	(3,615)	(4,405)	(12,044)
Balance at end of period	$ 33,769	$ 15,801	$ 33,769	$ 15,801
Valuation allowance as a percentage of total gross real estate owned (1)	28.65%	10.91%		

(1) At December 31, 2001, the valuation allowance as a percentage of total gross real estate owned was 14.74%. This increase in the ratio reflects an increasing valuation allowance and a declining balance of gross real estate owned. The valuation allowance has not declined proportionately primarily because of the large commercial properties we are repositioning for sale, as discussed above.

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

	June 30, 2002	December 31, 2001
Loan portfolios:		
Taxes and insurance	$ 153	$ 2,214
Other	1,254	4,135
	1,407	6,349
Loans serviced for others:		
Principal and interest	70,506	107,319
Taxes and insurance	96,039	99,972
Other	86,782	69,543
	253,327	276,834
	$ 254,734	$ 283,183

Mortgage Servicing Rights. The unamortized balance of our mortgage servicing rights are predominantly residential and amounted to $133,677 and $101,107 at June 30, 2002 and December 31, 2001, respectively. The $32,570 increase during the six months ended June 30, 2002 was primarily due to $56,997 of purchases offset by $24,193 of amortization. Of the $56,997 of purchases during 2002, all were residential and $25,518 were acquired under flow agreements with third party lenders whereby we have committed to purchase newly originated mortgage servicing rights up to an agreed upon amount.

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Deposits. The following table sets forth information related to our deposits at the dates indicated:

	June 30, 2002		December 31, 2001	
	Amount	% of Total Deposits	Amount	% of Total Deposits
Non-interest bearing checking accounts	$ 6,373	1.4%	$ 5,624	0.9%
NOW and money market checking accounts	20,138	4.6	15,479	2.4
Savings accounts	1,711	0.4	1,287	0.2
	28,222	6.4	22,390	3.5
Certificates of deposit	414,618		636,037	
Unamortized deferred fees	(977)		(1,549)	
Total certificates of deposit (1)	413,641	93.6	634,488	96.5
Total deposits	$ 441,863	100.0%	$ 656,878	100.0%

(1) Certificates of deposit included $255,744 and $499,710 at June 30, 2002 and December 31, 2001, respectively, of deposits originated through national, regional and local investment banking firms that solicit deposits from their customers, all of which are non-cancelable. Certificates of deposit with a face value of $18,214, which carry an interest rate of 6% and mature December 16, 2008, are callable on their semiannual interest payment dates with thirty days notice.

At June 30, 2002 and December 31, 2001, certificates of deposit with outstanding balances of $100 or more amounted to $89,459 and $82,771, respectively. Of the $89,459 of certificates of deposits with balances of $100 or more at June 30, 2002, $11,049 were from political subdivisions in New Jersey and secured or collateralized as required under state law. The remaining time until maturity of certificates of deposit with balances of $100 or more as of June 30, 2002 is as follows:

Matures within three months	$ 39,740
Matures after three through six months	14,181
Matures after six through twelve months	24,254
Matures after twelve months	11,284
	$ 89,459

Escrow Deposits on Loans and Loans Serviced for Others. Escrow deposits on our loans and loans we serviced for others amounted to $88,773 and $73,565 at June 30, 2002 and December 31, 2001, respectively. The balance consisted principally of custodial deposit balances representing collections we received from borrowers for the payment of taxes and insurance premiums on mortgage properties underlying loans we serviced for others. The balance increased during 2002 principally because of an increase in loans we serviced for others. See "Results of Operations - Non-Interest Income - Servicing and Other Fees."

Bonds-Match Funded Agreements. Bonds-match funded agreements were comprised of the following at the dates indicated:

	June 30, 2002	December 31, 2001
Collateral (Interest Rate)		
Single family loans (LIBOR plus 65 basis points) (1)	$ 19,965	$ 24,005
Single family loans (LIBOR plus 70 basis points (1)	17,728	22,140
Unrated residual securities (9.50%) (1)	14,987	18,997
Advances on loans serviced for others (LIBOR plus 160 basis points) (2)	93,534	91,766
	$ 146,214	$ 156,908

(1) The decline in the balance outstanding during the six months ended June 30, 2002 was due to principal repayments, offset by amortization of discount.

