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, 1999

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, 1999: 60,601,156

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, 1999	December 31, 1998
Assets:		
Cash and amounts due from depository institutions	$ 107,476	$ 120,805
Interest earning deposits	18,127	49,374
Federal funds sold	75,000	275,000
Securities available for sale, at fair value	733,271	593,347
Loans available for sale, at lower of cost or market	132,425	177,847
Investment in capital stock of Federal Home Loan Bank, at cost	10,825	10,825
Loan portfolio, net	133,678	230,312
Discount loan portfolio, net	1,008,764	1,026,511
Investments in low-income housing tax credit interests	180,566	144,164
Investment in unconsolidated entities	79,958	86,893
Real estate owned, net	183,162	201,551
Investment in real estate	22,256	36,860
Premises and equipment, net	43,805	33,823
Income taxes receivable	36,627	34,333
Deferred tax asset	68,279	66,975
Excess of purchase price over net assets acquired, net	17,030	12,706
Principal, interest and dividends receivable	11,798	18,993
Escrow advances on loans	107,097	88,277
Other assets	42,123	99,483
	$ 3,012,267	$ 3,308,079
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits	$ 1,874,553	$ 2,175,016
Securities sold under agreements to repurchase	133,741	72,051
Obligations outstanding under lines of credit	94,039	179,285
Notes, debentures and other interest bearing obligations	279,236	225,000
Accrued interest payable	27,318	33,706
Accrued expenses, payables and other liabilities	41,928	61,053
Total liabilities	2,450,815	2,746,111
Company-obligated, mandatorily redeemable securities of subsidiary trust holding solely junior subordinated debentures of the Company	125,000	125,000
Minority interest	465	592
Commitments and contingencies (Note 7)		
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; 60,601,156 and 60,800,357 shares issued and outstanding at June 30, 1999 and December 31, 1998, respectively	608	608
Treasury Stock, 205,300 shares at June 30, 1999	(1,832)	--
Additional paid-in capital	166,262	166,234
Retained earnings	262,953	257,170
Accumulated other comprehensive income, net of taxes:		
Unrealized gain on securities available for sale	9,947	14,057
Net unrealized foreign currency translation loss	(1,951)	(1,693)
Total stockholders' equity	435,987	436,376
	$ 3,012,267	$ 3,308,079

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 1999	Three Months 1998	Six Months 1999	Six Months 1998
Interest income:				
Federal funds sold and repurchase agreements	$ 2,059	$ 1,404	$ 5,454	$ 2,437
Securities available for sale	15,659	8,728	32,848	16,672
Loans available for sale	11,014	25,291	19,144	34,794
Loans	8,878	11,655	15,044	17,917
Discount loans	25,553	42,281	55,556	79,078
Investment securities and other	384	1,532	1,035	2,017
	63,547	90,891	129,081	152,915
Interest expense:				
Deposits	23,559	28,677	50,387	56,522
Securities sold under agreements to repurchase	2,281	2,062	3,772	3,701
Obligations outstanding under lines of credit	5,293	15,103	9,017	19,623
Notes, debentures and other interest bearing obligations	6,705	6,734	13,460	13,586
	37,838	52,576	76,636	93,432
Net interest income before provision for loan losses	25,709	38,315	52,445	59,483
Provision for loan losses	623	9,675	4,362	11,929
Net interest income after provision for loan losses	25,086	28,640	48,083	47,554
Non-interest income (loss):				
Servicing fees and other charges	18,929	13,972	37,180	23,696
(Loss) gain on interest earning assets, net	(5,867)	(48,015)	14,275	(23,261)
Gain on real estate owned, net	2,677	10,521	3,306	11,547
Other income	9,073	9,771	15,625	15,648
	24,812	(13,751)	70,386	27,630
Non-interest expense:				
Compensation and employee benefits	24,330	29,766	51,540	51,247
Occupancy and equipment	8,732	8,507	19,369	14,925
Loan expenses	2,652	7,357	6,780	9,694
Net operating loss on investments in real estate and certain low-income housing tax credit interests	1,374	1,046	3,221	2,292
Amortization of excess of purchase price over net assets acquired	257	563	487	934
Other operating expenses	10,440	9,010	18,511	11,168
	47,785	56,249	99,908	90,260
Distributions on Company-obligated, mandatorily redeemable securities of subsidiary trust holding solely junior subordinated debentures	3,398	3,398	6,797	6,797
Equity in (losses) earnings of investment in unconsolidated entities	(3,470)	544	(4,713)	544
(Loss) income before income taxes	(4,755)	(44,214)	7,051	(21,329)
Income tax benefit (expense)	972	6,383	(1,396)	5,810
Minority interest in net loss (income) of consolidated subsidiary	96	(68)	128	(35)
Net (loss) income	$ (3,687)	$ (37,899)	$ 5,783	$ (15,554)
(Loss) income per share:				
Basic	$ (0.06)	$ (0.62)	$ 0.10	$ (0.26)
Diluted	$ (0.06)	$ (0.62)	$ 0.10	$ (0.26)
Weighted average common shares outstanding:				
Basic	60,730,614	60,713,593	60,765,485	60,682,432
Diluted	60,730,614	60,713,593	60,807,036	60,682,432

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

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

For the periods ended June 30,	Three Months 1999	Three Months 1998	Six Months 1999	Six Months 1998
Net income (loss)	$ (3,687)	$(37,899)	$ 5,783	$(15,554)
Other comprehensive income, net of tax:				
Unrealized gains on securities available for sale	(6,683)	18,296	(1,498)	23,455
Less: Reclassification adjustment	364	--	(2,613)	--
Net change in unrealized gains on securities available for sale	(6,319)	18,296	(4,111)	23,455
Unrealized foreign currency translation adjustment arising during the period	(432)	--	(257)	--
Other comprehensive income	(6,751)	18,296	(4,368)	23,455
Comprehensive (loss) income	$(10,438)	$ 19,603	$ 1,415	$ 7,901
Disclosure of reclassification adjustment:				
Unrealized holding gains arising during the period on securities sold	$ 371		$ 250	
Less: Adjustment for gains included in net (loss) income	(7)		(2,863)	
Net reclassification adjustment for gains recognized in other comprehensive (loss) income in prior years	$ 364		$(2,613)	

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

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 1999
(DOLLARS IN THOUSANDS)

	Common Stock		Additional Paid-in Capital	Treasury Stock	Retained earnings	Accumulated other comprehensive income, net of taxes	Total
	Shares	Amount					
Balances at December 31, 1998	60,800,357	$ 608	$ 166,234	$ --	$ 257,170	$ 12,364	$ 436,376
Net income	--	--	--	--	5,783	--	5,783
Change in unearned directors' compensation	6,099	--	28	--	--	--	28
Purchase of treasury shares	(205,300)	--	--	(1,832)	--	--	(1,832)
Other comprehensive income, net of taxes:							
Change in unrealized gain on securities available for sale	--	--	--	--	--	(4,111)	(4,111)
Change in unrealized foreign currency translation loss	--	--	--	--	--	(257)	(257)
Balances at June 30, 1999	60,601,156	$ 608	$ 166,262	$ (1,832)	$ 262,953	$ 7,996	$ 435,987

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

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

For the six months ended June 30,	1999	1998
Cash flows from operating activities:		
Net income (loss)	$ 5,783	$ (15,554)
Adjustments to reconcile net income (loss) to net cash provided by operating Activities:		
Net cash provided by trading activities	36,804	55,657
Proceeds from sale of loans available for sale	560,336	943,947
Purchases of loans available for sale	(47,103)	(350,622)
Origination of loans available for sale	(481,720)	(399,221)
Principal payments received on loans available for sale	18,764	52,464
Premium amortization, net	13,116	75,508
Depreciation and amortization	12,084	6,703
Provision for loan losses	4,362	11,929
Provision for real estate owned	14,840	5,871
(Gain) loss on sale of interest-earning assets, net	(14,275)	15,080
Gain on sale of real estate owned, net	(21,406)	(23,382)
Gain on sale of investment in real estate	(1,631)	--
Gain on sale of low-income housing tax credit interests	--	(4,746)
Equity in losses (earnings) of unconsolidated entities, net	4,713	(544)
Decrease (increase) in principal, interest and dividends receivable	7,195	(6,045)
Increase in income taxes receivable	(2,293)	(11,386)
Increase in deferred tax asset	(1,304)	(33,466)
Increase in escrow advances	(18,820)	(10,153)
Decrease (increase) in other assets, net	41,525	(62,743)
(Decrease) increase in accrued expenses, interest payable and other liabilities	(25,614)	42,926
Net cash provided by operating activities	105,356	292,223
Cash flows from investing activities:		
Proceeds from sale of securities available for sale	633	91,230
Purchase of securities available for sale	(479,224)	(453,449)
Maturities of and principal payments received on securities available for sale	290,113	148,621
Purchase of securities held for investment	--	(74,084)
Investment in low-income housing tax credit interests	(37,717)	(23,030)
Proceeds from sale of low income housing tax credit interests	--	21,927
Proceeds from sale of discount loans	238,704	318,222
Proceeds from sale of loans held for investment	26,243	--
Purchase and origination of loans held for investment, net of undisbursed loan funds	(15,658)	(104,351)
Purchase of discount loans	(395,298)	(587,608)
Decrease in real estate held for investment	16,447	43,519
Principal payments received on loans held for investment	84,425	90,102
Principal payments received on discount loans	107,813	175,840
Proceeds from sale of real estate owned	142,363	155,050
Purchase of real estate owned in connection with discount loan purchases	(31,490)	(7,769)
Acquisition of subsidiaries	(5,196)	(426,096)
Additions to premises and equipment	(20,475)	(20,954)
Net cash used in investing activities	(78,317)	(652,830)

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

For the six months ended June 30,	1999	1998
Cash flows from financing activities:		
(Decrease) increase in deposits	$ (300,463)	$ 161,555
Increase in securities sold under agreements to repurchase	61,690	25,720
Repayment of short-term notes	--	(1,506)
Net (repayments) proceeds from issuance of obligations under lines of credit	(85,246)	203,153
Payments and repurchase of notes and mortgages payable	4,236	--
Advances from the Federal Home Loan Bank	50,000	--
Exercise of common stock options	--	15,350
Repurchase of common stock options	--	(14,107)
Repurchase of common stock (treasury stock)	(1,832)	--
Repurchase of common stock in connection with acquisition of subsidiary	--	(7,772)
Net cash (used) provided by financing activities	(271,615)	382,393
Net (decrease) increase in cash and cash equivalents	(244,576)	21,786
Cash and cash equivalents at beginning of period	445,179	152,244
Cash and cash equivalents at end of period	$ 200,603	$ 174,030
Reconciliation of cash and cash equivalents at end of period:		
Cash and amounts due from depository institutions	$ 107,476	$ 16,160
Interest earning deposits	18,127	19,870
Federal funds sold and repurchase agreements	75,000	138,000
	$ 200,603	$ 174,030
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 83,024	$ 93,031
Income taxes	$ 524	$ 34,425
Supplemental schedule of non-cash investing and financing activities:		
Real estate owned acquired through foreclosure	$ 83,532	$ 106,030
Exchange of discount loans and loans available for sale for securities	$ 758,032	$ 1,233,811
Acquisition of businesses:		
Fair value of assets acquired	$ 5,304	$ 449,420
Liabilities assumed	101	15,069
Less stock issued	--	(7,772)
Cash paid	5,203	426,579
Less cash acquired	(7)	(483)
Net cash paid for assets acquired	$ 5,196	$ 426,096

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

NOTE 1 BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in conformity with the instructions to Form 10-Q and Article 10, Rule 10-01 of Regulation S-X for interim financial statements. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles ("GAAP") for complete financial statements. The consolidated financial statements include the accounts of Ocwen Financial Corporation ("OCN" or the "Company") 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 UK plc ("Ocwen UK") and Ocwen Technology Xchange, Inc. ("OTX"). OCN also owns 97.8% of Ocwen Financial Services ("OFS"), with the remaining 2.2% owned by Admiral Home Loan ("Admiral") and reported in the consolidated financial statements as a minority interest. 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").

In the opinion of management, the accompanying financial statements contain all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the Company's financial condition at June 30, 1999 and December 31, 1998, the results of its operations for the three and six months ended June 30, 1999 and 1998, its comprehensive income for the three and six months ended June 30, 1999 and 1998, its cash flows for the six months ended June 30, 1999 and 1998, and its changes in stockholders' equity for the six months ended June 30, 1999. The results of operations and other data for the six month period ended June 30, 1999 are not necessarily indicative of the results that may be expected for any other interim periods or the entire year ending December 31, 1999. The unaudited consolidated financial statements presented herein should be read in conjunction with the audited consolidated financial statements and related notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1998. Certain reclassifications have been made to the prior period's consolidated financial statements to conform to the June 30, 1999 presentation.

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

NOTE 2 CURRENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative and hedging activities and supercedes and amends a number of existing standards. SFAS No. 133 requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial condition. The gain or loss recognition is determined on the intended use and resulting designation of the financial instruments as follows:

- Gains or losses on derivative instruments not designated as hedging instruments are recognized in the period of change in fair value.

- Gains or losses on derivative instruments designated as hedging the exposure to changes in the fair value of a recognized asset, liability or firm commitment are recognized in earnings in the period of the fair value change, together with the offsetting fair value loss or gain on the hedged item.

- Gains or losses on derivative instruments designated as hedging exposure to variable cash flows arising from a forecasted transaction are initially reported, to the extent the fair value change is offset by the change in the forecasted cash flows, as a component of other comprehensive income. The portion of the change in fair value in excess of the offsetting change in forecasted cash flows is reported in earnings in the period of the change.

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- Gains or losses on derivative instruments designated as foreign currency hedges of net investments in foreign operations are reported in other comprehensive income as part of the foreign currency translation adjustment.

SFAS No. 133 precludes the use of nonderivative financial instruments as hedging instruments, except that nonderivative financial instruments denominated in a foreign currency may be designated as a hedge of the foreign currency exposure of an unrecognized firm commitment denominated in a foreign currency or a net investment in a foreign operation.

Under SFAS No. 133, an entity that elects to apply hedge accounting is required to establish at the inception of the hedge the method it will use for assessing the effectiveness of the hedging derivative and the measurement approach for determining the ineffective aspect of the hedge. Those methods must be consistent with the entity's approach to managing risk.

SFAS No. 133 is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. Initial application of SFAS No. 133 should be as of the beginning of an entity's fiscal quarter; on that date, hedging relationships must be designated anew and documented pursuant to the provisions of SFAS No. 133. Earlier application of SFAS No. 133 is encouraged but is permitted only as of the beginning of any fiscal quarter that begins after issuance of SFAS No. 133. The Company has not yet adopted SFAS No. 133 nor has it determined what the impact on the results of operations, financial position or cash flows would be as a result of implementing SFAS No. 133.

In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of SFAS No. 133 an amendment of SFAS No. 133." SFAS No. 137 defers the effective date of SFAS No. 133 to all fiscal quarters of all fiscal years beginning after June 15, 2000. SFAS No. 137 is effective upon issuance.

NOTE 3 ACQUISITIONS

On June 2, 1999, OTX acquired substantially all of the assets of Synergy Software, LLC ("Synergy"), a developer of commercial and multi-family mortgage servicing systems, for $10.0 million of which $5.0 million has been paid and $5.0 million is a holdback which will be released over time if certain performance objectives are attained. Synergy is in the final stages of developing its SynergyOPEN(TM) software, a 32-bit, Microsoft(R) Windows-based commercial and multifamily mortgage servicing system that employs multi-tier architecture to allow distributed computing. The acquisition was accounted for as a purchase. The excess of purchase price over net assets acquired related to this transaction amounted to $4,811 and is being amortized on a straight-line basis over a period of 15 years. Synergy is a wholly-owner subsidiary of OTX.

On July 25, 1999 OCN entered into a definitive merger agreement with OAC (the "Merger") providing for OCN to acquire OAC for 0.71 shares of OCN common stock for each outstanding share of OAC common stock (other than those OAC shares owned by OCN or its subsidiaries). OCN has agreed to provide in certain circumstances up to $25 million in financing for OAC's operations prior to the merger. The Merger, which is structured to be taxable to the OAC shareholders, is expected to close in the fourth quarter of 1999, subject to antitrust approvals and the approval of the shareholders of each of OCN and OAC. In connection therewith, on August 10, 1999, OCN filed a joint proxy and registration statement on Form S-4 with the Securities and Exchange Commission ("SEC"). If the Merger is consummated, OAC will no longer qualify as a REIT under the provisions of the Code, which requires a REIT to be owned by 100 or more persons. If OAC does not qualify as a REIT, it will be subject to tax (including any applicable alternative minimum tax) on its taxable income at regular corporate rates. See Note 7.

NOTE 4 CAPITAL SECURITIES

In August 1997, Ocwen Capital Trust I ("OCT"), a wholly-owned subsidiary of OCN, issued $125,000 of 10 7/8% Capital Securities (the "Capital Securities"). Proceeds from issuance of the Capital Securities were invested in 10 7/8% Junior Subordinated Debentures issued by OCN. The Junior Subordinated Debentures, which represent the sole assets of OCT, will mature on August 1, 2027.

Holders of the Capital Securities are entitled to receive cumulative cash distributions accruing from the date of original issuance and payable semi-annually in arrears on February 1 and August 1 of each year, commencing on February 1, 1998, at an annual rate of 10 7/8% of the liquidation amount of $1,000 per Capital Security. Payment of distributions out of moneys held by OCT, and payments on liquidation of OCT or the redemption of Capital Securities, are guaranteed by the Company to the extent OCT has funds available. If the Company does not make principal or interest payments on the Junior Subordinated Debentures, OCT will not have sufficient funds to make distributions on the Capital Securities, in which event the guarantee shall not apply to such distributions until OCT has sufficient funds available.

The Company has the right to defer payment of interest on the Junior Subordinated Debentures at any time or from time to time for a period not exceeding 10 consecutive semi-annual periods with respect to each deferral period, provided that no extension period may extend beyond the stated maturity of the Junior Subordinated Debentures. Upon the termination of any such extension period and the payment of all amounts then due on any interest payment date, the Company may elect to begin a new extension period. Accordingly, there could be multiple extension periods of varying lengths throughout the term of the Junior Subordinated Debentures. If interest payments on the Junior Subordinated Debentures are deferred, distributions on the Capital Securities will also be deferred and the Company may, and may not permit any subsidiary of the Company to, (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, the Company's capital stock or (ii) make any payment of principal, interest or premium, if any, on or repay, repurchase or redeem any debt securities that rank PARI PASSU with or junior to the Junior Subordinated Debentures. During an extension period, interest on the Junior Subordinated Debentures will continue to accrue at the rate of 10 7/8% per annum, compounded semi-annually.

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

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

NOTE 5 DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments for the purpose of reducing its exposure to adverse fluctuations in interest and foreign currency exchange rates. While these hedging instruments are subject to fluctuations in value, such fluctuations are generally offset by the change in value of the underlying exposures being hedged.

INTEREST RATE MANAGEMENT

In managing its interest rate risk, the Company on occasion enters into swaps. Under swaps, the Company agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional amount. The terms of the swaps provide for the Company to receive a floating rate of interest equal to the London Interbank Offered Rate ("LIBOR") and to pay fixed interest rates. The notional amount of the outstanding swap is amortized (i.e., reduced) monthly based upon estimated prepayment rates. The Company had no interest rate swaps outstanding at June 30, 1999 and December 31, 1998.

The Company also enters into short sales of Eurodollar and U.S. Treasury interest rate futures contracts as part of its overall interest rate risk management activity. Interest rate futures contracts are commitments to either purchase or sell designated financial instruments at a future date for a specified price and may be settled in cash or through delivery. Eurodollar futures contracts have been sold by the Company to hedge the maturity risk of certain short-duration mortgage-related securities. U.S. Treasury futures have been sold by the Company to hedge the risk of a reduction in the market value of fixed-rate mortgage loans and certain fixed-rate mortgage-backed and related securities available for sale in a rising interest rate environment. The Company had no interest rate futures contracts outstanding at June 30, 1999 and December 31, 1998.

The Company also manages its interest rate risk by purchasing European swaptions and put options. A European swaption is an option to enter into an interest rate swap at a future date at a specific rate. A European put option allows the Company to sell a specified quantity of an asset, at a specified price at a specified date. The following table sets for the terms and values of these financial instruments at June 30, 1999. The Company held no such financial instruments at December 31, 1998.

(DOLLARS AND BRITISH POUNDS IN THOUSANDS, EXCEPT SHARE DATA)

	Notional Amount	Maturity	Strike Rate/Price	Fair Value
European 10 year treasury swaption	$ 2,000	8/99	6.70%	$ 23
	7,500	3/00	6.78%	189
	5,800	5/00	6.72%	176
European 10 year treasury put option, 4.75% due 11/05/08.....	--	11/99	$ 92.91	139
	$15,300			$ 527

FOREIGN CURRENCY MANAGEMENT

The Company enters into foreign currency derivatives to hedge its equity investments in Ocwen UK and Kensington. It is the Company's policy to periodically adjust the amount of foreign currency derivative contracts it has entered into in response to changes in its recorded equity investment in these foreign entities.

The Company has determined that the local currency of its foreign subsidiary, Ocwen UK and its equity investment in Kensington, is the functional currency. In accordance with SFAS No. 52, "Foreign Currency Translation", assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the current rate of exchange existing at the statement of financial condition date and revenues and expenses are translated at average monthly rates.

The Company sells short foreign currency futures contracts ("currency futures") to hedge its foreign currency exposure related to its equity investment in Ocwen UK. Periodically, the Company adjusts the amount of currency futures contracts it has entered into in response to changes in its equity investment in Ocwen U.K. In addition, during 1998 the Company sold short foreign currency futures contracts to further hedge its foreign currency exposure related to its equity investment in Kensington. Under the terms of the currency futures, the Company had the right to receive $1,547 and pay (pound)938. These currency futures were closed during January 1999.
The fair value of the currency futures is based on quoted market prices.

The Company entered into a foreign currency swap agreement ("currency swap") with a AAA-rated counterparty to hedge its equity investment in Kensington. Under the terms of the currency swap, the Company will swap (pound)27,500 for $43,546 in five years based on the exchange rate on the date the contract became effective. The discount on the currency swap, representing the difference between the contracted forward rate and the spot rate at the date of inception, is amortized over the life of the currency swap on a straight-line basis. The value of the currency swap is calculated as the notional amount of the currency swap multiplied by the difference between the spot rate at the date of inception and the spot rate at the financial statement date.

The resulting translation adjustments, the unamortized discount on the currency swap and the values of the hedging financial instruments are reported as translation adjustments and included as a component of accumulated other comprehensive income in stockholders' equity.

(DOLLARS AND BRITISH POUNDS IN THOUSANDS, EXCEPT SHARE DATA)

The following table sets forth the terms and values of these financial instruments at June 30, 1999, and December 31, 1998.

	Maturity	Notional Amount Pay	Notional Amount Receive	Contract Rate	Unamortized Discount	Fair Value
JUNE 30, 1999:						
Currency swap......................	2003	(pound)27,500	$ 43,546	1.5835	$ 1,297	$ 165
British Pound currency futures.....	1999	(pound)31,000	$ 49,724	1.6040	n/a	$ 769
	1999	14,250	22,886	1.6060	n/a	382
	1999	563	895	1.5910	n/a	(6)
		(pound)45,813	$ 73,505			$ 1,145
DECEMBER 31, 1998:						
Currency swap......................	2003	(pound)27,500	$ 43,546	1.5835	$ 1,562	$ 2,096
British Pound currency futures.....	1999	(pound) 938	$ 1,547	1.6500	n/a	$ (6)
	1999	26,563	43,828	1.6500	n/a	(181)
		(pound)27,501	$ 45,375			$ (187)

Because interest rate futures and foreign currency futures contracts are exchange traded, holders of these instruments look to the exchange for performance under these contracts and not the entity holding the offsetting futures contract, thereby minimizing the risk of nonperformance under these contracts. The Company is exposed to credit loss in the event of nonperformance by the counterparty to the interest and currency swaps and controls this risk through credit monitoring procedures. The notional principal amount does not represent the Company's exposure to credit loss.

On January 1, 1999, eleven of the fifteen member countries of the European Union converted to a common currency (the "Euro"). Since such time transactions have been conducted using either the Euro or the countries' existing currencies. Although the United Kingdom is a member of the European Union, it is not one of the participating countries in the Euro conversion, and the Company currently does not have transactions or operations in any of the participating countries. As a result, the Euro conversion had no effect on the Company's financial condition or results of operations.

NOTE 6 REGULATORY REQUIREMENTS

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") and the regulations promulgated thereunder established certain minimum levels of regulatory capital for savings institutions subject to Office of Thrift Supervision ("OTS") supervision. The Bank must follow specific capital guidelines stipulated by the OTS which involve quantitative measures of the Bank's assets, liabilities and certain off-balance sheet items. An institution that fails to comply with its regulatory capital requirements must obtain OTS approval of a capital plan and can be subject to a capital directive and certain restrictions on its operations. At June 30, 1999, the minimum regulatory capital requirements were:

- Tangible and core capital of 1.50 percent and 3.00 percent of total adjusted assets, respectively, consisting principally of stockholders' equity, but excluding most intangible assets, such as goodwill and any net unrealized holding gains or losses on debt securities available for sale.
- 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 percent of the value of risk-weighted assets.

(DOLLARS AND BRITISH POUNDS IN THOUSANDS, EXCEPT SHARE DATA)

At June 30, 1999, the Bank was "well-capitalized" under the prompt corrective action ("PCA") regulations adopted by the OTS pursuant to the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"). To be categorized as "well-capitalized," the Bank must maintain minimum core capital, Tier 1 risk-based capital and total risk-based capital ratios as set forth in the table below. The Bank's capital amounts and classification are subject to review by federal regulators about components, risk-weightings and other factors.

The following tables summarize the Bank's actual and required regulatory capital at June 30, 1999:

	Actual		Minimum for Capital Adequacy Purposes		To Be Well Capitalized for Prompt Corrective Action Provisions		Commitment Capital Requirements
	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Stockholders' equity, and ratio to total assets	10.28%	$ 253,082					
Net unrealized gain on certain available for sale securities		(729)					
Excess mortgage servicing rights		(588)					
Acquired real estate		(19,846)					
Tangible capital, and ratio to adjusted total assets	9.50%	$ 231,919	1.50%	$ 36,629			
Tier 1 (core) capital, and ratio to adjusted total assets	9.50%	$ 231,919	3.00%	$ 73,257	5.00%	$ 122,095	9.00%
Low-level recourse deduction		(12,181)					
Tier 1 capital, and ratio to risk-weighted assets	11.52%	$ 219,738			6.00%	$ 114,399	
Allowance for loan and lease losses		23,853					
Subordinated debentures		98,000					
Tier 2 capital		121,853					
Total risk-based capital, and ratio to risk-weighted assets	17.92%	$ 341,591	8.00%	$ 152,533	10.00%	$ 190,666	13.00%
Total regulatory assets		$ 2,463,072					
Adjusted total assets		$ 2,441,909					
Risk-weighted assets		$ 1,906,657					

The OTS has promulgated a regulation governing capital distributions. The Bank is considered to be a Tier 1 association under this regulation because it met or exceeded its fully phased-in capital requirements at December 31, 1996. A Tier 1 association that before and after a proposed capital distribution meets or exceeds its fully phased-in capital requirements may make capital distributions during any calendar year equal to the greater of (i) 100% of net income for the calendar year to date plus 50% of its "surplus capital ratio" at the beginning of the year or (ii) 75% of its net income over the most recent four-quarter period. In order to make these capital distributions, the Bank must submit written notice to the OTS 30 days in advance of making the distribution.

The OTS recently published amendments to its capital distribution regulation which became effective April 1, 1999. Under the revised regulation, the Bank is required to file either an application or a notice with the OTS at least 30 days prior to making a capital distribution. The OTS may deny the Bank's application or disapprove its notice if the OTS determines that (a) the Bank will be "undercapitalized", "significantly undercapitalized" or "critically under capitalized", as defined in the OTS capital regulations, following the capital distribution, (b) the proposed capital distribution raises safety and soundness concerns or (c) the proposed capital distribution violates a prohibition contained in any statute, regulation, agreement between the Bank and the OTS or a condition imposed on the Bank in an application or notice approved by the OTS.

In addition to these OTS regulations governing capital distributions, the indenture governing the $98,000 of 12% subordinated debentures (the "Debentures") due 2005 and issued by the Bank on June 12, 1995 in the original amount of $100,000, limits the declaration or payment of dividends and the purchase or redemption of common or preferred stock in the aggregate to the sum of 50% of consolidated net income and 100% of all capital contributions and proceeds from the issuance or sale (other than to a subsidiary) of common stock, since the date the Debentures were issued.

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 as well as the regulatory capital requirements of general applicability (as indicated above). 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 to be maintained by it pursuant to such commitment.

NOTE 7 COMMITMENTS AND CONTINGENCIES

At June 30, 1999, the Company had commitments to (i) originate $22,515 of subprime loans secured by single family residential properties, subject to the borrower meeting certain conditions, and (ii) fund $11,159 of loans secured by multi-family residential buildings. In addition, the Company through the Bank had commitments under outstanding letters of credit in the amount of $25,705 at June 30, 1999. The Company, through its investment in subordinate securities and subprime residuals, which had a fair value of $242,042 (amortized cost of $229,721) at June 30, 1999, supports senior classes of securities.

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 OCN and OAC. On April 23, 1999, a complaint was filed on behalf of the putative classes of public shareholders of OAC in the Circuit Court of the Fifteenth Judicial Circuit, Palm Beach Country, Florida against OAC and certain directors of OAC. The plaintiffs in both complaints seek to enjoin the consummation of the merger. Alternatively, in the event the merger is consummated, the plaintiffs seek damages for alleged breaches of common law fiduciary duties.

NOTE 8 BUSINESS SEGMENT REPORTING

Operating segments are defined as components of an enterprise that (a) engage 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. An operating segment may engage in business activities for which it has yet to earn revenues. The Company conducts a variety of business activities within the following segments:

(DOLLARS AND BRITISH POUNDS IN THOUSANDS, EXCEPT SHARE DATA)

At or for the three months ended June 30, 1999	Net Interest Income	Non-Interest Income	Non-Interest Expense	Net (Loss) Income	Total Assets
Discount loans:					
Single family residential loans	$ 5,370	$ (13,702)	$ 3,836	$ (8,865)	$ 521,263
Commercial real estate loans	4,706	5,893	4,967	3,298	743,263
	10,076	(7,809)	8,803	(5,567)	1,264,526
Domestic mortgage loan servicing	1,343	13,548	9,590	3,223	80,165
Investment in low-income housing tax credits.	(2,660)	1,745	3,002	1,452	225,624
Commercial real estate lending	5,622	378	15	3,712	39,494
UK operations	8,363	19,031	12,234	9,217	257,397
OTX	4	314	4,574	(4,256)	27,536
Domestic subprime family residential lending.	2,951	(3,427)	3,360	(2,518)	129,244
Investment securities	860	(1,514)	1,593	(1,756)	519,409
Equity investment in OAC	--	--	--	(3,267)	35,968
Other	(850)	2,546	4,614	(3,927)	432,904
	$ 25,709	$ 24,812	$ 47,785	$ (3,687)	$ 3,012,267

At or for the six months ended June 30, 1999	Net Interest Income	Non-Interest Income	Non-Interest Expense	Net (Loss) Income	Total Assets
Discount loans:					
Single family residential loans	$ 12,252	$ (4,132)	$ 7,935	$ (4,343)	$ 521,263
Commercial real estate loans	11,788	13,528	11,064	6,800	743,263
	24,040	9,396	18,999	2,457	1,264,526
Domestic mortgage loan servicing	2,537	27,479	19,073	6,730	80,165
Investment in low-income housing tax credits.	(5,021)	2,368	6,271	2,997	225,624
Commercial real estate lending	7,197	1,102	419	5,850	39,494
UK operations	15,524	24,625	23,373	9,346	257,397
OTX	10	706	7,977	(7,261)	27,536
Domestic subprime family residential lending	7,280	(1,811)	10,139	(2,982)	129,244
Investment securities	2,452	(1,615)	3,201	(1,844)	519,409
Equity investment in OAC	--	--	--	(3,485)	35,968
Other	(1,574)	8,136	10,456	(6,025)	432,904
	$ 52,445	$ 70,386	$ 99,908	$ 5,783	$ 3,012,267

(DOLLARS AND BRITISH POUNDS IN THOUSANDS, EXCEPT SHARE DATA)

At or for the three months ended June 30, 1998	Net Interest Income	Non-Interest Income	Non-Interest Expense	Net (Loss) Income	Total Assets
Discount loans:					
Single family residential loans	$ 6,134	$ 11,348	$ 586	$ 4,520	$ 766,262
Commercial real estate loans	15,532	15,712	5,801	11,773	1,010,738
	21,666	27,060	6,387	16,293	1,777,000
Domestic mortgage loan servicing	1,575	10,262	13,408	819	21,445
Investment in low-income housing tax credits.	(1,979)	(60)	2,269	1,435	179,497
Commercial real estate lending	6,149	2,940	490	5,173	146,952
UK operations	4,910	17,225	11,423	7,449	209,350
OTX	--	307	3,453	(3,146)	18,506
Domestic subprime family residential lending	3,492	503	10,118	(4,268)	309,254
Investment securities	724	(73,743)	1,459	(47,122)	418,152
Other	1,778	1,755	7,242	(14,532)	425,423
	$ 38,315	$ (13,751)	$ 56,249	$ (37,899)	$ 3,505,579

At or for the six months ended June 30, 1998	Net Interest Income	Non-Interest Income	Non-Interest Expense	Net (Loss) Income	Total Assets
Discount loans:					
Single family residential loans	$ 12,989	$ 31,643	$ 4,326	$ 18,703	$ 766,262
Commercial real estate loans	26,450	20,617	10,112	17,057	1,010,738
	39,439	52,260	14,438	35,760	1,777,000
Domestic mortgage loan servicing	2,644	19,481	21,273	2,323	21,445
Investment in low-income housing tax credits.	(4,470)	4,686	3,915	6,394	179,497
Commercial real estate lending	7,241	2,913	1,226	5,068	146,952
UK operations	4,910	17,225	11,423	7,449	209,350
OTX	--	512	4,760	(4,248)	18,506
Domestic subprime family residential lending.	7,123	7,989	19,888	(3,587)	309,254
Investment securities	(1,799)	(79,805)	2,980	(53,991)	418,152
Other	4,394	2,369	10,357	(10,722)	425,423
	$ 59,482	$ 27,630	$ 90,260	$ (15,554)	$ 3,505,579

Other consists primarily of consolidated tax effects not allocated to individual business units, individually insignificant business activities, including the Company's historical loan portfolio of conventional single family residential loans, small commercial loan originations, unsecured collections, and the operations of OCC.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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GENERAL

The Company's primary business activities currently consist of its single family residential, multi-family residential and commercial discount loan acquisition and resolution activities, subprime single family residential lending, mortgage loans serviced for others, the development of loan servicing technology and software for the mortgage and real estate industries, and investments in low-income housing tax credit interests.

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

The consistency of the operating results of the Company can be significantly affected by inter-period variations in: (i) the amount of assets acquired, particularly discount loans; (ii) the amount of resolutions of discount loans, particularly large multi-family residential and commercial real estate loans; (iii) the amount of multi-family residential and commercial real estate loans which mature or are prepaid, particularly loans with terms pursuant to which the Company participates in the profits of the underlying real estate; (iv) sales by the Company of loans and securities; and (v) the volume and frequency of the Company's securitization of loans. Additionally, the results for the first quarter of 1998 do not include the operations of Ocwen UK, which was acquired in April 1998.

The Company continuously evaluates opportunities with respect to its business in order to enhance shareholder value. To that end, the Company has, like many other companies in the financial services industry, from time to time considered and explored a variety of potential material transactions and participated in discussions regarding such transactions with third parties, and the Company will likely continue to do so in the future. The Company cannot predict whether or when any such transaction may be consummated or the form that such a transaction may take.

The following discussion of the Company's 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 hereof.

RECENT DEVELOPMENTS

On July 25, 1999 OCN entered into a definitive merger agreement with OAC (the "Merger") providing for OCN to acquire OAC for 0.71 shares of OCN common stock for each outstanding share of OAC common stock (other than those OAC shares owned by OCN or its subsidiaries). OCN has agreed to provide in certain circumstances up to $25 million in financing for OAC's operations prior to the merger. The Merger, which is structured to be taxable to the OAC shareholders, is expected to close in the fourth quarter of 1999, subject to antitrust approvals and the approval of the shareholders of each of OCN and OAC. In connection therewith, on August 10, 1999, OCN filed a joint proxy and registration statement on Form S-4 with the Securities and Exchange Commission ("SEC"). If the Merger is consummated, OAC will no longer qualify as a REIT under the provisions of the Code, which requires a REIT to be owned by 100 or more persons. If OAC does not qualify as a REIT, it will be subject to tax (including any applicable alternative minimum tax) on its taxable income at regular corporate rates. See Note 7 to the Interim Consolidated Financial Statements included in Item 1 hereof.