(2) Under the terms of the agreement, we are eligible to sell certain additional advances on loans serviced for others up to a maximum balance of $200,000.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Dollars in thousands, except share data)

Obligations Outstanding Under Lines of Credit. We have obtained secured line of credit arrangements from unaffiliated financial institutions as follows at the dates indicated:

Entity	Balance Outstanding	Amount of Facility	Committed Amount	Maturity Date	Interest Rate(1)
June 30, 2002:					
Advances on loans serviced for others	$ 68,883	$ 100,000	$ 100,000	October 2002	LIBOR + 200 basis points
December 31, 2001:					
Real estate investments and commercial loans............................	$ 32,463	$ 200,000	$ 115,580	June 2002	LIBOR + 240 basis points
Advances on loans serviced for others	51,841	100,000	51,841	October 2002	LIBOR + 200 basis points
	$ 84,304	$ 300,000	$ 167,421		

(1) 1-month LIBOR was 1.84% and 1.87% at June 30, 2002 and December 31, 2001, respectively.

Notes, Debentures and Other Interest-Bearing Obligations. Notes, debentures and other interest-bearing obligations mature as follows:

	June 30, 2002	December 31, 2001
2003:		
11.875% Notes due October 1..	$ 86,300	$ 87,025
Loan due September 30 (LIBOR plus 250 basis-points)..................................	4,235	--
2004:		
Loan due May 24 (LIBOR plus 250 basis points)..	--	6,235
2005:		
12% Subordinated Debentures due June 15..	67,000	67,000
11.5% Redeemable Notes due July 1..	45	45
	$ 157,580	$ 160,305

The $725 decline in the balance of the 11.875% Notes during the six months ended June 30, 2002 is due to repurchases. See "Results of Operations - Gain on Repurchases of Debt." In connection with the sale of three assisted living facilities during the three months ended June 30, 2002, we repaid the loan due May 24, 2004 and entered into a new loan due September 30, 2003. The new loan is secured by the loan for $9,153 that we made to facilitate the sale of the assisted living facilities. See "Changes in Financial Condition - Loans, Net" and "- Real Estate Held for Sale."

Company Obligated, Mandatorily Redeemable Securities of Subsidiary Trust Holding Solely Junior Subordinated Debentures of the Company. The outstanding balance of the 10.875% Capital Securities due August 1, 2027 of $56,249 at June 30, 2002, declined $4,910 from December 31, 2001. During the second quarter of 2002, we repurchased $4,910 of Capital Securities in the open market for a gain of $1,074. See Note 4 to the Interim Consolidated Financial Statements included in Item 1 hereof (which is incorporated herein by reference).

Minority Interest in Subsidiary. Minority interest of $1,625 at June 30, 2002, represents the investment by others in certain of our subisdiaries that we formed during the second quarter of 2002 to establish, license and operate distressed asset management servicing companies in various countries around the world. The minority interest represents 37% of the investment in these companies as of June 30, 2002.

Stockholders' Equity. Stockholders' equity decreased $54,456 or 14% during the six months ended June 30, 2002. The decrease was primarily due to the net loss of $(54,690) for the first half of 2002. See Consolidated Statements of Changes in Stockholders' Equity of the Interim Consolidated Financial Statements included in Item 1 herein (which is incorporated herein by reference).