On August 13, 1999, the Company reported that it entered into a contract with Southern Pacific Funding Corporation to service 17,660 subprime residential mortgage loans having an unpaid principal balance of $1.3 billion. The loans were transferred to the Company's new national servicing center in Orlando, Florida on August 3, 1999.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

SELECTED CONSOLIDATED FINANCIAL INFORMATION	June 30, 1999	December 31, 1998	Increase (Decrease)
BALANCE SHEET DATA	(Dollars in thousands)		
Total assets	$ 3,012,267	$ 3,308,079	(9)%
Securities available for sale, at fair value	733,271	593,347	24
Loans available for sale, at lower of cost or market	132,425	177,847	(26)
Loan portfolio, net	133,678	230,312	(42)
Discount loan portfolio, net	1,008,764	1,026,511	(2)
Investment in low-income housing tax credit interests	180,566	144,164	25
Investment in unconsolidated entities	79,958	86,893	(8)
Real estate owned, net	183,162	201,551	(9)
Total liabilities	2,450,815	2,746,111	(11)
Deposits	1,874,553	2,175,016	(14)
Obligations outstanding under lines of credit	94,039	179,285	(48)
Notes, debentures and other interest bearing obligations	279,236	225,000	24
Capital Securities	125,000	125,000	--
Stockholders' equity	435,987	436,376	--

	At or For the Three Months Ended June 30,		
	1999	1998	Increase (Decrease)
OPERATIONS DATA	(Dollars in thousands)		
Net interest income	$ 25,709	$ 38,315	(33)%
Provision for loan losses	623	9,675	(94)
Non-interest income (loss)	24,812	(13,751)	280
Non-interest expense	47,785	56,249	(15)
Equity in (losses) earnings of investment in unconsolidated entities	(3,470)	544	(738)
Income tax benefit	972	6,383	(85)
Net loss	(3,687)	(37,899)	90
PER COMMON SHARE			
Loss per share:			
Basic	$ (0.06)	$ (0.62)	90%
Diluted	(0.06)	(0.62)	90
Stock price:			
High	$ 9.38	$ 28.38	(67)%
Low	8.19	22.31	(63)
Close	8.88	26.88	(67)
Repurchase of common stock (treasury stock) (1)	$ 8.92	$ --	--
KEY RATIOS			
Annualized return on average assets (2)	(0.47)%	(3.80)%	88%
Annualized return on average equity (2)	(3.36)	(34.88)	90
Efficiency ratio (3)	101.56	226.44	(55)
Core (leverage) capital ratio	9.50	9.64	(2)
Risk-based capital ratio	16.71	16.11	(4)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

	At or For the Six Months Ended June 30,		
	1999	1998	Increase (Decrease)
OPERATIONS DATA	(Dollars in thousands)		
Net interest income	$ 52,445	$ 59,483	(12)%
Provision for loan losses	4,362	11,929	(63)
Non-interest income	70,386	27,630	155
Non-interest expense	99,908	90,260	11
Equity in (losses) earnings of investment in unconsolidated entities	(4,713)	544	(966)
Income tax (expense) benefit	(1,396)	5,810	(76)
Net income (loss)	5,783	(15,554)	137
PER COMMON SHARE			
Earnings (loss) per share:			
Basic	$ 0.10	$ (0.26)	138%
Diluted	0.10	(0.26)	138
Stock price:			
High	$ 12.31	$ 30.75	(62)%
Low	7.75	22.25	(65)
Close	8.88	26.88	(67)
Repurchase of common stock (treasury stock) (1)	$ 8.92	$ --	--
KEY RATIOS			
Annualized return on average assets (2)	0.36%	(.86)%	184%
Annualized return on average equity (2)	2.64	(7.23)	173
Efficiency ratio (3)	84.58	102.98	(18)
Core (leverage) capital ratio	9.50	9.64	(2)
Risk-based capital ratio	17.92	16.11	4

(1) On April 16, 1999, the Company announced that its Board of Directors had authorized the repurchase of up to six million of its issued and outstanding shares of common stock. During the second quarter of 1999, the Company repurchased 205,300 shares of its common stock for a total of $1.8 million. The 205,300 shares were the first such shares repurchased under this program.

(2) Exclusive of the impairment charges of $28.7 million and $81.8 million ($22.9 million and $65.6 million after tax) for the three months ended June 30, 1999 and 1998, respectively, the annualized return on average assets would have been 2.43% and 2.76% for the three months ended June 30, 1999 and 1998, respectively and the annualized return on average equity would have been 17.48% and 25.49% for the three months ended June 30, 1999 and 1998, respectively. Exclusive of the impairment charges of $28.9 million and $90.3 million ($23.1 million and $72.2 million after tax) for the six months ended June 30, 1999 and 1998, respectively, the annualized return on average assets would have been 1.81% and 3.13% for the six months ended June 30, 1999 and 1998, respectively and the annualized return on average equity would have been 13.19% and 26.34% for the six months ended June 30, 1999 and 1998, respectively.

(3) 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 (losses) earning of investment in unconsolidated entities. Exclusive of the impairment charges of $28.8 million and $81.8 million for the three months ended June 30, 1999 and 1998, respectively, the efficiency ratio would have been 63.02% and 52.61% for the three months ended June 30, 1999 and 1998, respectively. Exclusive of the impairment charges of $28.9 million and $90.3 million for the six months ended June 30, 1999 and 1998, respectively, the efficiency ratio would have been 67.96% and 50.71% for the six months ended June 30, 1999 and 1998, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS: THREE AND SIX MONTHS ENDED JUNE 30, 1999 VERSUS THREE AND SIX MONTHS ENDED JUNE 30, 1998

SEGMENT PROFITABILITY. The following table presents the contribution by business segment to the Company's net income for the periods indicated.

	Three Months Ended June 30,			Six Months Ended June 30,		
For the periods ended June 30,	1999	1998	Increase (Decrease)	1999	1998	Increase (Decrease)
			(Dollars in thousands)			
Discount loans:						
Single family residential loans..	$ (8,865)	$ 4,520	$ (13,385)	$ (4,343)	$ 18,703	$ (23,046)
Commercial real estate loans.....	3,298	11,773	(8,475)	6,800	17,057	(10,257)
	(5,567)	16,293	(21,860)	2,457	35,760	(33,303)
Domestic mortgage loan servicing....	3,223	819	2,404	6,730	2,323	4,407
Low-income housing tax credits......	1,452	1,435	17	2,997	6,394	(3,397)
Commercial real estate lending......	3,712	5,173	(1,461)	5,850	5,068	782
UK operations.......................	9,217	7,449	1,768	9,346	7,449	1,897
OTX	(4,256)	(3,146)	(1,110)	(7,261)	(4,248)	(3,013)
Domestic subprime single family residential lending................	(2,518)	(4,268)	1,750	(2,982)	(3,587)	605
Investment securities...............	(1,756)	(47,122)	45,366	(1,844)	(53,991)	52,147
Equity investment in OAC............	(3,268)	--	(3,268)	(3,485)	--	(3,485)
Other...............................	(3,926)	(14,532)	10,606	(6,025)	(10,722)	4,697
Net (loss) income	$ (3,687)	$ (37,899)	$ 34,212	$ 5,783	$ (15,554)	$ 21,337

- SINGLE FAMILY RESIDENTIAL DISCOUNT LOANS. Net losses in 1999 included $22.8 million of pretax impairment charges on residential subordinate securities recorded in the second quarter. Also in the second quarter of 1999, OCN completed one securitization of single family residential loans with an aggregate unpaid principal balance of $90.0 million and recorded a total gain of $8.9 million, of which $6.7 million was a cash gain. In the second quarter of 1998, the Company completed one securitization of single family residential loans with an aggregate unpaid principal balance of $98.3 million, which accounted for a total gain of $12.2 million, of which $7.4 million was a cash gain. For the six months ended June 30, 1999 and 1998, securitization gains totaled $22.8 million and $28.9 million, respectively. See "Non-Interest Income."

- COMMERCIAL REAL ESTATE DISCOUNT LOANS. Net income for the first six months of 1998 included $8.2 million of pretax gains on sales of large commercial real estate owned properties as compared to $4.1 million for the same period in 1999. Also contributing to the decline in net income for 1999, was an increase in the provision for loss in fair value on real estate owned, offset by a decline in the provision for loan losses. Net income for 1998 also included $4.8 million of pretax gains on the sale of large commercial discount loans, as compared to $2.6 million of gains on sales of large and small commercial discount loans and a $3.8 million gain on the sale of commercial subordinate securities for the same period in 1999.

- DOMESTIC MORTGAGE LOAN SERVICING. The increase in net income from mortgage loan servicing during 1999 reflects an increase in servicing fees as compared to 1998, and was primarily due to an increase in the average unpaid principal balance of loans serviced for others. The unpaid principal balance of loans serviced for others averaged $10.24 billion and $10.40 billion during the three and six months ended June 30, 1999, respectively, as compared to $7.12 billion and $6.63 billion during the three and six months ended June 30, 1998.

- LOW-INCOME HOUSING TAX CREDITS. Net income for the six months ended June 30, 1998 included a $4.7 million gain on the sale of investments in two tax credit interests during the first quarter of 1998.

- UK OPERATIONS. Net income for 1999 included a $10.2 million gain recorded in connection with one securitization of subprime single family loans with an aggregate unpaid principal balance of $295.2 million during the second quarter. For 1998, net income included a $9.1 million gain recorded in connection with one securitization of subprime single family loans with an unpaid principal balance of $363.8 million during the second quarter.

- OTX. Recently, OTX introduced its RealTrans(SM) software, an update to its e-commerce solution for ordering mortgage and real estate products and services via the Internet. Real Trans(SM) links banks, brokers, appraisers, agents, title insurers, attorneys and other ancillary service providers to facilitate the closing of mortgage and real estate transactions. The losses recorded by OTX reflect the continued investment in the development of this business. Additionally, on June 2, 1999, OTX acquired substantially all of the assets of Synergy Software, LLC ("Synergy"), a developer of commercial and multi-family mortgage servicing systems Synergy is in the final stages of developing its SynergyOPEN (TM) software, a 32-bit, Microsoft(R) Windows-based commercial and multifamily mortgage servicing system that employs multi-tier architecture to allow distributed computing. See Note 4 to the Interim Consolidated Financial Statements included in Item 1 hereof.

- DOMESTIC SUBPRIME SINGLE-FAMILY RESIDENTIAL LENDING. Net losses in 1999 included $4.1 million of pretax impairment on subprime residual securities in the second quarter as compared to $4.2 million in 1998, also in the second quarter. In the fourth quarter of 1998, the Company closed its domestic retail branch network, wrote down the related assets and goodwill, and centralized its remaining operations in West Palm Beach. In 1999, the Company closed its domestic wholesale branch network, resulting in a 1999 first quarter pre-tax charge of $1.6 million.

  In the second quarter of 1999, the Company securitized loans (domestic) aggregating $148.6 million and recorded a total gain on sale of $1.1 million, all of which was non-cash. In the second quarter of 1998, the Company securitized loans with an aggregate unpaid principal balance of $382.7 million for a gain of $9.7 million, all of which was non-cash. See "Non-Interest Income."

  The Company continues to investigate strategic alternatives with respect to its subprime domestic wholesale operations and has begun investigating strategic alternatives with respect to its UK operations.

- INVESTMENT SECURITIES. The net losses on investment securities during 1998 were primarily due to $86.1 million of pretax impairment losses ($77.6 million during the second quarter) on the Company's portfolio of AAA-rated agency interest-only securities ("IOs") The Company discontinued this investment activity and sold the IOs during the third quarter of 1998.

NET INTEREST INCOME. The operations of the Company are substantially dependent on its net interest income, which is the difference between the interest income received from its interest-earning assets and the interest expense paid on its interest-bearing liabilities. Net interest income is determined by an institution's net interest spread (i.e., the difference between the yield earned on its interest-earning assets and the rates paid on its interest-bearing liabilities), the relative amount of interest-earning assets and interest-bearing liabilities and the degree of mismatch in the maturity and repricing characteristics of its interest-earning assets and interest-bearing liabilities.

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

	Three months ended June 30,					
	1999			1998		
	Average Balance	Interest	Annualized Yield/Rate	Average Balance	Interest	Annualized Yield/Rate
	(Dollars in thousands)					
AVERAGE ASSETS:						
Federal funds sold and repurchase agreements...	$ 173,451	$ 2,059	4.75%	$ 127,444	$ 1,404	4.41%
Securities available for sale (1).............	591,156	15,659	10.60	589,879	8,728	5.92
Loans available for sale (2)..................	373,723	11,014	11.79	998,282	25,291	10.13
Loan portfolio (2)............................	174,442	8,878	20.36	285,609	11,655	16.32
Discount loan portfolio (2)...................	958,571	25,553	10.66	1,307,021	42,281	12.94
Investment securities and other...............	30,451	384	5.04	48,227	1,532	12.71
Total interest-earning assets.................	2,301,794	63,547	11.04	3,356,462	90,891	10.83
Non-interest earning cash.....................	56,590			25,264		
Allowance for loan losses.....................	(28,400)			(24,143)		
Investments in low-income housing tax credit interests.......................	170,761			113,851		
Investment in unconsolidated entities..........	83,893			45,929		
Real estate owned, net........................	197,152			176,613		
Investment in real estate.....................	41,955			61,573		
Other assets..................................	331,721			237,353		
Total assets..............................	$ 3,155,466			$ 3,992,902		
AVERAGE LIABILITIES AND STOCKHOLDERS' EQUITY:						
Interest-bearing demand deposits..............	$ 26,083	252	3.86%	$ 26,884	257	3.82%
Savings deposits..............................	1,536	9	2.34	1,743	10	2.29
Certificates of deposit.......................	1,536,659	23,298	6.06	1,843,357	28,410	6.16
Total interest-bearing deposits............	1,564,278	23,559	6.02	1,871,984	28,677	6.13
Securities sold under agreements to repurchase.	145,768	2,281	6.26	159,371	2,062	5.18
Federal Home Loan Bank advances...............	3,473	37	4.26	--	--	--
Obligations outstanding under lines of credit..	342,501	5,293	6.18	924,218	15,103	6.54
Notes, debentures and other...................	224,810	6,668	11.86	226,373	6,734	11.90
Total interest-bearing liabilities.........	2,280,830	37,838	6.64	3,181,946	52,576	6.61
Non-interest bearing deposits.................	22,580			19,440		
Escrow deposits...............................	196,240			142,986		
Other liabilities.............................	91,474			88,932		
Total liabilities..........................	2,591,124			3,433,304		
Capital securities............................	125,000			125,000		
Stockholders' equity..........................	439,342			434,598		
Total liabilities and stockholders' equity..	$ 3,155,466			$ 3,992,902		
Net interest income before provision for loan losses................................		$ 25,709			$ 38,315	
Net interest rate spread......................			4.40%			4.22%
Net interest margin...........................			4.47%			4.57%
Ratio of interest-earning assets to interest-bearing liabilities...............	101%			105%		

	Six months ended June 30,					
	1999			1998		
	Average Balance	Interest	Annualized Yield/Rate	Average Balance	Interest	Annualized Yield/Rate
			(Dollars in thousands)			
AVERAGE ASSETS:						
Federal funds sold and repurchase agreements...	$ 229,576	$ 5,454	4.75%	$ 102,164	$ 2,437	4.77%
Securities available for sale (1).............	550,249	32,848	11.94	559,602	16,672	5.96
Loans available for sale (2)..................	325,369	19,144	11.77	668,838	34,794	10.40
Loan portfolio (2)............................	194,403	15,044	15.48	283,412	17,917	12.64
Discount loan portfolio (2)...................	964,504	55,556	11.52	1,343,067	79,078	11.78
Investment securities and other...............	37,303	1,035	5.55	42,437	2,017	9.51
Total interest-earning assets.................	2,301,404	129,081	11.22	2,999,520	152,915	10.20
Non-interest earning cash.....................	85,389			22,744		
Allowance for loan losses.....................	(26,651)			(25,026)		
Investments in low-income housing Tax credit interests.......................	158,979			122,775		
Investment in unconsolidated entities..........	85,089			44,055		
Real estate owned, net........................	205,467			174,283		
Investment in real estate.....................	41,112			65,569		
Other assets..................................	342,295			219,556		
Total assets..............................	$ 3,193,084			$ 3,623,476		
AVERAGE LIABILITIES AND STOCKHOLDERS' EQUITY:						
Interest-bearing demand deposits..............	$ 48,228	892	3.70%	$ 29,966	613	4.09%
Savings deposits..............................	1,551	18	2.32	1,739	20	2.30
Certificates of deposit.......................	1,635,190	49,477	6.05	1,817,165	55,889	6.15
Total interest-bearing deposits............	1,684,969	50,387	5.98	1,848,870	56,522	6.11
Securities sold under agreements to repurchase.	111,520	3,772	6.76	131,130	3,701	5.64
Federal Home Loan Bank advances...............	1,737	37	4.26	3,740	109	5.83
Obligations outstanding under lines of credit..	292,479	9,017	6.17	604,214	19,623	6.50
Notes, debentures and other...................	225,334	13,423	11.91	226,626	13,477	11.89
Total interest-bearing liabilities	2,316,039	76,636	6.62	2,814,580	93,432	6.64
Non-interest bearing deposits.................	26,978			21,022		
Escrow deposits...............................	195,683			126,283		
Other liabilities.............................	91,124			106,047		
Total liabilities..........................	2,629,824			3,067,932		
Capital securities............................	125,000			125,000		
Stockholders' equity..........................	438,260			430,544		
Total liabilities and stockholders' equity..	$ 3,193,084			$ 3,623,476		
Net interest income before provision for loan losses................................		$ 52,445			$ 59,483	
Net interest rate spread......................			4.60%			3.56%
Net interest margin...........................			4.56%			3.97%
Ratio of interest-earning assets to Interest-bearing liabilities...............	99%			107%		

(1) Excludes effect of unrealized gains or losses on securities available for sale.
(2) The average balances include non-performing loans, interest on which is recognized on a cash basis.

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

	Three Months			Six Months		
	1999 vs. 1998			1999 vs. 1998		
	Increase (decrease) due to			Increase (decrease) due to		
For the periods ended June 30,	Rate	Volume	Total	Rate	Volume	Total
	(Dollars in thousands)					
Interest-earning assets:						
Federal funds sold and repurchase agreements	$ 116	$ 539	$ 655	$ (10)	$ 3,027	$ 3,017
Securities available for sale	6,912	19	6,931	16,459	(283)	16,176
Loans available for sale	3,595	(17,872)	(14,277)	4,083	(19,733)	(15,650)
Loan portfolio	2,445	(5,222)	(2,777)	3,490	(6,363)	(2,873)
Discount loan portfolio	(6,651)	(10,077)	(16,728)	(1,682)	(21,840)	(23,522)
Investment securities and other	(712)	(436)	(1,148)	(761)	(221)	(982)
Total interest-earning assets	5,705	(33,049)	(27,344)	21,579	(45,413)	(23,834)
Interest-bearing liabilities:						
Interest-bearing demand deposits	3	(8)	(5)	(64)	343	279
Savings deposits	--	(1)	(1)	--	(2)	(2)
Certificate of deposit	(455)	(4,657)	(5,112)	(893)	(5,519)	(6,412)
Total interest-bearing deposits	(452)	(4,666)	(5,118)	(957)	(5,178)	(6,135)
Securities sold under agreements to repurchase	406	(187)	219	672	(601)	71
Federal Home Loan Bank advances	37	--	37	(24)	(48)	(72)
Obligations outstanding under lines of credit	(779)	(9,031)	(9,810)	(949)	(9,657)	(10,606)
Notes, debentures and other obligations	(20)	(46)	(66)	22	(76)	(54)
Total interest-bearing liabilities	(808)	(13,930)	(14,738)	(1,236)	(15,560)	(16,796)
Increase (decrease) in net interest income	$ 6,513	$ (19,119)	$ (12,606)	$ 22,815	$ (29,853)	$ (7,038)

The Company's net interest income before provision for loan losses of $25.7 million decreased $12.6 million or 33% during the three months ended June 30, 1999 as compared to the same period in the prior year. The decrease in net interest income reflects a $27.3 million decrease in interest income, offset by a $14.7 million decrease in interest expense, and occurred primarily as a result of a decrease in the average balance of interest earning assets and interest bearing liabilities. The net interest spread increased 18 basis points during the three months ended June 30, 1999 as a result of a 21 basis point increase in the weighted average yield on interest-earning assets and a 3 basis point increase in the weighted average rate on interest-bearing liabilities. The impact of these rate changes resulted in a $6.5 million increase in net interest income. Average interest-earning assets decreased by $1.05 billion or 31% during the three months ended June 30, 1999 and reduced interest income by $33.0 million, while average interest-bearing liabilities decreased $901.1 million or 28% and reduced interest expense by $13.9 million. The net impact of these volume changes resulted in a decrease of $19.1 million to net interest income.