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Dollars in thousands, except share data)

Liquidity, Commitments and Off-Balance Sheet Risks

Our primary sources of funds for liquidity are:

- Deposits
- FHLB advances
- Securities sold under agreements to repurchase
- Lines of credit
- Match funded debt
- Maturities and payments received on loans, securities and advances
- Proceeds from sales of assets
- Servicing fees

At June 30, 2002, we were eligible to borrow up to an aggregate of $79,443 from the FHLB of New York (based on the availability of acceptable collateral) and had $69,123 of short duration CMOs pledged as security for any such borrowings as of June 30, 2002. At June 30, 2002, we also had contractual relationships with eleven brokerage firms and the FHLB of New York pursuant to which we could obtain funds from securities sales under agreements to repurchase. In addition, under a match funding agreement that we entered into on December 20, 2001, we were 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, 2002, we had $93,534 of bonds-match funded agreements outstanding under this facility, which is expected to mature in December 2003. The sales of advances did not qualify as sales for accounting purposes; therefore, we report them as secured borrowings with pledges of collateral. We will account for additional sales under this facility in the same manner. At June 30, 2002, we also had $227,603 of unrestricted cash and cash equivalents and $13,689 of short duration CMOs that we could use to secure additional borrowings. We had no outstanding FHLB advances at June 30, 2002. Securities we sold under agreements to repurchase from the FHLB amounted to $66,817 at June 30, 2002.

We continuously monitor our liquidity position and ongoing funding requirements. Among the risks and challenges associated with our funding activities are the following:

- At this time we do not intend to utilize brokered certificates of deposit, a significant portion of which mature during 2002, as a source of funding in the foreseeable future.

- Scheduled maturities of all certificates of deposit for the 12 months ending June 30, 2003, the 12 months ended June 30, 2004 and thereafter amounted to $249,127, $87,316 and $77,551, respectively.

- Expiration of existing collateralized lines of credit at various times through 2002.

- Potential extension of resolution and sale timelines for non-core assets in the current weak economic environment.

- Ongoing cash requirements to fund operations of our holding company and OTX.

- Cash requirements to fund our acquisition of additional servicing rights and related advances, as well as the need to fund the unfinanced portion of our existing servicing advances.

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. We continue to evaluate other sources of liquidity, such as lines of credit from unaffiliated parties, match funded debt and other secured borrowings.

Our operating activities provided $162,820 and $102,044 of cash flows during the six months ended June 30, 2002 and 2001, respectively. Cash flows were provided primarily by proceeds from the sale of trading securities and maturities and principal repayments received thereon. The increase in net cash flows provided by operating activities during the six months ended June 30, 2002 as compared to the same period of the prior year, was due primarily to the decrease in cash used to fund advances and match funded advances on loans serviced by others offset by the decrease in cash provided by trading securities.

Our investing activities provided cash flows totaling $66,302 and $241,905 during the six months ended June 30, 2002 and 2001, respectively. During these periods, cash flows from investing activities were used primarily to purchase mortgage servicing rights, fund commitments for loans, make capital improvements to real estate held for investment and purchase equipment. Cash flows from investing activities were provided primarily by proceeds from sales of and principal payments received on loans and proceeds from sales of real estate owned, real estate held for sale and real estate held for investment. The decrease in net cash provided by investing activities during the six months ended June 30, 2002 as compared to the same period of the prior year was due primarily to declines in proceeds from the sales of loans, proceeds from the sales of real estate owned and principal payments on loans.

Our financing activities used cash flows of $245,404 and $186,787 during the six months ended June 30, 2002 and 2001, respectively. Cash flows from financing activities were primarily utilized to repay maturing deposits. The increase in cash flow used by financing activities is principally related to a decrease in cash from lines of credit offset by a decline in the amount of maturing deposits and repurchases of debt.

The Bank was previously required under applicable federal regulations to maintain specified levels of "liquid" investments in qualifying types of U.S. government, federal agency and other investments having maturities of five years or less (not less than 4% of its average daily balance of net withdrawable deposit accounts and borrowings payable in one year or less). Effective March 15, 2001 the OTS issued an interim final rule eliminating the 4% liquidity requirement. However, the rule continues to require that savings associations maintain sufficient liquidity to ensure its safe and sound operation.

At June 30, 2002, we had commitments of $1,151 related to the funding of construction loans. Our management believes that we have adequate resources to fund all such unfunded commitments to the extent required and that substantially all of such unfunded commitments will be funded during 2002. See Note 9 to the Interim Consolidated Financial Statements included in Item 1 herein (which is incorporated herein by reference).

In addition to commitments to extend credit, we are party to various off-balance sheet financial instruments in the normal course of our business in order to manage our interest rate risk and foreign currency exchange rate risk. See Note 5 to the Interim Consolidated Financial Statements included in Item 1 herein (which is incorporated herein by reference) and "Asset and Liability Management" included in Item 3 herein.

Regulatory Capital and Other Requirements

See Note 6 to the Interim Consolidated Financial Statements included in Item 1 herein (which is incorporated by reference).

Item 3. Quantitative and Qualitative Disclosures About Market Risk.
(Dollars in thousands)

Asset and Liability Management

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

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

The following table sets forth the estimated maturity or repricing of our interest-earning assets and interest-bearing liabilities at June 30, 2002. The amounts of assets and liabilities shown within a particular period were determined in accordance with the contractual terms of the assets and liabilities, except:

- Adjustable-rate loans, performing discount loans, securities and FHLB advances are included in the period in which they are first scheduled to adjust and not in the period in which they mature,

- Fixed-rate mortgage-related securities reflect estimated prepayments, which were estimated based on analyses of broker estimates, the results of a prepayment model that we use and empirical data,

- Non-performing discount loans reflect the estimated timing of resolutions that result in repayment to us,

- NOW and money market checking deposits and savings deposits, which do not have contractual maturities, reflect estimated levels of attrition, which are based on our detailed studies of each such category of deposit , and

- Escrow deposits and other non-interest bearing checking accounts, which amounted to $95,146 at June 30, 2002, are excluded.

(Dollars in thousands)

Our management believes that these assumptions approximate actual experience and considers them reasonable; however, the interest rate sensitivity of our assets and liabilities in the table could vary substantially if different assumptions were used or actual experience differs from the historical experience on which the assumptions are based.

	June 30, 2002				
	Within Three Months	Four to Twelve Months	More Than One Year to Three Years	Three Years and Over	Total
Rate-Sensitive Assets:					
Interest-earning deposits......................	$ 122,161	$ --	$ --	$ --	$ 122,161
Federal funds sold and repurchase agreements...	88,000	--	--	--	88,000
Trading securities.............................	43,005	46,812	18,290	23,441	131,548
Loans, net (1).................................	14,897	53,424	53,511	177	122,009
Investment securities, net.....................	7,105	--	--	--	7,105
Match funded loans and securities (1)..........	2,585	5,317	11,046	40,332	59,280
Total rate-sensitive assets...................	277,753	105,553	82,847	63,950	530,103
Rate-Sensitive Liabilities:					
NOW and money market checking deposits.........	18,165	226	485	1,262	20,138
Savings deposits...............................	119	245	485	862	1,711
Certificates of deposit........................	57,948	190,725	136,467	28,501	413,641
Total interest-bearing deposits................	76,232	191,196	137,437	30,625	435,490
Securities sold under agreements to repurchase.	66,817	--	--	--	66,817
Bond-match funded loan agreements..............	134,802	5,824	5,588	--	146,214
Obligations outstanding under lines of credit..	68,883	--	--	--	68,883
Notes, debentures and other....................	4,235	--	153,300	45	157,580
Total rate-sensitive liabilities.............	350,969	197,020	296,325	30,670	874,984
Interest rate sensitivity gap excluding financial instruments..................................	(73,216)	(91,467)	(213,478)	33,280	(344,881)
Financial Instruments:					
Interest rate caps.............................	--	--	6	--	6
Interest rate floors...........................	--	--	349	--	349
Total rate-sensitive financial instruments.......	--	--	355	--	355
Interest rate sensitivity gap including financial instruments..................................	$ (73,216)	$ (91,467)	$ (213,123)	$ 33,280	$ (344,526)
Cumulative interest rate sensitivity gap.........	$ (73,216)	$ (164,683)	$ (377,806)	$ (344,526)	
Cumulative interest rate sensitivity gap as a percentage of total rate-sensitive assets......	(13.81)%	(31.07)%	(71.27)%	(64.99)%	

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

We have experienced an increasingly large negative interest rate sensitivity gap in recent years. This change has been the result of both our acquisition of OAC and our change in strategic focus away from capital-intensive businesses and into fee-based sources of income. The result has been an increase in the relative amount of noninterest-bearing assets, such as real estate assets and loan servicing assets that are funded by interest-bearing liabilities. Consequently, the amount of the negative interest rate sensitivity gap may continue to increase as we continue the transition to fee-based businesses.