For the three months ended June 30,	Average Balance 1999	Average Balance 1998	Increase (Decrease) $	Average Yield 1999	Average Yield 1998	Increase (Decrease) Basis Points
			(Dollars in thousands)			
Federal funds sold and repurchase agreements	$ 173,451	$ 127,444	$ 46,007	4.75%	4.41%	34
Securities available for sale...	591,156	589,879	1,277	10.60	5.92	468
Loans available for sale	373,723	998,282	(624,559)	11.79	10.13	166
Loan portfolio	174,442	285,609	(111,167)	20.36	16.32	404
Discount loan portfolio	958,571	1,307,021	(348,450)	10.66	12.94	(228)
Investment securities and other	30,451	48,227	(17,776)	5.04	12.71	(767)
	$ 2,301,794	$ 3,356,462	$(1,054,668)	11.04	10.83	21

For the six months ended June 30,	Average Balance 1999	Average Balance 1998	Increase (Decrease) $	Average Yield 1999	Average Yield 1998	Increase (Decrease) Basis Points
			(Dollars in thousands)			
Federal funds sold and Repurchase agreements.........	$ 229,576	$ 102,164	$ 127,412	4.75%	4.77%	(2)
Securities available for sale...	550,249	559,602	(9,353)	11.94	5.96	598
Loans available for sale........	325,369	668,838	(343,469)	11.77	10.40	137
Loan portfolio..................	194,403	283,412	(89,009)	15.48	12.64	284
Discount loan portfolio.........	964,504	1,343,067	(378,563)	11.52	11.78	(26)
Investment securities and other.....................	37,303	42,437	(5,134)	5.55	9.51	(396)
	$ 2,301,404	$ 2,999,520	$ (698,116)	11.22	10.20	102

Interest income on discount loans decreased by $16.7 million or 40% in the three months ended June 30, 1999, as a result of a $348.4 million or 27% decrease in the average balance and a 228 basis point decrease in the weighted average yield earned. For the six months ended June 30, 1999, interest income on discount loans decreased $23.5 million or 30% primarily as a result of a $378.6 million or 28% decrease in the average balance and a 26 basis point decline in the average yield. Securitizations, as well as a decline in acquisition volume, have contributed significantly to the decline in the average balance. The yield on the discount loan portfolio is likely to fluctuate from period to period as a result of the timing of resolutions, particularly the resolution of large multi-family residential and commercial real estate loans, and the mix of the overall portfolio between performing and nonperforming loans.

Interest income on loans available for sale decreased $14.3 million or 56% during the second quarter of 1999 as compared to the same period in 1998 as a result of a $624.6 million or 63% decrease in the average balance, offset in part by a 166 basis point increase in the weighted average yield earned. For the first six months of 1999, interest income on loans available for sale decreased $15.7 million or 45% due to a $343.5 million or 51% decline in the average balance, offset in part by a 137 basis point increase in the average yield earned. The decline in the average balance reflects securitizations of foreign and domestic subprime loans and a decline in originations due in large part to the closure of domestic subprime origination branch networks.

Interest income on the loan portfolio decreased by $2.8 million or 24% in the three months ended June 30, 1999, as a result of a $111.2 million or 39% decrease in the average balance, offset by a 404 basis point increase in the weighted average yield earned. For the six months ended June 30, 1999, interest income on the loan portfolio decreased $2.9 million or 16% as a result of an $89.0 million or 31% decline in the average balance, offset in part by a 284 basis point increase in the average yield earned. The significant yields and declining average balances on the loan portfolio reflect the continuing payoff of multifamily and nonresidential loans.

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Interest income on securities available for sale increased by $6.9 million or 79% during the second quarter of 1999 as compared to the same period in 1998 primarily as a result of a 468 basis point increase in the weighted average yield earned. For the first six months of 1999, interest income on securities available for sale increased $16.2 million or 97% primarily due to a 598 basis point increase in the average yield. As indicated in the table below, the higher yields earned during 1999 reflect a change in the composition of the securities available for sale portfolio.

	Average Balance		Annualized Yield	
For the three months ended June 30,	1999	1998	1999	1998
CMOs (AAA-rated)................	$ 362,820	$ 227,160	5.29%	5.54%
Subordinates and residuals......	228,336	124,467	19.02	12.31
IOs (AAA-rated agency)..........	--	204,103	--	1.29
Other...........................	--	34,149	--	12.78
	$ 591,156	$ 589,879	10.60%	5.92%

	Average Balance		Annualized Yield	
For the six months ended June 30,	1999	1998	1999	1998
CMOs (AAA-rated).................	$ 327,010	$ 211,242	5.57%	5.71%
Subordinates and residuals.......	223,239	109,873	21.27	18.56
IOs (AAA-rated agency)...........	--	201,026	--	(1.13)
Other............................	--	37,461	--	8.48
	$ 550,249	$ 559,602	11.94%	5.96%

The average yield on the IOs and residuals was adversely affected by declining interest rates and the resulting increase in prepayment speeds. During the second quarter of 1998, OCN discontinued its IO this investment activity and sold its entire portfolio of IOs in July 1998.

	Average Balance		Increase (Decrease)	Average Rate		Increase (Decrease)
For the three months ended June 30,	1999	1998	$	1999	1998	Basis Points
			(Dollars in thousands)			
Deposits	$ 1,564,278	$ 1,871,984	$ (307,706)	6.02%	6.13%	(11)
Securities sold under agreements to repurchase	145,768	159,371	(13,603)	6.26	5.18	108
Obligations outstanding under lines of credit	342,501	924,218	(581,717)	6.18	6.54	(36)
Notes, debentures and other.........	228,283	226,373	1,910	11.75	11.90	(15)
	$ 2,280,830	$ 3,181,946	$ (901,116)	6.64	6.61	3

For the six months ended June 30,	Average Balance 1999	Average Balance 1998	Increase (Decrease) $	Average Rate 1999	Average Rate 1998	Increase (Decrease) Basis Points
			(Dollars in thousands)			
Deposits	$ 1,684,969	$ 1,848,870	$ (163,901)	5.98%	6.11%	(13)
Securities sold under agreements to repurchase	111,520	131,130	(19,610)	6.76	5.64	112
Obligations outstanding under lines of credit	292,479	604,214	(311,735)	6.17	6.50	(33)
Notes, debentures and other	227,071	230,366	(3,295)	11.86	11.80	6
	$ 2,316,039	$ 2,814,580	$ (498,541)	6.62	6.64	(2)

Interest expense on deposits decreased $5.1 million or 18% during the three months ended June 30, 1999 primarily due to a $ 307.7 million or 16% decrease in the average balance of certificates of deposit. For the six months ended June 30, 1999, interest expense on deposits decreased $6.1 million or 11%, also primarily due to a decline in the average balance of certificates of deposit.

Interest expense on obligations outstanding under lines of credit decreased $9.8 million or 65% during the second quarter of 1999 primarily due to a $581.7 million or 63% decline in the average balance. For the first six months of 1999, interest expense on obligations outstanding under lines of credit decreased $10.6 million or 54% primarily due to a $311.7 million or 52% decline in the average balance. Lines of credit are used primarily to fund the acquisition and origination of subprime single family loans at OFS and Ocwen UK. The decline in the average balance of lines of credit during 1999 is consistent with the decline in the average balance of loans available for sale during the same period. For additional information regarding lines of credit, see "Changes in Financial Condition - Obligations Outstanding Under Lines of Credit" and "Liquidity, Commitments and Off-Balance Sheet Risks."

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

The following table sets forth the components of the Company's provision for loan losses for the periods indicated.

For the periods ended June 30,	Three Months 1999	Three Months 1998	Six Months 1999	Six Months 1998
		(Dollars in thousands)		
Discount loans..........................	$ (1,280)	$ 9,562	$ 3,409	$ 11,485
Loan portfolio..........................	1,903	113	953	444
Total.................................	$ 623	$ 9,675	$ 4,362	$ 11,929

The decline in provisions for discount loan losses during 1999 as compared to 1998, is primarily due to a decline in the discount loan balance. Despite a decline in the loan portfolio balance, the provision for loan portfolio losses increased during 1999 primarily as a result of an increase in nonperforming loans. The following table sets forth the allowance for loan losses as a percentage of the respective loan balances at the dates indicated.

	June 30, 1999 Allowance	June 30, 1999 Loan Balance	June 30, 1999 Allowance as a %	June 30, 1998 Allowance	June 30, 1998 Loan Balance	June 30, 1998 Allowance as a %
Discount loans..........	20,405	1,029,169	1.98	22,852	1,444,358	1.58%
Loan portfolio..........	$ 5,853	139,531	4.19%	$ 4,139	285,090	1.45
	$ 26,258	$1,168,700	2.25%	$ 26,991	$1,729,448	1.56%

Overall, the Company's aggregate allowance for losses on the loan portfolios and real estate owned at June 30, 1999 increased to 3.18% of the respective balances as compared to 2.02% at June 30, 1998.

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Although management utilizes its best judgment in providing for possible loan losses, there can be no assurance that the Company will not change its provisions for possible loan losses in subsequent periods to a higher level from that recorded to date in 1999. Changing economic and business conditions, fluctuations in local markets for real estate, future changes in non-performing asset trends, large upward movements in market interest rates or other reasons could affect the Company's future provisions for loan losses. For further discussion and analysis regarding the provisions for loan losses, see "Changes in Financial Condition Allowances for Losses."

NON-INTEREST INCOME. The following table sets forth the principal components of the Company's non-interest income during the periods indicated.

	Three Months		Six Months	
For the periods ended June 30,	1999	1998	1998	1998
	(Dollars in thousands)			
Servicing fees and other charges...........	$ 18,929	$ 13,972	$ 37,180	$ 23,696
(Loss) gain on interest-earning assets, net.	(5,867)	(48,015)	14,275	(23,261)
Gain on real estate owned, net.............	2,677	10,521	3,306	11,547
Other income...............................	9,073	9,771	15,625	15,648
Total.................................	$ 24,812	$ (13,751)	$ 70,386	$ 27,630

The increases in servicing fees and other charges reflects an increase in loan servicing and related fees as a result of an increase in the average balance of loans serviced for others. The unpaid principal balance of loans serviced for others averaged $10.24 billion and $10.40 billion during the three and six months ended June 30, 1999, respectively, as compared to $7.12 billion and $6.63 billion during the three and six months ended June 30, 1998. The increase in the average balance of loans serviced for others was primarily related to servicing retained in connection with subprime securitizations, net of repayments.

The Company completed construction of its national servicing center in Orlando, Florida, in July 1999 as scheduled.

The following table sets forth the Company's loans serviced for others at June 30, 1999.

	Discount Loans		Subprime Loans (1)		Other Loans		Total	
	Amount	No. of Loans	Amount	No. of Loans	Amount	No. of Loans	Amount	No. of Loans
	(Dollars in thousands)							
Loans securitized	$ 1,162,660	18,555	$ 2,028,039	38,546	$ --	--	$ 3,190,699	57,101
Loans serviced for third parties	1,372,020	18,388	5,359,045	80,492	982,792	749	7,713,857	99,629
	$ 2,534,680	36,943	$ 7,387,084	119,038	$ 982,792	$ 749	$10,904,556	156,730

(1) Includes 42,328 loans with an unpaid principal balance of $977.8 million ((pound)619.8 million) which were serviced by Ocwen UK.

Loss on interest-earning assets for the second quarter of 1999 of $5.9 million was primarily comprised of $28.8 million of impairment charge on securities available for sale, offset by $20.2 million of securitization gains, as presented in the table below, and $1.4 million of gains on the sale of commercial discount loans. Loss on interest-earning assets, net, for the second quarter of 1998 of $48.0 million was primarily comprised of $31.0 million of securitization gains, as presented in the table below, and a $2.8 million gain recognized on the sale of small commercial discount loans, offset by $81.8 million of impairment losses on securities available for sale. See "Changes in Financial Condition- Securities Available for Sale."

Gains on interest-earning assets (as well as other assets, such as real estate owned, as discussed below) generally are dependent on various factors which are not necessarily within the control of the Company, including market and economic conditions. As a result, there can be no assurance that the gains on sale of interest-earning assets (and other assets) reported by the Company in prior periods will be reported in future periods or that there will not be substantial inter-period variations in the results from such activities.

The following table sets forth the Company's net gains recognized in connection with the securitization of loans during the periods indicated.

Loans Securitized				Book Value of Securities Retained	
Type of Loans	Principal	No. of Loans	Net Gain	(Non-cash Gain)	Cash Gain
			(Dollars in thousands)		
FOR THE THREE MONTHS ENDED JUNE 30,1999:					
Single family discount	$ 90,037	1,443	$ 8,864	$ 2,133	$ 6,731
Single family subprime:					
Domestic	148,628	1,381	1,117	7,659	--
Foreign (Ocwen UK)	295,157	8,983	10,207	34,452	--
	443,785	10,364	11,324	42,111	--
	$ 533,822	11,807	$ 20,188	$ 44,244	$ 6,731
FOR THE THREE MONTHS ENDED JUNE 30,1998:					
Single family discount	$ 98,345	1,155	12,219	$ 4,831	$ 7,388
Single family subprime:					
Domestic	382,716	4,522	9,675	27,262	--
Foreign (Ocwen UK)	363,801	14,179	9,133	33,988	--
	746,517	18,701	18,808	61,250	--
	$ 844,862	19,856	$ 31,027	$ 66,081	$ 7,388
FOR THE SIX MONTHS ENDED JUNE 30, 1999:					
Single family discount (1)	227,303	3,137	$ 22,763	$ 4,040	$ 18,723
Single family subprime:					
Domestic	235,572	2,192	3,834	12,091	--
Foreign (Ocwen UK)	295,157	8,983	10,207	34,452	--
	530,729	11,175	14,041	46,543	--
	$ 758,032	14,312	$ 36,804	$ 50,583	$ 18,723
FOR THE SIX MONTHS ENDED JUNE 30,1998:					
Single family discount	$ 325,894	4,932	$ 28,917	$ 20,205	$ 8,712
Single family subprime					
Domestic	544,116	5,961	17,607	37,124	--
Foreign (Ocwen UK)	363,801	14,179	9,133	33,988	--
	907,917	20,140	26,740	71,112	--
	$1,233,811	25,072	$ 55,657	$ 91,317	$ 8,712

(1) Includes 392 loans with an unpaid principal balance of $25.2 million securitized from the loan portfolio

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The following table sets forth the results of the Company's investment in real estate owned (which does not include investments in real estate), which were primarily related to the discount loan portfolio, during the periods indicated:

For the periods ended June 30,	Three Months 1999	Three Months 1998	Six Months 1999	Six Months 1998
	(Dollars in thousands)			
Gains on sales	$ 12,205	$ 14,619	$ 21,407	$ 23,382
Provision for loss in fair value	(9,779)	(1,645)	(14,840)	(5,879)
Rental income (carrying costs), net	251	(2,453)	(3,261)	(5,956)
Gain on real estate owned, net	$ 2,677	$ 10,521	$ 3,306	$ 11,547

At June 30, 1999 the Company had established valuation allowances on real estate owned of $17.3 million, or 8.61% of the balance, as compared to $11.2 million or 6.9% of real estate owned at June 30, 1998. For additional information relating to the Company's real estate owned, see "Changes in Financial Condition-Real Estate Owned."

Other income for the first six months of 1999 of $15.6 million was primarily comprised of $7.9 million of brokerage commissions earned in connection with Ocwen UK loan originations, $3.1 million of management fees earned from OAC and $1.6 million of gains on sales of investments in real estate. For the six months ended June 30, 1998, other income of $15.6 million was primarily comprised of $4.6 million of gains on the sale of low-income housing tax credit interests, $2.9 million of gains on sales of investments in real estate, $2.7 million of brokerage commissions earned in connection with Ocwen UK loan originations and $2.3 million of management fees earned from OAC.

NON-INTEREST EXPENSE. Non-interest expense decreased $8.5 million or 15% in the second quarter of 1999 as compared to the second quarter of 1998, and increased $9.6 million or 11% in the first six months of 1999 as compared to the same period in 1998. The increase in non-interest expenses for the first six months of 1999 was primarily related to the acquisition of Ocwen UK on April 24, 1998. Total non-interest expenses incurred by Ocwen UK amounted to $22.9 million and $11.3 million during the six months ended June 30, 1999 and 1998, respectively. The following table sets forth the principal components of the Company's non-interest expense during the periods indicated.

For the periods ended June 30,	Three Months 1999	Three Months 1998	Six Months 1999	Six Months 1998
	(Dollars in thousands)			
Compensation and employee benefits	$ 24,330	$ 29,766	$ 51,540	$ 51,247
Occupancy and equipment	8,732	8,507	19,369	14,925
Loan expenses	2,652	7,357	6,780	9,694
Net operating loss on investments in real estate and certain low-income housing tax credit interests	1,374	1,046	3,221	2,292
Amortization of goodwill	257	563	487	934
Other operating expenses	10,440	9,010	18,511	11,168
Total	$ 47,785	$ 56,249	$ 99,908	$ 90,260

The decrease in compensation and employee benefits during the three months ended June 30, 1999 reflects a reduction in profit sharing expense in connection with the Company's decision to grant options under its annual incentive plan at an exercise price equal to fair market value. Previously, options were granted at exercise prices below fair market value, resulting in the recognition of compensation expense. Also contributing to the decline in compensation and employee benefits was a decrease in commissions incurred by OFS as a result of the closing of retail and wholesale branch networks, and a decrease in recruiting related expenses as a result of an increase in direct hiring. These declines were partially offset by an increase in profit sharing expense in connection with the Company's implementation of a long-term incentive plan in the fourth quarter of 1998. For the six months ended June 30, 1999 as compared to the same period in 1998, compensation and employee benefits incurred by Ocwen UK increased $6.9 million, while that incurred by OFS declined $6.1 million.

The $4.4 million increase in occupancy and equipment expenses during the six months ended June 30, 1999 was primarily due to a $1.9 million increase in technology costs and a $1.0 million increase in rent expense. Ocwen UK accounted for $2.2 million of the $4.4 million increase in occupancy and equipment expenses for the six months ended June 30, 1999. The Company completed construction of its national servicing center in Orlando, Florida, in July 1999 as scheduled.

The $4.7 million, or 64%, and $2.9 million, or 30%, decrease in loan expenses in the three and six months ended June 30, 1999, respectively, reflects significant declines in the average balance of loans during 1999. The average balance of loans (loans available for sale, loan portfolio and discount loans) declined 42% and 35% during the three and six months ended June 30, 1999, respectively, as compared to the same periods in 1998.

Other operating expenses are primarily comprised of professional fees (primarily consulting), marketing, travel related costs, and regulatory and insurance. The $7.3 million increase in other operating expenses during the six months ended June 30, 1999 was due primarily to a $2.4 million increase in professional fees, primarily consulting, a $1.8 million increase in advertising and a $0.9 million increase in travel related costs.

EQUITY IN LOSSES OF INVESTMENTS IN UNCONSOLIDATED ENTITIES. The following table summarizes the company's equity in losses of investments in unconsolidated entities for the periods indicated.

	Ownership		Equity in (Losses) Earnings			
			Three months Ended June 30,		Six Months Ended June 30,	
Entity	Shares/Units	%	1999	1998	1999	1998
			(Dollars in thousands)			
OAC................	1,540,000	8.12%	$ (1,475)	$ --	$ (1,539)	$ --
OPLP...............	1,808,733	8.71%	(1,793)	--	(1,947)	--
Kensington (1).....	549,993	36.05%	(289)	544	(1,430)	544
Other..............	Various	various	87	--	203	--
			$ (3,470)	$ 544	$ (4,713)	$ 544

(1) Equity in earnings of investment in Kensington includes goodwill amortization of $0.6 and $1.2 million for the three and six months ended June 30, 1999, respectively, as compared to $0.9 million for the three and six months ended June 30, 1998.

See "Changes in Financial Condition - Investment in Unconsolidated Entities".

INCOME TAX EXPENSE. Income tax benefit (expense) amounted to $1.0 million and $6.4 million during the second quarter of 1999 and 1998, respectively, and ($1.4) million and $5.8 million for the first six months of 1999 and 1998, respectively. OCN's income tax provision for 1999 reflects an expected tax rate of 19.8%. OCN's expected income tax rate is less than its statutory income tax rate primarily due to tax credits resulting from its investment in certain low-income housing tax credit interests. Tax credits amounted to $4.6 million and $4.3 million for the second quarter of 1999 and 1998, respectively, and $9.1 million and $9.0 million for the first six months of 1999 and 1998, respectively. Additionally, 1998 income tax expense was reduced as a result of the utilization of $8.6 million of net operating tax loss carryforwards. See "Changes in Financial Condition-Investments in Low Income Housing Tax Credit Interests".

CHANGES IN FINANCIAL CONDITION

SECURITIES AVAILABLE FOR SALE. At June 30, 1999, securities available for sale amounted to $733.3 million or 24% of the Company's total assets as compared to $593.3 million or 18% of total assets at December 31, 1998. Securities available for sale are carried at fair value with unrealized gains or losses reported as a separate component of stockholders' equity net of deferred taxes. Unrealized losses on securities that reflect a decline in value which is other than temporary are charged to earnings. Securities available for sale at June 30, 1999 included an aggregate of $14.2 million of net unrealized gains ($20.0 million of gross gains and $8.6 million of gross losses) as compared to $21.7 million of unrealized gains ($22.0 million of gross gains and $0.3 million of gross losses) at December 31, 1998.

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

	June 30, 1999	December 31, 1998	Increase (Decrease) Dollars	Percent
		(Dollars in thousands)		
Mortgage-related securities:				
Single-family residential:				
CMOs (AAA-rated)	$ 491,156	$ 344,199	$ 146,957	43%
Subordinates:				
BB-rated	8,878	9,921	(1,043)	(11)
B-rated	5,061	4,940	121	2
BBB-rated	16,667	17,593	(926)	(5)
Unrated	28,486	58,359	(29,873)	(51)
Subprime residuals:				
Unrated	162,328	135,187	27,141	20
AAA-rated non agency interest only...	16,518	6,981	9,537	137
	729,094	577,180	151,914	26
Multi-family residential and commercial:				
Unrated interest only	77	106	(29)	(27)
Subordinates:				
B-rated	1,165	1,230	(65)	(5)
Unrated	2,935	14,831	(11,896)	(80)
	4,177	16,167	(11,990)	(74)
Total	$ 733,271	$ 593,347	$ 139,924	24

The Company's securities available for sale increased by $140.0 million or 24% during the six months ended June 30, 1999, due primarily to $428.9 million of purchases and $50.4 million of subordinates and residual securities acquired in connection with the Company's securitizations of 14,312 loans, which was offset by $290.1 million of maturities and principal repayments, $29.1 million of impairment and $11.8 million of net premium amortization.

At June 30, 1999, the fair value of the Company's investment in subordinate and residual interests amounted to $225.5 million ($212.2 million of amortized cost) or 31% of total securities available for sale and supported senior classes of securities having an outstanding principal balance of $4.2 billion. Because of their subordinate position, subordinated and residual classes of mortgage-related securities provide protection to and involve more risk than the senior classes. Specifically, when cash flow is impaired, debt service goes first to the holders of senior classes. In addition, incoming cash flows may be held in a reserve fund to meet any future repayments until the holders of senior classes have been paid and, when appropriate, until a specified level of funds has been contributed to the reserve fund. Further, residual interests exhibit considerably more price volatility than mortgages or ordinary mortgage pass-through securities, due in part to the uncertain cash flows that result from changes in the prepayment rates of the underlying mortgages. Lastly, subordinate and residual interests involve substantially more credit risk than the senior classes of the mortgage-related securities to which such interests relate and generally are not as liquid as the senior classes.

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

The Company determines the present value of anticipated cash flows at the time each securitization transaction closes, utilizing valuation assumptions appropriate for each particular transaction. The significant valuation assumptions include the anticipated prepayment speeds and the anticipated credit losses related to the underlying mortgages. In order to determine the present value of this estimated excess cash flow, the Company currently applies a discount rate of 18% to the projected cash flows on the unrated classes of securities. The annual prepayment rate of the securitized loans is a function of full and partial prepayments and defaults. The Company makes assumptions as to the prepayment rates of the underlying loans, which the Company believes are reasonable, in estimating fair values of the subordinate securities and residual securities retained. During 1999, the Company utilized proprietary prepayment curves generated by the Company (reaching an approximate range of annualized rates of 15%-50%). In its estimates of annual loss rates, the Company utilizes assumptions that it believes are reasonable. The Company currently estimates annual losses of between 0.03% and 4.06% 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 periods of declining interest rates, rates of prepayments on mortgage loans generally increase, and if the rate of prepayments is faster than anticipated, then the yield on subordinates will be positively affected and the yield on residuals will be negatively affected.

The credit risk of mortgage related securities is affected by the nature of the underlying mortgage loans. In this regard, the risk of loss on securities backed by commercial and multi-family loans and single-family residential loans made to borrowers who, because of prior credit problems, the absence of a credit history or other factors, are unable or unwilling to qualify as borrowers under guidelines established by the Federal Home Loan Mortgage Corporation ("FHLMC") and the Federal National Mortgage Association ("FNMA") for purchases of loans by such agencies, generally involve more risk than securities backed by single-family residential loans which conform to the requirements established by FHLMC and FNMA for their purchase by such agencies.

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

The Company periodically assesses the carrying value of its subordinate securities and residual securities retained as well as the servicing assets for impairment. There can be no assurance that the Company's estimates used to determine the gain on securitized loan sales, subordinate securities and residual securities retained and servicing asset valuations will remain appropriate for the life of each securitization. If actual loan prepayments or defaults exceed the Company's estimates, the carrying value of the Company's subordinate securities and residual securities retained and/or servicing assets may be decreased or the Company may increase its allowance for possible credit losses on loans sold through a charge against earnings during the period management recognized the disparity. Other factors may also result in a write down of the Company's subordinate securities and residual securities retained in subsequent periods.

It is intended that any securities retained by the Bank resulting from the securitization of assets held by it directly will be distributed to the Company as a dividend, subject to the Bank's ability to declare such dividends under applicable limitations. During the first quarter of 1999, a subordinate security with a fair value of $3.5 million was distributed by the Bank to the Company in the form of a dividend. At June 30, 1999, the Bank held three subordinate securities with an aggregate fair value of $13.8 million ($12.2 million of amortized cost) which are expected to be distributed by the Bank to the Company during the third quarter of 1999.

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The following tables detail the Company's securities available for sale portfolio at June 30, 1999, and its estimates of expected yields on such securities, taking into consideration expected prepayment and loss rates together with other factors.

Securitization (Issuer)	Security	Issue Date	Rating	Rating Agencies	Class Size Issuance	Class Size 6/30/99	Interest Percentage	Subordination/OC Level At: 6/30/99	Anticipated Yield to Maturity At: Purchase	Anticipated Yield to Maturity At: 6/30/99
SINGLE-FAMILY RESIDENTIAL					(Dollars in thousands)					
Subordinates:										
BCF 1996 R1(5)..........	B3	Oct-96	NR	(a),(b)	$70,773	$47,843	50.00%	None	15.70%	13.57%
BCF 1997 R1(5)..........	B4	Mar-97	NR	(b),(c)	21,784	10,889	49.71	None	13.46	(27.36)
BCF 97 R2 (5)...........	B4	Jun-97	Ba2,BB	(b),(c)	6,358	5,927	73.54	7.66%	9.58	(.17)
	B5		B2,B		6,264	5,839	73.54	4.29	10.74	(2.71)
	B6		NR		13,883	7,418	73.54	None	15.98	(6.76)
BCF 1997 R3 (5).........	B4	Dec-97	NR	(b),(d)	69,582	50,443	50.24	None	15.84	(6.97)
ORMBS 1998 R1 (6).......	B4	Mar-98	NR	(b),(d)	101,774	88,403	50.34	None	20.50	5.07
ORMBS 1998 R2 (6).......	B4A	Jun-98	Ba2	(b)	1,056	1,030	100.00	6.78	13.22	(30.80)
	B4F		Ba2		937	902	100.00	7.92	19.23	(23.98)
	B5A		B2		880	858	100.00	5.29	23.78	(26.93)
	B5F		B2		937	902	100.00	5.97	11.78	(24.48)
	B6A		NR		3,696	3,044	100.00	None	16.72	15.07
	B6F		NR		3,345	2,758	100.00	None	19.50	(10.31)
ORMBS 1998 R3 (6).......	B4	Sep-98	Ba2,BB	(b),(d)	11,765	11,567	85.87	13.01	11.71	15.16
	B5		B2,B		9,151	8,996	85.87	9.43	16.54	17.70
	B6		NR		26,145	23,726	85.87	None	18.00	13.36
ORMBS 1999 RI (6)......	B5A	Mar-99	B2,B	(b),(d)	1,630	1,601	100.00	5.67	17.73	23.66
	B5F		B2,B		1,843	1,811	100.00	5.42	17.74	21.52
	B6A		NR		3,586	3,506	100.00	None	18.00	30.15
	B6F		NR		4,299	4,224	100.00	None	18.00	22.61
ORMBS 1999 R2 (6)	B4	Jun-99	BB	(a),(c),(d)	10,530	10,530	100.00	4.00	13.45	13.09
	B5		B		4,680	4,680	100.00	6.00	18.45	17.78
	B6		NR		7,020	7,020	100.00	None	18.00	17.36
CSFB 1996-1R (ITT 94-P1) (8)	4B2	Oct-96	NR	(b),(c)	1,046	192	100.00	None	N/A	N/A
Interest Only:										
OML 2 (7)...............	DAC-IO	Nov-98	Aaa,AAA	(b),(c)	186,175	158,596	100.00	N/A	28.50	18.48
OML 3 (7)	DAC-IO	Jun-99	Aaa,AAA	(b),(c)	259,548	259,548	100.00	N/A	25.30	23.25
Subprime residuals:										
SBMS 1996 3 (1).........	R	Jun-96	NR	(a),(b)	130,062	39,402	100.00	12.17	15.52	2.62
MLM1 1996 1 (2).........	R	Sep-96	NR	(a),(b)	81,142	25,103	100.00	17.74	15.16	4.32
MS 1997 1 (3)...........	X1	Jun-97	NR	(a),(b)	17,727	12,162	100.00	3.38	21.47	15.52
	X2				87,118	37,202	100.00	7.57	20.38	6.34
1997 OFS 2 (4)..........	X	Sep-97	NR	(a),(b)	102,201	58,404	100.00	5.36	19.65	6.88
1997 OFS 3 (4)..........	X	Dec-97	NR	(a),(b)	208,784	133,592	100.00	5.75	19.59	16.06
1998 OFS 1 (4)..........	X	Mar-98	NR	(b),(d)	161,400	114,244	100.00	2.68	18.00	13.60
1998 OFS 2 (4)..........	X	Jun-98	NR	(a),(b)	382,715	246,862	100.00	4.62	19.46	7.05
1998 OFS 3 (4)..........	X	Sep-98	NR	(a),(d)	261,649	228,636	100.00	3.41	18.00	18.15
1998 OFS 4 (4)..........	X	Dec-98	NR	(a),(b),(c)	349,000	334,901	100.00	2.14	18.00	24.60
1999 OFS 1 (4)	X	Jun-99	NR	(a),(b)	148,628	148,628	100.00	2.47	18.00	17.60
OML 1 (7)...............	R	Jun-98	NR	(a),(d)	344,148	257,945	100.00	RF $10,900	20.72	50.70
OML 2 (7)...............	B	Nov-98	Baa2,B	(b),(c)	16,725	16,504	100.00	RF $ 5,900	12.50	11.60
	R		NR		186,175	158,596	100.00	RF $ 5,900	36.50	15.61
	S		NR		6,311	6,101	100.00	None	25.30	23.25
OML 3 (7)	S	Jun-99	NR	(b),(c)	3,945	3,945	100.00	RF $ 1,500	25.30	23.25
	R		NR		260,386	260,386	100.00	N/A	25.30	23.25
MULTI-FAMILY AND COMMERCIAL										
Subordinates:										
BCF 1997 C1 (5).........	F	Dec-97	B	(c)	3,210	3,210	100.00	16.40	11.21	10.35
	G		NR		12,197	12,207	100.00	None	15.00	19.95
Interest-only:										
BCF 1997 C1 (5).........	XI	Dec-97	NR	(c)	67,350	28,245	100.00	N/A	6.93	51.01
	X2		NR		35,359	20,114	100.00	N/A	8.53	29.75

Securitization (Issuer)	Security	Issue Date	Rating	Rating Agencies	Class Size: Issuance	Class Size: 6/30/99	Interest Percentage	Subordination/OC Level At: 6/30/99	Anticipated Yield to Maturity At: Purchase	Anticipated Yield to Maturity At: 6/30/99
SINGLE-FAMILY RESIDENTIAL					(Dollars in thousands)					
	E-IO		BB		10,271	10,271	100.00	N/A	7.00	27.67
FNMA 1995 M2 (9)........	M	Jun-95	NR	(c)	100,275	10,854	100.00	N/A	N/A	(18.82)
BFBT Arm Strip..........	IO	Jun-94	NR	N/A	157,182	8,754	100.00	N/A	0.00	27.32

ISSUERS:

(1) Salomon Brothers Mortgage Securities VII
(2) Merrill Lynch Mortgage Investors, Inc.
(3) Morgan Stanley ABS Capital I, Inc.
(4) Ocwen Mortgage Loan Asset Backed Certificates
(5) BlackRock Capital Finance L.P.
(6) Ocwen Residential MBS Corporation
(7) Ocwen Mortgage Loans
(8) Credit Suisse First Boston (ITT Federal Bank, FSB)
(9) Federal National Mortgage Association
(10) Berkley Federal Bank & Trust

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

N/A - Not Available

RF - Reserve funds are actual cash reserves

Securitization (Issuer)	Weighted Average Coupon At 6/30/99	Weighted Average LTV/DSCR at 6/30/99	Total Delinquency at 6/30/99	Actual Life to Date CPR at 6/30/99	Actual Life to Date Losses at 6/30/99	Product Type At 6/30/99	Collateral Balance Issuance	Collateral Balance 6/30/99
				(Dollars in thousands)				
SINGLE-FAMILY RESIDENTIAL								
Subordinates:								
BCF 1996 R1 (5).........	10.04%	97.91%	12.24%	13.32%	$ 19,993	98% Fixed, 2% ARM	505,613	320,230
BCF 1997 R1 (5).........	10.06	112.03	22.22	13.24	10,264	98% Fixed, 2% ARM	177,823	124,038
BCF 97 R2 (5)...........	8.06	88.59	32.76	12.54	5,724	26% Fixed, 74%ARM	251,790	173,003
BCF 1997 R3 (5).........	9.63	112.23	20.97	10.20	17,213	98% Fixed, 2% ARM	579,851	473,301
ORMBS 1998 R1 (6).......	8.94	121.21	21.18	7.26	11,364	98% Fixed, 2% ARM	565,411	514,342
ORMBS 1998 R2 (6).......	9.01	89.49	30.32	12.41	1,034	45% Fixed, 55%ARM	123,917	103,784
ORMBS 1998 R3 (6).......	8.96	127.02	30.40	5.47	1,983	98% Fixed, 2% ARM	261,452	251,544
ORMBS 1999 R1 (6).......	9.05	85.85	12.44	11.58	18	56% Fixed, 44%ARM	147,101	139,740
ORMBS 1999 R2 (6)........	9.29	117.42	--	--	--	100% fixed	117,004	117,004
CSFB 1996 1R (ITT 94-P1) (8)	7.21	N/A	3.39	N/A	156	100% 1-Year CMT	32,487	6,264
Interest-only:								
OML 2 (7)...............	12.30	62.54	38.34	23.95	723	100% UK Subprime	186,175	158,596
OML 3 (7)...............	11.59	66.07	--	--	--	100% UK Subprime	260,386	260,386
Subprime residuals:								
SBMS 1996 3 (1).........	11.00	69.73	18.76	32.44	2,823	56% Fixed, 44%ARM	130,062	39,402
MLM1 1996 1 (2).........	11.23	75.09	18.43	34.35	1,648	32% Fixed, 68%ARM	81,142	25,103
MS 1997 1 (3)...........	10.53	74.79	17.40	30.97	1,133	25% Fixed, 75%ARM	17,727	12,162
	11.05	74.79	17.40	30.97	1,133	25% Fixed, 75%ARM	87,118	37,202
1997 OFS 2 (4)..........	10.28	78.38	15.39	26.92	815	17% Fixed, 83%ARM	102,201	58,404
1997 OFS 3 (4)..........	10.11	79.62	17.08	25.29	1,248	18% Fixed, 82%ARM	208,784	133,592
1998 OFS 1 (4)..........	10.33	80.07	17.51	23.77	984	14% Fixed, 86%ARM	161,400	144,244
1998 OFS 2 (4)..........	10.77	75.98	13.05	35.01	1,084	38% Fixed, 62%ARM	382,715	246,862
1998 OFS 3 (4)..........	10.38	79.15	17.52	15.98	369	28% Fixed, 72%ARM	261,649	228,636
1998 OFS 4 (4)..........	10.51	76.78	16.96	5.99	--	41% Fixed, 59%ARM	349,000	334,901
1999 OFS 1 (4)..........	9.90	75.69	--	--	--	64% Fixed, 36%ARM	146,628	146,628
OML 1 (7)...............	13.67	61.23	25.40	24.20	147	100% UK Subprime	344,148	257,945
OML 2 (7)...............	12.30	62.54	38.34	23.95	723	100% UK Subprime	186,175	158,596
OML 3 (7)...............	11.59	66.07	--	--	--	100% UK Subprime	260,386	260,386
MULTI-FAMILY AND COMMERCIAL								
Subordinates:								
BCF 1997 C1 (5).........	10.08	1.52	14.08	N/A	--	20% Multi-family, 19% Hotel, 16% Industrial	128,387	74,411
Interest-only:								
BCF 1997 C1 (5).........	10.08	1.52	14.08	N/A	--	20% Multi-family, 19% Hotel, 16% Industrial	128,387	74,411
FNMA 1995 M2 (9).....	9.48	1.35	--	10.07	--	100% Multi-family	216,797	138,251
BFBT Arm Strip..........	8.20	N/A	N/A	N/A	N/A	100% Conventional ARMS	157,182	8,754

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following table sets forth the principal amount of mortgage loans by the geographic location of the property securing the mortgages that underlie the Company's securities available for sale portfolio at June 30, 1999.