The OTS has established specific minimum guidelines for thrift institutions to observe in the area of interest rate risk as described in Thrift Bulletin No. 13a, "Management of Interest Rate Risk, Investment Securities, and Derivative Activities" ("TB 13a"). Under TB 13a, institutions are required to establish and demonstrate quarterly compliance with board-approved limits on interest rate risk that are defined in terms of net portfolio value ("NPV"), which is defined as the net present value of an institution's existing assets, liabilities and off-balance sheet instruments. These limits specify the minimum net portfolio value ratio ("NPV Ratio") allowable under current interest rates and hypothetical interest rate scenarios. An institution's NPV Ratio for a given interest rate scenario is calculated by dividing the NPV that would result in that scenario by the present value of the institution's assets in that same scenario. The hypothetical scenarios are represented by immediate, permanent, parallel movements (shocks) in the term structure of interest rates of plus and minus 100, 200 and 300 basis points from the actual term structure observed at quarter end. The current NPV Ratio for each of the seven rate scenarios and the corresponding limits approved by OCN's Board of Directors, and as applied to OCN, are as follows at June 30, 2002:

(Dollars in thousands)

Rate Shock in basis points	Board Limits (minimum NPV Ratios)	Current NPV Ratios
+300	5.00%	27.38%
+200	6.00%	27.18%
+100	7.00%	26.98%
0	8.00%	26.82%
-100	7.00%	26.79%
-200	6.00%	26.79%
-300	5.00%	26.85%

The Committee also regularly reviews interest rate risk by forecasting the impact of alternative interest rate environments on net interest income and NPV and evaluating such impacts against the maximum potential changes in net interest income and NPV that is authorized by OCN's Board of Directors, and as applied to OCN. The following table quantifies the potential changes in net interest income and net portfolio value should interest rates go up or down (shocked) 300 basis points, assuming the yield curves of the rate shocks will be parallel to each other. The cash flows associated with loans and securities are calculated based on prepayment and default rates that vary by asset. Projected losses, as well as prepayments, are generated based upon the actual experience with the subject pool, as well as similar, more seasoned pools. To the extent available, loan characteristics such as loan-to-value ratio, interest rate, credit history, prepayment penalty terms and product types are used to produce the projected loss and prepayment assumptions that are included in the cash flow projections of the assets. When interest rates are shocked, these projected loss and prepayment assumptions are further adjusted. The base interest rate scenario assumes interest rates at June 30, 2002. Actual results could differ significantly from the OCN results estimated in the following table:

	Estimated Changes in	
Rate Shock in basis points	Net Interest	NPV
+300	11.17%	0.50%
+200	7.45%	0.26%
+100	3.72%	0.07%
0	--%	--%
-100	(3.72)%	0.51%
-200	(7.45)%	1.04%
-300	(11.17)%	1.79%

The Committee is authorized to utilize a wide variety of off-balance sheet financial techniques to assist it in the management of interest rate risk and foreign currency exchange rate risk. These techniques include interest rate exchange or "swap" agreements, interest rate caps and floors and foreign currency futures contracts.

Interest Rate Risk Management. We have purchased amortizing caps and floors to hedge our interest rate exposure relating to match funded loans and securities. We had entered into caps and floors with an aggregate notional amount of $118,675 and $32,404, respectively, at June 30, 2002, as compared to caps and floors with an aggregate notional amount of $125,933 and $34,100, respectively, at December 31, 2001.

See Note 5 to the Interim Consolidated Financial Statements included in Item 1 herein (which is incorporated herein by reference) for additional disclosures regarding our interest rate derivative financial instruments.