Description	California	Texas	Florida	New York	Maryland	Other (1)	Total
				(Dollars in thousands)			
Single family residential ...	$ 722,023	$ 260,377	$ 271,364	$ 209,295	$ 166,347	$1,777,721	$3,407,127
Multi-family and commercial.	47,367	1,884	17,378	29,060	9,423	92,650	197,762
Total	$ 769,390	$ 262,261	$ 288,742	$ 238,355	$ 175,770	$1,870,371	$3,604,889
Percentage (2)	21%	7%	8%	7%	5%	52%	100%

(1) No other individual state makes up more than 21% of the total of other.

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

The following table summarizes information relating to the Company's mortgage-related securities available for sale at June 30, 1999.

RATING/DESCRIPTION	AMORTIZED COST	FAIR VALUE	PERCENT OWNED	ORIGINAL ANTICIPATED YIELD TO MATURITY	ANTICIPATED REMAINING YIELD TO MATURITY AT 6/30/99(1)	COUPON	ANTICIPATED WEIGHTED AVERAGE REMAINING LIFE (2)
				(Dollars in thousands)			
SINGLE-FAMILY RESIDENTIAL:							
BB-rated subordinates......	$ 8,693	$ 8,878	87.04%	11.93%	16.43%	6.86%	6.43
B-rated subordinates.......	4,254	5,061	89.19	16.06	34.70	7.05	4.06
BBB-rated subordinate......	14,733	16,667	100.00	12.50	11.52	8.36	3.25
Unrated subordinates.......	27,521	28,486	72.69	21.97	36.46	8.82	2.72
AAA-rated interest-only....	17,635	16,518	100.00	23.60	19.28	4.94	2.10
Unrated subprime residuals.	153,018	162,328	100.00	20.18	27.02	--	6.57
MULTI-FAMILY AND COMMERCIAL:							
Unrated interest-only......	43	77	100.00	--	43.54	0.34	1.21
B-rated subordinates.......	1,165	1,165	51.20	10.35	16.03	10.28	6.74
Unrated subordinates.......	2,803	2,935	51.20	15.00	20.24	10.28	7.30

(1) Changes in the June 30, 1999 anticipated yield to maturity from that originally anticipated are primarily the result of changes in prepayment assumptions, loss assumptions and charges taken to reduce the value of the securities.

(2) Equals the weighted average life based on June 30, 1999 book value.

The following table sets forth the property types of the Company's commercial mortgage-backed securities at June 30, 1999, based upon the principal amount.

Property type	Percentage Invested
Multi-family....................	72.17%
Lodging.........................	6.68
Warehouse.......................	5.71
Office..........................	4.51
Mixed Use.......................	3.71
Other...........................	7.22
Total...........................	100.00%

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

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

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

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

ANTICIPATED YIELD TO MATURITY AT JUNE 30, 1999 - Effective yield from inception to maturity based on the current carrying value and the then current estimate of future cash flows under the assumptions at the respective date.

ANTICIPATED YIELD TO REMAINING MATURITY AT JUNE 30, 1999 - Effective yield based on the current carrying value and the then current estimate of future cash flows under the assumptions at the respective date.

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

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

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

INTEREST ONLY - Interest Only ("IO") securities receive the excess interest remaining after the interest payments have been made on all senior classes of bonds based on their respective principal balances. There is no principal associated with IO securities and they are considered liquidated when the particular class they are contractually tied to is paid down to zero.

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

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

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

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

SECURITIZATION - Series description.

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

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

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

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

WEIGHTED AVERAGE DSCR - Represents debt service coverage ratio, which is calculated by dividing cash flow available for debt service by debt service and applies to the multi-family and commercial securities.

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

LOANS AVAILABLE FOR SALE. The Company's loans available for sale at June 30, 1999, which are carried at the lower of cost or fair value, decreased by $45.4 million or 26% from December 31, 1998, and consist primarily of single family residential loans to subprime borrowers. The Company generally intends to sell or securitize its single family residential loans to subprime borrowers and, as a result, all of such loans were classified as available for sale at June 30, 1999 and December 31, 1998. The Company's single family residential lending activities to subprime borrowers is conducted by OFS and Ocwen UK.

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

	June 30, 1999	December 31, 1998
	(Dollars in thousands)	
Single family residential loans............	$ 132,245	$ 177,578
Consumer loans............................	180	269
	$ 132,425	$ 177,847

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

	Three Months		Six Months	
For the periods ended June 30,	1999	1998	1999	1998
	(Dollars in thousands)			
Balance at beginning of period..............................	$ 374,094	$ 493,106	$ 177,847	$ 177,041
Purchases:				
Single family residential (1) (2)........................	32,440	441,293	47,103	763,013
Originations:				
Single family residential (1)				
Domestic	42,517	170,593	188,713	353,115
Foreign (Ocwen UK)	152,965	46,106	293,007	46,106
	195,482	216,699	481,720	399,221
Sales (3)...	(457,052)	(777,117)	(558,517)	(943,276)
(Increase) decrease in lower of cost or market reserve.......	2,609	(752)	1,964	(1,079)
Principal repayments, net of capitalized interest...........	(12,866)	(32,814)	(10,591)	(53,817)
Transfer to real estate owned...............................	(2,282)	(2,056)	(7,101)	(2,744)
Net increase (decrease) in loans.........................	(241,669)	(154,747)	(45,422)	161,318
Balance at end of period...................................	$ 132,425	$ 338,359	$ 132,425	$ 338,359

(1) During the six months ended June 30, 1999 and 1998, the Company purchased and originated single family residential loans to subprime borrowers.

(2) Purchases of single family residential loans during the six months ended June 30, 1998 include $292.8 million purchased from the U.S. operations of Cityscape Financial Corp.

(3) Included in sales for the six months ended June 30,1999, is the securitization of 2,192 domestic subprime single family loans with an aggregate unpaid principal balance of $235.6 million and 8,983 foreign subprime single family loans with an unpaid balance of $295.2 million. Included in sales for the six months ended June 30, 1998 is the securitization of 5,961 domestic subprime single family loans with an aggregate unpaid principal balance of $544.1 million and 14,179 foreign subprime single family loans with an aggregate unpaid principal balance of $363.8 million.

The loans available for sale portfolio is secured by mortgages on properties geographically located throughout the United States and the United Kingdom. The following table sets forth the five states or countries in which the largest amount of properties securing the Company's loans available for sale were located at June 30, 1999:

	Single-family Residential	Consumer	Total
	(Dollars in thousands)		
UK..........................	$ 79,448	$ --	$ 79,448
New Jersey..................	8,915	--	8,915
Florida.....................	5,959	80	6,039
Michigan....................	5,539	--	5,539
Illinois....................	5,173	--	5,173
Other(1)....................	27,211	100	27,311
Total.......................	$ 132,245	$ 180	$ 132,425

(1) Consists of properties located in 36 other states, none of which aggregated over $4.3 million in any one state.

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

	June 30, 1999	December 31, 1998
	(Dollars in thousands)	
Non-performing loans:		
Single family (1)................................	$ 28,442	$ 39,415
Consumer...	3	9
	$ 28,445	$ 39,424
Non-performing loans as a percentage of:		
Total net loans available for sale................	21.49%	22.17%
Total assets......................................	0.94%	1.19%

(1) Includes $6.0 million ((pound)3.8 million) and $7.2 million ((pound)5.4 million) of non-performing loans related to Ocwen UK at June 30, 1999 and December 31, 1998, respectively.

Non-performing loans consist primarily of subprime single-family residential loans reflecting the higher risks of default associated with such loans. Although subprime loans generally have higher levels of default than prime loans, the Company believes that the borrower's equity in the security property and the Company's expertise in the area of resolution mitigates the higher default risk.

DISCOUNT LOAN PORTFOLIO. At June 30, 1999, the Company's net discount loan portfolio amounted to $1.01 billion or 33.5% of the Company's total assets as compared to $1.03 billion or 31% of total assets at December 31, 1998. The following table sets forth the composition of the Company's discount loan portfolio by type of loan at the dates indicated.

	June 30, 1999	December 31, 1998
	(Dollars in thousands)	
Single family residential loans........	$ 512,950	$ 597,100
Multi-family residential loans.........	260,313	244,172
Commercial real estate loans (1).......	483,378	449,010
Other loans............................	18,734	10,144
Total discount loans................	1,275,375	1,300,426
Unaccreted discount (2)................	(246,206)	(252,513)
	1,029,169	1,047,913
Allowance for loan losses..............	(20,405)	(21,402)
Discount loans, net (3).............	$ 1,008,764	$ 1,026,511

(1) The balance at June 30, 1999 consisted of $170.9 million of loans secured by office buildings, $120.5 million of loans secured by hotels, $104.4 million of loans secured by retail properties or shopping centers and $87.6 million of loans secured by other properties. The balance at December 31, 1998, consisted of $154.1 million of loans secured by office buildings, $100.4 million of loans secured by hotels, $21.2 million of loans secured by retail properties or shopping centers and $173.3 million of loans secured by other properties.

(2) The balance at June 30, 1999 consisted of $129.6 million on single family residential loans, $43.4 million on multi-family residential loans, $72.2 million on commercial real estate loans and $1.0 million on other loans. The balance at December 31, 1998 consisted of $161.6 million on single family residential loans, $20.8 million on multi-family residential loans, $69.8 million on commercial real estate loans and $0.3 million on other loans.

(3) The discount loan portfolio included $13.6 million and $8.2 million at June 30, 1999 and December 31, 1998, respectively, of charged-off unsecured credit card receivables which were acquired at a discount. Collections of unsecured credit card receivables are accounted for under the cost recovery method.

The discount loan portfolio is secured by mortgages on properties geographically located throughout the United States. The following table sets forth the five states in which the largest amount of properties securing the Company's discount loans were located at June 30, 1999.

	Single-family Residential	Multi-family Residential	Commercial Real Estate and Other	Total
		(Dollars in thousands)		
California....................	$ 41,790	$ 21,179	$ 121,161	$ 184,130
New York......................	55,573	6,285	82,092	143,950
Michigan......................	8,067	64,714	26,174	98,955
Illinois......................	17,726	72,357	1,312	91,395
New Jersey....................	50,791	856	12,837	64,484
Other (1).....................	209,401	51,519	185,335	446,255
Total.....................	$ 383,348	$ 216,910	$ 428,911	$ 1,029,169

(1) Consists of properties located in 44 other states, none of which aggregated over $56.9 million in any one state.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

	Three months ended June 30,			
	1999		1998	
	Balance	No. of Loans	Balance	No. of Loans
	(Dollars in thousands)			
Balance at beginning of period, net.....	$ 893,180	6,042	$ 1,171,623	8,571
Acquisitions(1).........................	381,501	2,774	585,756	4,138
Resolutions and repayments (2)..........	(75,252)	(305)	(130,265)	(590)
Loans transferred to real estate owned..	(37,468)	(468)	(84,404)	(636)
Sales(3)................................	(116,635)	(1,306)	(115,196)	(1,168)
Increase in discount....................	(40,025)	--	(2,646)	--
Decrease (increase) in allowance........	3,463	--	(3,362)	--
Balance at end of period, net...........	$ 1,008,764	6,737	$ 1,421,506	10,315

(1) During the three months ended June 30, 1999, acquisitions consisted primarily of $233.2 million of single family residential loans, $39.3 million of multi-family residential loans, $107.0 million of commercial real estate loans and $2.0 million of other loans. For the three months ended June 30, 1998, acquisitions consisted primarily of $293.9 million of single family residential loans, $145.5 million of multi-family residential loans, $146.3 million of commercial real estate loans and $ 0.1 million of other loans.

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

(3) Included in sales for the three months ended June 30, 1999 is the securitization of 1,443 discount single family residential mortgage loans with an aggregate unpaid principal balance of $90.0 million. Included in sales for the three months ended June 30, 1998 is the securitization of 1,155 discount single family residential mortgage loans with an aggregate unpaid principal balance of $98.3 million.

	Six months ended June 30,			
	1999		1998	
	Balance	No. of Loans	Balance	No. of Loans
	(Dollars in thousands)			
Balance at beginning of period, net.....	$ 1,026,511	8,100	$ 1,434,176	12,980
Acquisitions(1).........................	486,458	3,339	676,305	4,710
Resolutions and repayments (2)..........	(123,942)	(528)	(205,791)	(1,087)
Loans transferred to real estate owned..	(108,162)	(1,170)	(149,207)	(1,323)
Sales(3)................................	(279,032)	(3,004)	(355,559)	(4,965)
Decrease in discount....................	5,935	--	20,941	--
Decrease in allowance...................	996	--	641	--
Balance at end of period, net...........	$ 1,008,764	6,737	$ 1421,506	10,315

(1) During the six months ended June 30, 1999, acquisitions consisted primarily of $274.1 million of single family residential loans, $72.0 million of multi-family residential loans, $131.8 million of commercial real estate loans and $8.6 million of other loans. For the six months ended June 30, 1998, acquisitions consisted primarily of $335.3 million of single family residential loans, $148.5 million of multi-family residential loans, $186.2 million of commercial real estate loans and $6.3 million of other loans.

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

(3) Included in sales for the six months ended June 30, 1999 is the securitization of 3,137 discount single family residential mortgage loans with an aggregate unpaid principal balance of $227.3 million. Included in sales for the six months ended June 30, 1998 is the securitization of 4,932 discount single family residential mortgage loans with an aggregate unpaid principal balance of $325.9 million.

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

	June 30, 1999		December 31, 1998	
	Principal Amount	% of Loans	Principal Amount	% of Loans
	(Dollars in thousands)			
Loans without Forbearance Agreements:				
Current	$ 637,982	50.02%	$ 578,269	44.47%
Past due 31 to 89 days	36,393	2.85	35,555	2.73
Past due 90 days or more	431,455	33.83	509,838	39.21
Acquired and servicing not yet transferred	100,270	7.86	57,048	4.39
Subtotal	1,206,100	94.56	1,180,710	90.80
Loans with Forbearance Agreements:				
Current	2,020	0.16	1,180	0.09
Past due 31 to 89 days	1,734	0.14	4,046	0.31
Past due 90 days or more (1)	65,521	5.14	114,490	8.80
Subtotal	69,275	5.44	119,716	9.20
Total	$ 1,275,375	100.00%	$1,300,426	100.00%

(1) Includes $64.9 million of loans which were less than 90 days past due under the terms of the forbearance agreements at June 30, 1999, of which $60.3 million were current and $4.6 million were past due 31 to 89 days. Includes $110.1 million of loans which were less than 90 days past due under the terms of the forbearance agreements at December 31, 1998, of which $77.9 million were current and $32.2 million were past due 31 to 89 days.

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

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

	June 30, 1999	December 31, 1998
	(Dollars in thousands)	
Single family residential loans	$ 1,911	$ 30,361
Multi-family residential loans:		
Permanent	33,276	53,311
Construction	12,909	22,288
	46,185	75,599
Commercial real estate and land loans:		
Hotel:		
Permanent	20,610	29,735
Construction	--	6,896
Office buildings	75,673	93,068
Land	1,788	2,266
Other	--	6,762
Total	98,071	138,727
Consumer	88	132
Total loans	146,255	244,819
Undisbursed loan funds	(5,295)	(7,099)
Unaccreted discount	(1,429)	(2,480)
Allowance for loan losses	(5,853)	(4,928)
Loans, net	$ 133,678	$ 230,312

The loan portfolio is secured by mortgages on properties geographically located throughout the United States. The following table sets forth the five states in which the largest amount of properties securing the Company's loan portfolio were located at June 30, 1999.

	Single-family Residential	Multi-family Residential	Commercial Real Estate	Consumer	Total
			(Dollars in thousands)		
New York	$ 158	$ 9,360	$ 24,581	$ 34	$ 34,133
Florida	--	--	14,732	--	14,732
California	21	7,583	5,617	--	13,221
Massachusetts	67	--	12,875	--	12,942
Virginia	--	--	9,657	--	9,657
Other (1)	1,665	29,242	30,609	54	61,570
Total	$ 1,911	$ 46,185	$ 98,071	$ 88	$ 146,255

(1) Consists of properties located in 19 other states, none of which aggregated over $8.1 million in any one state.

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

For the periods ended June 30,	Three Months 1999	Three Months 1998	Six Months 1999	Six Months 1998
	(Dollars in thousands)			
Balance at beginning of period	$ 189,989	$ 305,072	$ 244,819	$ 294,925
Originations:				
Multi-family residential loans	1,758	8,500	4,225	22,271
Commercial real estate loans	6,400	40,945	11,500	59,930
Total loans originated	8,158	49,445	15,725	82,201
Sales (1)	(3,394)	--	(25,486)	--
Principal repayments, net of capitalized interest	(48,392)	(58,156)	(86,231)	(80,765)
Loans and transfer to real estate owned	(106)	--	(2,572)	--
Net increase (decrease) in loans	(43,734)	(8,711)	(98,564)	1,436
Balance at end of period (2)	$ 146,255	$ 296,361	$ 146,255	$ 296,361

(1) Included in sales of the six months ended June 30, 1999 is the securitization of 392 single family residential mortgage loans with an aggregate unpaid principal balance of $25.2 million.