Foreign Currency Exchange Rate Risk Management. We have entered into foreign currency futures to hedge our investments in foreign subsidiaries that own residual interests backed by residential loans originated in the UK and in the shopping center located in Halifax, Nova Scotia.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.
(Dollars in thousands)

Our hedges, the related investments in foreign subsidiaries, and the net exposures as of June 30, 2002 and December 31, 2001 were as follows:

	Investment	Hedge	Net Exposure
June 30, 2002:			
UK residuals	$ 27,008	$ 24,865	$ 2,143
Nova Scotia Shopping Center	$ 12,679	$ 7,522	$ 5,157
December 31, 2001:			
UK residuals	$ 25,535	$ 24,754	$ 781
Nova Scotia Shopping Center	$ 21,648	$ 21,691	$ (43)

The net exposures are subject to gain or loss if foreign currency exchange rates fluctuate. See the "Foreign Currency Management" section of Note 5 to the Interim Consolidated Financial Statements included in Item 1 herein (which is incorporated herein by reference) for additional disclosures regarding our foreign currency derivative financial instruments.

Forward-Looking Statements

Certain statements contained herein are not, and certain statements contained in our future filings with the Securities and Exchange Commission (the "Commission"), in our press releases or in the our other public or shareholder communications may not be, based on historical facts and are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements, which are based on various assumptions (some of which are beyond our control), may be identified by reference to a future period(s) or by the use of forward-looking terminology such as "anticipate," "believe," "commitment," "consider," "continue," "could," "estimate," "expect," "foresee," "intend," "in the event of," "may," "plan," "propose," "prospect," "whether," "will," "would," future or conditional verb tenses, similar terms, variations on such terms or negatives of such terms. Although we believe the anticipated results or other expectations reflected in such forward-looking statements are based on reasonable assumptions, it can give no assurance that those results or expectations will be attained. Actual results could differ materially from those indicated in such statements due to risks, uncertainties and changes with respect to a variety of factors, including, but not limited to, international, national, regional or local economic environments (particularly in the market areas where we operate), government fiscal and monetary policies (particularly in the market areas where we operate), prevailing interest or currency exchange rates, effectiveness of interest rate, currency and other hedging strategies, laws and regulations affecting financial institutions, investment companies and real estate (including regulatory fees, capital requirements, access for disabled persons and environmental compliance), uncertainty of foreign laws and potential political issues related to operations outside of the USA, competitive products, pricing and conditions (including from competitors that have significantly greater resources than our Company), credit, prepayment, basis, default, subordination and asset/liability risks, loan servicing effectiveness, ability to identify acquisitions and investment opportunities meeting our investment strategy, the course of negotiations and the ability to reach agreement with respect to the material terms of any particular transaction, satisfactory due diligence results, satisfaction or fulfillment of agreed upon terms and conditions of closing or performance, the timing of transaction closings, software integration, development and licensing, damage to our computer equipment and the information stored our data centers, availability of and costs associated with obtaining adequate and timely sources of liquidity, ability to repay or refinance indebtedness (at maturity or upon acceleration), to meet collateral calls by lenders (upon re-valuation of the underlying assets or otherwise), to generate revenues sufficient to meet debt service payments and other operating expenses, availability of discount loans and servicing rights for purchase, size of, nature of and yields available with respect to the secondary market for mortgage loans, financial, securities and securitization markets in general, adequacy of allowances for loan losses, changes in real estate conditions (including liquidity, valuation, revenues, rental rates, occupancy levels and competing properties), adequacy of insurance coverage in the event of a loss, other factors generally understood to affect the real estate acquisition, mortgage, servicing and leasing markets, securities investments and the software and technology industry, and other risks detailed from time to time in our reports and filings with the Commission, including our periodic reports on Forms 10-Q, 8-K and 10-K and Exhibit 99.1, titled Risk Factors, to our Form 10-K for the year ended December 31, 2001, which filings are available from the SEC. Given these uncertainties, readers are cautioned not to place undue reliance on such statements. We do not undertake, and specifically disclaim any obligation, to release publicly the results of any revisions that may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

Part II - Other Information

Item 1. Legal Proceedings.

See "Note 9: Commitments and Contingencies" of Ocwen Financial Coporation'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 16, 2002, the following individuals were elected to the Board of Directors

	Votes For	Votes Withheld
William C. Erbey............................	64,120,596	511,679
Thomas F. Lewis.............................	64,120,596	511,679
W. C. Martin................................	64,120,596	511,679
Barry N. Wish...............................	64,215,710	417,175

Ratification of PricewaterhouseCoopers LLP as the independent auditors of OCN for the fiscal year ending December 31, 2002 was also voted on and approved by the shareholders. The votes were as follows:

Votes for...	64,286,738
Votes against...	338,346
Abstentions...	7,201

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

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

3.1 Amended and Restated Articles of Incorporation (2)

3.2 Amended and Restated Bylaws (3)

4.0 Form of Certificate of Common Stock (2)

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

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

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

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

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

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

4.7 Form of 10.875% Junior Subordinated Debentures due 2027 of OCN (Included in Exhibit 4.6) (4)

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

4.9 Form of Indenture between Ocwen Federal Bank FSB and The Bank of New York as Trustee (5)

4.10 Form of Subordinated Debentures due 2005 (5)

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

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

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

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

10.2 Ocwen Financial Corporation 1998 Annual Incentive Plan (10)

10.3 Amended and Restated Loan Agreement, dated as of June 10, 1998, among, inter alia, OAIC California Partnership, L.P., OAIC California Partnership II, L.P., Salomon Brothers Realty Corp. and LaSalle National Bank (11)

10.4 Compensation and Indemnification Agreement, dated as of May 6, 1999, between OAC and the independent committee of the Board of Directors (12)

10.5	Second Amendment to Guarantee of Payment, dated as of July 9, 1999, between Salomon Brothers Realty Corp. and Ocwen Partnership, L.P. (12)
10.6	Indemnity agreement, dated August 24, 1999, among OCN and OAC's Board of Directors (13)
10.7	Amended Ocwen Financial Corporation 1991 Non-Qualified Stock Option Plan, dated October 26, 1999 (13)
10.8	First Amendment to Agreement, dated March 31, 2000, between HCT Investments, Inc. and OAIC Partnership I, L. P. (13)
10.9	Form of Separation Agreement and Full Release, dated as of February 28, 2001, by and among Christine A. Reich, Ocwen Federal Bank FSB and Ocwen Financial Corporation (14)
10.10	Form of Employment Agreement dated as of April 1, 2001, by and between Ocwen Financial Corporation and Arthur D. Ringwald (15)
10.11	Form of Employment Agreement dated as of August 1, 2001 by and between Ocwen Technology Exchange and Jack Timpe (15)
99.1	Risk factors (15)
99.2	Certifications pursuant to 18 U.S.C. Section 1350 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 filed in connection with the Registrant's Registration Statement on Form S-1 (File No. 333-5153), as amended, declared effective by the Commission on September 25, 1996.

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

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

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

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

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

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

(10) Incorporated by reference from the similarly described exhibit to 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.

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

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

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

(14) 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, 2000.

(15) 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, 2001.

(b) Reports on Form 8-K Filed during the Quarter Ended June 30, 2002.

(1) A Form 8-K was filed by OCN on May 7, 2002 that contained a news release announcing Ocwen Financial Corporation's financial results for the quarter ended March 31, 2002.

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/ Mark S. Zeidman

Mark S. Zeidman,
Senior Vice President and
Chief Financial Officer
(On behalf of the Registrant and as
its principal financial officer)

Date: August 14, 2002

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

In connection with the Quarterly Report of Ocwen Financial Corporation (the "Company") on Form 10-Q for the period ending June 30, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William C. Erbey, Chief Executive Officer of the Company, certify, pursuant to Section 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ WILLIAM C ERBEY
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William C. Erbey
Chief Executive Officer
August 14, 2002

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

In connection with the Quarterly Report of Ocwen Financial Corporation (the "Company") on Form 10-Q for the period ending June 30, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark S. Zeidman, Chief Financial Officer of the Company, certify, pursuant to Section 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MARK S. ZEIDMAN
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Mark S. Zeidman
Chief Financial Officer
August 14, 2002