(2) The decline in the balance of the gross loan portfolio at June 30, 1999, as compared to June 30, 1998, is primarily due to repayments of commercial real estate loans (hotels and office buildings) and multifamily residential loans, as well as the sale of single family residential loans. As of June 30, 1999 the Company ceased origination of multifamily and commercial real estate loans.

The following table presents a summary of the Company's non-performing loans (loans which are past due 90 days or more) in the loan portfolio and significant ratios at the dates indicated:

	June 30, 1999	December 31, 1998
	(Dollars in thousands)	
Nonperforming loans (1)		
Single family residential loans	$ 302	$ 1,169
Multi-family residential loans	13,441	7,392
Commercial real estate and other	14,217	488
	$ 27,960	$ 9,049
Nonperforming loans as a percentage of:		
Total loans (2)	19.84%	3.85%
Total assets	0.93%	0.27%
Allowance for loan losses as a percentage of:		
Total loans (2)	4.19%	2.09%
Nonperforming loans	20.94%	54.46%

(1) The Company did not have any loans which were accruing interest and were past due 90 days or more at the dates indicated.

(2) Total loans are net of undisbursed loan proceeds and unaccreted discount.

ALLOWANCES FOR LOSSES. The Company uses an internal asset review system to identify problem assets. The Company's determination of the level and the allocation of the allowance for loan losses and, correspondingly, the provisions for such losses, is based on various judgments, assumptions and projections regarding a number of factors, including, but not limited to, asset risk classifications, current and forecasted economic and market conditions, loan portfolio composition, historical loan loss experience and industry experience. The allowance for loan losses is adjusted monthly to reflect management's current assessment of the effect of these factors on estimated inherent loan losses. While management uses all information available to it to estimate losses on loans, future changes to the allowance may become necessary based on changes in economic and market conditions. The OTS, as part of its examination process, periodically reviews the adequacy of the Company's allowance for loan losses. Such agency may require the company to recognize changes to the allowance based on its judgment about information available to it at the time of examination.

The following table sets forth the allocation of the Company's allowance for loan losses at the dates indicated by loan category and the percentage of loans in each category to total loans in the respective portfolios at the dates indicated:

	June 30, 1999				December 31, 1998			
	Allowance	Percent	Gross Loan Balance	Percent	Allowance	Percent	Gross Loan Balance	Percent
	(Dollars in thousands)							
Loan portfolio:								
Single family	$ 30	0.5%	$ 1,911	1.3%	$ 215	4.3%	$ 30,361	12.4%
Multi-family	1,900	32.5	46,185	31.6	2,714	55.1	75,599	30.9
Commercial real estate	3,923	67.0	98,071	67.1	1,999	40.6	138,727	56.7
Consumer	--	--	88	--	--	--	132	--
	$ 5,853	100.0%	$ 146,255	100.0%	$ 4,928	100.0%	$ 244,819	100.0%
Discount loan portfolio:								
Single family	$ 10,856	53.2%	$ 512,950	40.2%	$ 10,307	48.2%	$ 597,100	45.9%
Multi-family	2,503	12.3	260,313	20.4	2,457	11.5	244,172	18.8
Commercial real estate	6,887	33.8	483,378	37.9	8,607	40.2	449,010	34.5
Other	159	0.7	18,734	1.5	31	0.1	10,144	0.8
	$ 20,405	100.0%	$1,275,375	100.0%	$ 21,402	100.0%	$1,300,426	100.0%

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

The following table summarizes activity in the allowance for loan losses related to the Company's loan portfolio and discount loan portfolio during the six months ended June 30, 1999.

	Balance December 31, 1998	Additions	Charge-offs	Recoveries	Balance June 30, 1999
Loan portfolio:					
Single family..................	$ 215	$ (177)	$ (8)	$ --	$ 30
Multi-family...................	2,714	(794)	(20)	--	1,900
Commercial real estate..........	1,999	1,924	--	--	3,923
Consumer........................	--	--	--	--	--
	$ 4,928	$ 953	$ (28)	$ --	$ 5,853
Discount loans:					
Single family..................	$ 10,307	$ 2,481	$ (2,156)	$ 224	$ 10,856
Multi-family...................	2,457	417	(371)	--	2,503
Commercial.....................	8,607	353	(2,073)	--	6,887
Other..........................	31	158	(30)	--	159
	$ 21,402	$ 3,409	$ (4,630)	$ 224	$ 20,405

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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INVESTMENTS IN LOW-INCOME HOUSING TAX CREDIT INTERESTS. In 1993, the Company commenced a program to invest in multi-family residential projects which have been allocated low income housing tax credits under Section 42 of the Internal Revenue Code by a state tax credit allocating agency.

The carrying value of the Company's investments in low-income housing tax credit interests are as follows at the dates indicated.

	June 30, 1999	December 31, 1998
	(Dollars in thousands)	
Investments solely as a limited partner made prior to May 18, 1995.............	$ 18,510	$ 19,607
Investments solely as a limited partner made on or after May 18, 1995..........	72,457	56,299
Investments both as a limited and, through subsidiaries, as a general partner...	89,599	68,258
	$ 180,566	$ 144,164

Investments by the Company in low-income housing tax credit interests made on or after May 18, 1995, in which the Company invests solely as a limited partner, are accounted for using the equity method in accordance with the consensus of the Emerging Issues Task Force as recorded in Issue Number 94-1. Limited partnership investments made prior to May 18, 1995, are accounted for under the effective yield method as a reduction of income tax expense. Low-income housing tax credit partnerships in which the Company invests both as a limited and, through a subsidiary, as general partner are presented on a consolidated basis.

INVESTMENT IN UNCONSOLIDATED ENTITIES. The Company's investments in unconsolidated entities was comprised of the following at the dates indicated.

	Ownership		Carrying Value	
Entity	Shares/Units	%	June 30, 1999	December 31, 1998
		(Dollars in thousands)		
OAC.................	1,540,000	8.12%	$ 14,729	$ 16,268
OPLP................	1,808,733	8.71%	21,239	22,820
Kensington..........	549,993	36.05%	42,905	46,586
Other...............	various	various	1,085	1,219
			$ 79,958	$ 86,893

Other consists primarily of the Company's joint venture investment, which consisted of a 10% interest in BCFL, a limited liability company formed by the Bank and BlackRock in January 1997 to acquire discount multi-family residential loans from HUD.

For the six months ended June 30, 1999, the Company recorded equity in the losses of its investments in OAC and OPLP of $1.5 million and $2.0 million, respectively. At June 30, 1999 and December 31, 1998, the Company's investment in OAC stock was pledged as collateral on obligations outstanding under a line of credit.

The Company's investment in Kensington includes the excess of the purchase price over the net investment in the amount of $33.3 million ((pound) 20.2 million) at June 30, 1999, as compared to $34.5 million ((pound)20.9 million) at December 31, 1998. For the six months ended June 30, 1999, the Company recorded equity in the losses of its investment in Kensington of $0.3 million.

See "Results of Operations-Equity in Losses of Investment in Unconsolidated Entities."

REAL ESTATE OWNED. Properties acquired through foreclosure are valued at the lower of the adjusted cost basis of the loan or fair value less estimated costs of disposal of the property at the date of foreclosure. Properties included in the Company's real estate owned are periodically re-evaluated to determine that they are being carried at the lower of cost or fair value less estimated costs to dispose. Rental income related to properties is reported as earned. Holding and maintenance costs related to properties are recorded as period costs as incurred. Decreases in market value of foreclosed real estate subsequent to foreclosure are recognized as a valuation allowance on a property specific basis. Subsequent increases in the market value of the foreclosed real estate are reflected as reductions in the valuation allowance, but not below zero. Such changes in the valuation allowance are charged or credited to income.

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

	June 30, 1999	December 31, 1998
	(Dollars in thousands)	
Discount loan portfolio:		
Single family residential..........	$ 83,009	$ 94,641
Multi-family residential...........	2,465	20,130
Commercial real estate............	90,289	82,591
Total............................	175,763	197,362
Loan portfolio........................	2,685	227
Loans available for sale portfolio.....	4,714	3,962
	$ 183,162	$ 201,551

The following table sets forth the activity in the valuation allowance on real estate owned for the periods indicated.

For the periods ended June 30,	Three Months 1999	Three Months 1998	Six Months 1999	Six Months 1998
	(Dollars in thousands)			
Balance at beginning of period (1)..................	$ 13,545	$ 13,242	$ 15,325	$ 12,346
Provision for loss in fair value....................	9,779	1,644	14,840	5,878
Charge-offs and sales...............................	(6,064)	(3,682)	(12,905)	(7,020)
Balance at end of period (1)........................	$ 17,260	$ 11,204	$ 17,260	$ 11,204

(1) The valuation allowance as a percentage of total real estate owned was 8.61% at June 30, 1999 as compared to 7.07% at December 31, 1998, and 6.88% at June 30, 1998.

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

	Three months ended June 30, 1999 Amount	1999 No. of Properties	1998 Amount	1998 No. of Properties
			(Dollars in thousands)	
Balance at beginning of period	$ 208,831	1,873	$ 172,693	1,642
Properties acquired through foreclosure or deed-in-lieu thereof:				
Discount loans	37,468	468	84,404	637
Loans available for sale	2,282	35	2,056	12
Loan portfolio	106	2	--	--
Less discount transferred	(13,418)	--	(24,134)	--
	26,438	505	62,326	649
Acquired in connection with acquisitions of discount loans ...	23,330	429	8,137	135
Sales	(71,722)	(941)	(93,586)	(779)
Decrease (increase) in allowance	(3,715)	--	2,037	--
Balance at end of period(1)	$ 183,162	1,866	$ 151,607	1,647

	Six months ended June 30,			
	1999		1998	
	Amount	No. of Properties	Amount	No. of Properties
	(Dollars in thousands)			
Balance at beginning of period	$ 201,551	1,999	$ 167,265	1,505
Properties acquired through foreclosure or deed-in-lieu thereof:				
Discount loans	108,162	1,170	149,207	1,323
Loans available for sale	7,101	91	2,744	20
Loan portfolio	2,572	4	--	--
Less discount transferred	(34,303)	--	(45,922)	
	(83,532)	1,265	106,029	1,343
Acquired in connection with acquisitions of discount loans	31,490	575	11,052	188
Sales	(131,476)	(1,973)	(133,880)	(1,389)
Decrease (increase) in allowance	(1,935)	--	1,141	--
Balance at end of period(1)	$ 183,162	1,866	$ 151,607	1,647

(1) The increase in real estate owned at June 30, 1999, as compared to June 30, 1998, is primarily the result of commercial real estate properties acquired through foreclosures on discount loans.

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

	June 30, 1999		December 31, 1998	
	Amount	%	Amount	%
	(Dollars in thousands)			
One to two months..................................	$ 43,096	23.5%	$ 38,444	19.1%
Three to four months................................	17,651	9.7	79,264	39.3
Five to six months..................................	25,293	13.8	27,115	13.4
Seven to twelve months..............................	63,599	34.7	26,122	13.0
Over twelve months..................................	33,523	18.3	30,606	15.2
	$ 183,162	100.0%	$ 201,551	100.0%

The following table sets forth certain geographical information by type of property at June 30, 1999 related to the Company's real estate owned.

	Single family Residential		Multi-family Residential and Commercial		Total	
	Amount	No. of Properties	Amount	No. of Properties	Amount	No. of Properties
	(Dollars in thousands)					
Florida..................	$ 4,016	72	$ 49,341	10	$ 53,357	82
California...............	13,661	174	6,794	6	20,455	180
Connecticut..............	4,605	83	12,953	2	17,558	85
Georgia..................	1,214	26	14,078	2	15,292	28
New York.................	11,068	277	950	3	12,018	280
Other (1)................	53,516	1,183	10,966	28	64,482	1,211
Total.................	$ 88,080	1,815	$ 95,082	51	$ 183,162	1,866

(1) Consists of properties located in 43 other states, none of which aggregated over $10.0 million in any one state.

DEPOSITS. Deposits decreased $300.5 million or 14% from December 31, 1998. The decrease in deposits during the six months ended June 30, 1999 was primarily the result of a $195.1 million decrease in brokered deposits obtained through national investment banking firms which solicit deposits from their customers, an $88.5 million decrease in deposits obtained through direct solicitation and marketing efforts to regional and local investment banking firms, institutional investors and high net worth individuals and a $24.9 million decrease in escrow deposits. Brokered deposits obtained through national investment banking firms amounted to $1.29 billion at June 30, 1999, as compared to $1.48 billion at December 31,1998. Deposits obtained through direct solicitation and marketing amounted to $288.9 million at June 30, 1999, as compared to $377.4 million at December 31, 1998. At June 30, 1999, the Company had $170.3 million of certificates of deposit in amounts of $100,000 or more, including $96.9 million of deposits of states and political subdivisions in the U.S. which are secured or collateralized as required under state law. See "-Liquidity, Commitments and Off-Balance Sheet Risks" below.

NOTES, DEBENTURES AND OTHER INTEREST-BEARING OBLIGATIONS. Notes and debentures outstanding at the dates indicated, mature as follows.

	June 30, 1999	December 31, 1998
1999:		
5.975% Federal Home Loan Bank advance due July 1.......	50,000	--
2003:		
11.875% Notes due October 1...........................	125,000	125,000
2004:		
Loan payable due May 24 (LIBOR plus 150 basis points)..	6,236	--
2005:		
12% Subordinated Debentures due June 15 (1)...........	98,000	100,000
	$ 279,236	$ 225,000

(1) During the first quarter of 1999, the Company repurchased $2.0 million of its 12% subordinated Debentures at par.

OBLIGATIONS OUTSTANDING UNDER LINES OF CREDIT. Obligations outstanding under lines of credit amounted to $94.0 million at June 30, 1999, a decrease of $85.2 million from December 31, 1998. The decrease is primarily the result of a decline in the balance of loans available for sale. Borrowings under lines of credit generally have a one-year term and interest rates which float in accordance with a designated prime rate. For additional information regarding lines of credit, see "Liquidity, Commitments and Off-Balance Sheet Risks."

COMPANY-OBLIGATED, MANDATORILY REDEEMABLE SECURITIES OF SUBSIDIARY TRUST HOLDING SOLELY JUNIOR SUBORDINATED DEBENTURES OF THE COMPANY. In August 1997, Ocwen Capital Trust I issued $125.0 million of 10 7/8% Capital Securities. Proceeds from issuance of the Capital Securities were invested in 10 7/8% Junior Subordinated Debentures issued by the Company. The Junior Subordinated Debentures, which represent the sole assets of the Trust, will mature on August 1, 2027. Intercompany transactions between Ocwen Capital Trust I and the Company, including the Junior Subordinated Debentures, are eliminated in the consolidated financial statements of the Company.

For the three and six months ended June 30, 1998 and 1999, the Company recorded $3.4 million and $6.8 million, respectively, of distributions to holders of the Capital Securities. See Note 4 to the Interim Consolidated Financial Statements included in Item 1 hereof.

STOCKHOLDERS' EQUITY. Stockholders' equity decreased $0.4 million during the six months ended June 30, 1999. The decrease in stockholders' equity during this period was primarily attributable to a $4.1 million decrease in unrealized gain on securities available for sale and repurchases of common stock in the amount of $1.8 million, offset by net income of $5.8 million. During the second quarter of 1999 the Company repurchased 205,300 shares of its common stock. See the Consolidated Statements of Changes in Stockholders' Equity in the Interim Consolidated Financial Statements included in Item 1 hereof.

LIQUIDITY, COMMITMENTS AND OFF-BALANCE SHEET RISKS

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

Sources of liquidity include certificates of deposit obtained primarily from wholesale sources. At June 30, 1999, the Company had $1.64 billion of certificates of deposit, including $1.29 billion of brokered certificates of deposit obtained through national investment banking firms, all of which are non-cancelable. At the same date scheduled maturities of certificates of deposit during the 12 months ending June 30, 2000 and 2001 and thereafter, amounted to $216.8 million, $299.3 million and $1.12 billion, respectively. Brokered and other wholesale deposits generally are more responsive to changes in interest rates than core deposits and, thus, are more likely to be withdrawn from the Company upon maturity as changes in interest rates and other factors are perceived by investors to make other investments more attractive. Management of the Company believes that it can adjust the rates paid on certificates of deposit to retain deposits in changing interest rate environments, and that brokered and other wholesale deposits can be both a relatively cost-effective and stable source of funds. There can be no assurance that this will continue to be the case in the future, however.

Sources of borrowings include FHLB advances, which are required to be secured by single family and/or multi-family residential loans or other acceptable collateral, and reverse repurchase agreements. At June 30, 1999, the Company was eligible to borrow up to an aggregate of $603.3 million from the FHLB of New York (subject to the availability of acceptable collateral) and had $1.1 million of single family residential loans and $10.4 million of multi-family residential loans and $77.3 million of short duration CMO's (all of which were held by the Bank) pledged as security for any such advances. At June 30, 1999 the Company had $50.0 million outstanding in FHLB advances. At the same date, the Company had contractual relationships with 12 brokerage firms and the FHLB of New York pursuant to which it could obtain funds from reverse repurchase agreements. At June 30, 1999, the Company had unrestricted cash and equivalents of $168.6 million (including $155.8 million held at the Bank), $413.9 million of short duration CMOs (all of which were held by the Bank), and $102.3 million of subordinate and residual mortgages that could be used to secure additional borrowings.

The Company's lines of credit obtained through its subsidiaries to finance its subprime lending are as follows:

Entity	Balance Outstanding at 6/30/99	Amount of Facility	Committed Amount	Maturity Date	Interest Rate
		(Dollars in thousands)			
OFS (1)........	$ 7,193	$ 200,000	$ 100,000	July 2001	LIBOR + 75 basis points
	11,635	115,000	100,000	May 2000	LIBOR + 95 - 150 basis points
	1,726	50,000	50,000	May 2000	LIBOR + 137.5 basis points
Ocwen UK (1)...	47,790	197,188	201,412	Nov. 1999	LIBOR + 80 basis point
	23,137	157,750	161,130	April 2000	LIBOR + 87.5 basis points
IMI (2)	2,558	Lesser of $15,000 or 60% of market value of collateral	N/A	N/A	LIBOR + 150 basis points
Total	$ 94,039				

(1) These lines are used to fund mortgage loan originations and are generally advanced at a rate of 80% to 90% of the principal balance of the mortgage loan and are secured by such mortgage loans.

(2) Line is collateralized by the shares held by the Company in OAC.

OFS's terms of the line of credit agreements contain, among other provisions, requirements for maintaining certain profitability, defined levels of net worth and debt-to-equity ratios. At June 30, 1999 and December 31, 1998, OFS failed to comply with the maintenance of profitability covenant for one of its credit lines. OFS obtained the lender's agreement waiving the requirement of this covenant for the six months ended June 30, 1999 and the year ended December 31, 1998.

The Company believes that its existing sources of liquidity, including internally generated funds, will be adequate to fund planned activities for the foreseeable future, although there can be no assurances in this regard. Moreover, the Company continues to evaluate other sources of liquidity, such as lines of credit from unaffiliated parties, which will enhance the management of its liquidity and the costs thereof.

The Company's operating activities provided cash flows of $105.4 million and $292.2 million during the six months ended June 30, 1999 and 1998, respectively. During the foregoing periods, cash flows from operating activities were provided primarily by proceeds from sales of loans available for sale, and cash resources were used primarily to purchase and originate loans available for sale. The decrease in net cash flows provided by operating activities during the first half of 1999 as compared to the first half of 1998 was due primarily to a decline in proceeds from the sales of loans available for sale, and an increase in originations of loans available for sale, partially offset by a decrease in purchases of loans available for sale

The Company's investing activities used cash flows totaling $78.3 million and $652.8 million during the six months ended June 30, 1999 and 1998, respectively. During the foregoing periods, cash flows from investing activities were provided primarily by principal payments on and sales of discount loans and loans held for investment, maturities and principal payments on securities available for sale and proceeds from sales of real estate owned. Cash flows from investing activities were primarily utilized to acquire subsidiaries, to purchase and originate discount loans and loans held for investment and purchase securities available for sale. The decrease in net cash used by investing activities during the six months ended June 30, 1999 as compared to the same period in 1998, was due primarily to the acquisition of Ocwen UK in April 1998, a decline in purchases of discount loans and purchases and originations of loans held for investment, an increase in maturities of and principal payments on securities available for sale and a decline in proceeds from sales of discount loans.

The Company's financing activities used cash flows of $271.6 million and provided cash flows totaling $382.4 million during the six months ended June 30, 1999 and 1998, respectively. In the first half of 1998, cash flows from financing activities were provided primarily by the issuance of obligations under lines of credit and deposits. In the first half of 1999, cash used related primarily to deposits and the repayment of obligations under lines of credit.

The Bank is required under applicable federal regulations to maintain specified levels of "liquid" investments in qualifying types of U.S. Government, federal agency and other investments having maturities of five years or less. Current OTS regulations require that a savings association maintain liquid assets of not less than 4% of its average daily balance of net withdrawable deposit accounts and borrowings payable in one year or less. Monetary penalties may be imposed for failure to meet applicable liquidity requirements. The Bank's liquidity, as measured for regulatory purposes, amounted to 11.53% at June 30, 1999.

The Bank's ability to make capital distributions pursuant to the OTS capital distribution regulations is limited by the regulatory capital levels which it has committed to the OTS it would maintain, commencing on June 30, 1997. As a result of an agreement between the Company and the OTS to dividend subordinate and residual mortgage-related securities resulting from securitization activities conducted by the Bank, which had an aggregate fair value of $13.8 million at June 30, 1999, the Bank may be limited in its ability to pay cash dividends to the Company. See "Regulatory Capital Requirements". In addition to the foregoing OTS limitations, there are certain contractual restrictions on the Bank's ability to pay dividends as set forth in the indenture governing the Bank's $98.0 million of 12% Debentures. See Note 6 to the Interim Consolidated Financial Statements included in Item 1 hereof. At June 30, 1999, the Bank held three subordinate securities with an aggregate fair value of $13.8 million. Future cash dividends also depend on future operating results of the Bank.

At June 30, 1999, the Company had $33.6 million of unfunded commitments related to the purchase and origination of loans. Management of the Company believes that the Company has adequate resources to fund all of its commitments to the extent required and that substantially all of such commitments will be funded during 1999. See Note 7 to the Interim Consolidated Financial Statements included in Item 1 hereof.

In addition to commitments to extend credit, the Company is party to various off-balance sheet financial instruments in the normal course of business to manage its interest rate and foreign currency rate risk. See "Asset and Liability Management" above and Note 5 to the Interim Consolidated Financial Statements included in Item 1 hereof.

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

REGULATORY CAPITAL REQUIREMENTS

Federally-insured institutions such as the Bank are required to maintain minimum levels of regulatory capital. These standards generally must be as stringent as the comparable capital requirements imposed on national banks. In addition to regulatory capital requirements of general applicability, a federally-chartered savings association such as the Bank may be required to meet individual minimum capital requirements established by the OTS on a case-by-case basis upon a determination that a savings association's capital is or may become inadequate in view of its circumstances.

Following an examination 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 as well as the regulatory capital requirements of general applicability, as indicated in Note 6 to the Interim Consolidated Financial Statements included in Item 1. 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.

Although the above individual regulatory capital requirements have been agreed to by the OTS, there can be no assurance that in the future the OTS will agree to a decrease in such requirements or will not seek to increase such requirements or will not impose these or other individual regulatory capital requirements in a manner which affects the Bank's status as a "well-capitalized" institution under applicable laws and regulations.

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RECENT ACCOUNTING DEVELOPMENTS

For information relating to the effects on the Company of the adoption of recent accounting standards see Note 2 to the Interim Consolidated Financial Statements in Item 1 hereof.

YEAR 2000 DATE CONVERSION

The Company is in the process of establishing the readiness of its computer systems and applications for the year 2000 with the objective of having no effect on customers or disruption to business operations. The Company has established a project plan to achieve year 2000 readiness of its mission critical and non-mission critical systems, including hardware infrastructure and software applications. The project plan has a budget of approximately $2.0 million and is divided into six phases: identification, evaluation, remediation, validation, risk assessment and contingency planning. During 1998, the Company substantially completed the systems identification and evaluation phases of the project as well as remediation and validation of its mission critical systems.

As of June 30, 1999, the Company had expended approximately 96% of budgeted man-hours and incurred costs of approximately $1.8 million, which included approximately $309,000 for Year 2000 testing tools, additional hardware, and outside consulting assistance, while the remainder consisted of labor and overhead expense from within the Company.

In its systems evaluation and validation efforts, the Company has employed automated testing tools that are designed to meet guidelines established by the Federal Financial Institution Examination Council ("FFIEC") as required by the OTS. All new application development will include year 2000 readiness validation prior to implementation, followed by such end-to-end testing as may be necessary. During 1999 the Company is focusing on any remaining validation tasks, including remediation and validation of its non-mission critical systems and end-to-end testing with third parties. During the second quarter of 1999, the Company participated in the Mortgage Banker Association Year 2000 Inter-System Readiness Test with other mortgage industry leaders as a means of coordinating critical end-to-end validation.

As part of the identification and evaluation phases of the project, the Company documented critical operating functions within each business unit, as well as strategic third-party and vendor relationships. These efforts also serve as the basis of the Company's year 2000 risk assessment and contingency planning efforts. The Company has retained a business continuity expert to prepare contingency plans and assist with the testing and validation of these plans. The business continuity expert reviewed the Company's year 2000 customer disclosure, mission critical systems testing results, critical vendor listings, software and hardware inventories, and disaster recovery plans for critical business units. On the basis of this review, the business continuity expert built a Company intranet business continuity template and database, established roles and responsibilities for key personnel in the business continuity plan, and informed the Company that as of April 30, 1999, the Company's year 2000 posture was sound and conformed to FFIEC requirements. However, because it is not possible to foresee all of the problems that may arise as a result of year 2000 issues, the Company believes that there can be no assurance that all contingencies have been adequately addressed by the business continuity plan.

Because the Company has validated the year 2000 readiness of its mission critical systems and has developed business continuity plans to accommodate unforeseen disruptions, the Company believes that its most reasonably likely worst case year 2000 scenarios are characterized by potential failures of non-critical vendor or customer computer systems or end-to-end disruptions involving as yet unidentified, and hence untested, third-party systems and records stored on those systems. The Company could experience disruptions across all business segments as a result of year 2000 systems failures at government agencies, utilities, telecommunications providers, couriers and financial services vendors, among others. Concerning specific Company business functions, data acquired from third-parties might contain year 2000 incompatible components, which could impact the timeliness of third-party loan servicing functions such as payment processing or loan resolution. In addition, loans acquired by the Company could experience increased borrower or tenant defaults stemming from year 2000 related business shortfalls, dislocations or delays. Such risks could also impact the value of the Company's portfolio of mortgage-backed securities, as these are dependent upon the underlying pool of mortgage loans. There can be no assurance that such risks, if realized individually or collectively, would not have a material adverse effect on the Company's business, results of operations or financial condition.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

ASSET AND LIABILITY MANAGEMENT

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

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

INTEREST RATE RISK MANAGEMENT. Under interest rate swap agreements, the parties exchange the difference between fixed-rate and floating-rate interest payments on a specified principal amount (referred to as the "notional amount") for a specified period without the exchange of the underlying principal amount. Interest rate exchange agreements are utilized by the Company to protect against the decrease in value of a fixed-rate asset or the increase in borrowing cost from a short-term, fixed-rate liability, such as reverse repurchase agreements, in an increasing interest-rate environment. At and for the six months ended June 30, 1999, the Company had no outstanding interest rate exchange agreements. Interest rate exchange agreements had the effect of decreasing the Company's net interest income by $32,000 and $70,000 during the three and six months ended June 30, 1998, respectively.

The Company also enters into interest rate futures contracts, which are commitments to either purchase or sell designated financial instruments at a future date for a specified price and may be settled in cash or through delivery. Eurodollar futures contracts have been sold by the Company to hedge the repricing or maturity risk of certain short duration mortgage-related securities, and U.S. Treasury futures contracts have been sold by the Company to offset declines in the market value of its fixed-rate loans and certain fixed-rate mortgage-backed and related securities available for sale in the event of an increasing interest rate environment. The Company had no outstanding interest rate futures and Eurodollar futures contracts outstanding at and for the six months ended June 30, 1999. Futures contracts had the effect of decreasing the Company's net interest income by $49,000 during the six months ended June 30, 1998. See Note 4 to the Interim Consolidated Financial Statements included in Item 1 hereof.

During the six months ended June 30, 1999, the Company entered into swaption and put option contracts to hedge its interest rate exposure on certain of its investments in low-income housing tax credit interests. Swaption contracts are options to enter into an interest rate swap agreement at a future date at a specific interest rate. A European put option allows the Company to sell a specified quantity of an asset at a specified price at a specific date. See Note 5 to the Interim Consolidated Financial Statement included in Item 1 hereof.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The following table sets forth the estimated maturity or repricing of the Company's interest-earning assets and interest-bearing liabilities at June 30, 1999. The amounts of assets and liabilities shown within a particular period were determined in accordance with the contractual terms of the assets and liabilities, except (i) adjustable-rate loans, performing discount loans, securities and FHLB advances are included in the period in which they are first scheduled to adjust and not in the period in which they mature, (ii) fixed-rate mortgage-related securities reflect estimated prepayments, which were estimated based on analyses of broker estimates, the results of a prepayment model utilized by the Company and empirical data, (iii) non-performing discount loans reflect the estimated timing of resolutions which result in repayment to the Company, (iv) fixed-rate loans reflect scheduled contractual amortization, with no estimated prepayments, (v) NOW and money market checking deposits and savings deposits, which do not have contractual maturities, reflect estimated levels of attrition, which are based on detailed studies of each such category of deposit by the Company, and (vi) escrow deposits and other non-interest bearing checking accounts, which amounted to $211.6 million at June 30, 1999, are excluded. Management believes that these assumptions approximate actual experience and considers them reasonable; however, the interest rate sensitivity of the Company's assets and liabilities in the table could vary substantially if different assumptions were used or actual experience differs from the historical experience on which the assumptions are based.

	June 30, 1999				
	Within Three Months	Four to Twelve Months	More than One Year to Three Years	Three Years and Over	Total
Rate-Sensitive Assets:	(Dollars in thousands)				
Interest-earning deposits	$ 18,127	$ --	$ --	$ --	$ 18,127
Federal funds sold	75,000	--	--	--	75,000
Securities available for sale	142,216	320,030	143,982	127,043	733,271
Loans available for sale (1)	5,161	55,913	36,211	35,140	132,425
Investment securities, net	--	--	--	10,825	10,825
Loan portfolio, net (1)	55,661	41,190	26,407	10,420	133,678
Discount loan portfolio, net	148,524	521,447	141,142	197,651	1,008,764
Total rate-sensitive assets	444,689	938,580	347,742	381,079	2,112,090
Rate-Sensitive Liabilities:					
NOW and money market checking deposits	7,241	3,799	7,539	13,734	32,313
Savings deposits	78	210	414	766	1,468
Certificates of deposit	272,290	522,261	691,642	142,941	1,629,134
Total interest-bearing deposits	279,609	526,270	699,595	157,441	1,662,915
FHLB Advances	50,000	--	--	---	50,000
Securities sold under agreements to repurchase	133,741	--	--	--	133,741
Obligations outstanding under lines of credit	94,039	--	--	--	94,039
Notes and debentures	6,236	--	--	223,000	229,236
Total rate-sensitive liabilities	563,625	526,270	699,595	380,441	2,169,931
Interest rate sensitivity gap before off-balance sheet financial instruments	(118,936)	412,310	(351,853)	638	(57,841)
Off-Balance Sheet Financial Instruments:					
Swaptions and put option contracts	23	504	--	--	527
Interest rate sensitivity gap	$ (118,913)	$ 412,814	$ (351,853)	$ 638	$ (57,314)
Cumulative interest rate sensitivity gap	$ (118,913)	$ 293,901	$ (58,952)	$ (57,314)	
Cumulative interest rate sensitivity gap as a Percentage of total rate-sensitive assets	(5.63)%	13.92%	(2.79)%	(2.71)%	

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

Although the interest rate sensitivity gap analysis is a useful measurement and contributes toward effective asset and liability management, it is difficult to predict the effect of changing interest rates based solely on that measure. 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 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 minimum NPV Ratio for each of the seven rate shock scenarios and the corresponding limits approved by the Board of Directors of the Bank, is as follows at June 30, 1999.

Rate Shock (in basis points)	Board Limits (minimum NPV Ratios)	Current NPV Ratios
+300	5.00%	18.41%
+200	6.00	18.66
+100	7.00	18.83
0	8.00	18.90
-100	7.00	18.91
-200	6.00	18.90
-300	5.00	18.96

The Asset/Liability Committee also regularly reviews interest rate risk by forecasting the impact of alternative interest rate environments on net interest income and NPV, and evaluating such impacts against the maximum potential changes in net interest income and NPV that is authorized by the Board of Directors of the Bank. The following table quantifies the potential changes in net interest income and NPV should interest rates go up or down (shocked) 300 basis points, assuming the yield curves of the rate shocks will be parallel to each other. The cash flows associated with the loan portfolios and securities available for sale are calculated based on prepayment and default rates that vary by asset. Projected losses, as well as prepayments, are generated based upon the actual experience with the subject pool, as well as similar, more seasoned pools. To the extent available, loan characteristics such as loan-to-value ratio, interest rate, credit history, prepayment penalty terms and product types are used to produce the projected loss and prepayment assumptions that are included in the cash flow projections of the securities. When interest rates are shocked, these projected loss and prepayment assumptions are further adjusted. For example, under current market conditions, a 100 basis point decline in the market interest rate is estimated to result in a 200 basis point increase in the prepayment rate of a typical subprime residential loan. Most commercial and multi-family loans are not subject to prepayments as a result of prepayment penalties and contractual terms which prohibit prepayments during specified periods. However, for those commercial and multi-family loans where prepayments are not currently precluded by contract, declines in interest rates are associated with steep increases in prepayment speeds in computing cash flows. A risk premium is then calculated for each asset, which, when added to the interest rate being modeled, results in a matrix of discount rates that are applied to the cash flows computed by the model. The base interest rate scenario assumes interest rates at June 30, 1999. Actual results could differ significantly from those estimated in the table.

Change in interest Rates (Rate shock in basis points)	Estimated Changes in Net Interest	NPV
+300	10.20%	(6.61)
+200	6.80	(3.92)
+100	3.40	(1.72)
0	--	--
-100	(3.40)	1.28
-200	(6.80)	2.43
-300	(10.20)	3.94

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

FOREIGN CURRENCY EXCHANGE RATE RISK MANAGEMENT. The Company uses foreign currency derivatives to hedge its equity investment in Ocwen UK and Kensington ("net investment hedges"). The Company's exposure to foreign currency exchange rates exists with the British Pound versus the U.S. dollar. It is the Company's policy to periodically adjust the amount of foreign currency derivative contracts it has entered into in response to changes in its recorded equity investment in these foreign entities.

During 1998, the Company entered into a foreign currency swap with a AAA-rated counterparty to hedge its equity investment in Kensington. Under the terms of the agreement, the Company will swap (pound)27.5 million for $43.5 million in five years based on the exchange rate on the date the contract became effective. During the second quarter of 1999, the Company also sold short foreign currency futures contracts to further hedge its foreign currency exposure related to its equity investment in Kensington. Under the terms of the currency futures, the Company had the right to receive $0.9 million and pay (pound)0.6 million.

The Company sells short foreign currency futures to hedge its foreign currency exposure related to its equity investment in Ocwen UK. During the first quarter of 1999, the Company increased its derivative hedging instruments to include its foreign currency exposure resulting from the unrealized gain on securities available for sale related to Ocwen UK. Under the terms of the currency futures, at June 30, 1999 the Company had the right to receive $72.6 million and pay (pound)45.3 million. At December 31, 1998, the Company had the right to receive $43.8 million and pay (pound)26.6 million. The value of the currency futures is based on quoted market prices. See Note 5 to the Interim Consolidated Financial Statements included in Item 1 hereof.

The Company's net investment hedges and related foreign currency equity investments and net exposures as of June 30, 1999 and December 31, 1998 were as follows.

	Equity Investment	Net Hedges	Net Exposure
		(Dollars in thousands)	
JUNE 30, 1999:			
Ocwen UK (1)..............	$ 64,578	$ 72,613	$ 8,035
Kensington................	$ 42,905	$ 44,441	$ 1,536
DECEMBER 31, 1998:			
Ocwen UK (1)..............	$ 53,436	$ 43,828	$ (9,608)
Kensington................	$ 46,586	$ 45,093	$ 1,493

(1) Equity Investment in Ocwen UK excludes unrealized gains on securities available for sale. Total stockholders' equity of Ocwen UK at June 30, 1999, including unrealized gain on securities available for sale and foreign currency translation, net of tax, was $72.2 million.

The net exposures are subject to gain or loss if foreign currency exchange rates fluctuate.

Additional information required by this Item appears in Note 5 to the Interim Consolidated Financial Statements included in Item 1 hereof, and is incorporated herein by reference.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

FORWARD-LOOKING STATEMENTS

CERTAIN STATEMENTS CONTAINED HEREIN ARE NOT, AND CERTAIN STATEMENTS CONTAINED IN FUTURE FILINGS BY THE COMPANY WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "COMMISSION"), IN THE COMPANY'S PRESS RELEASES OR IN THE COMPANY'S OTHER PUBLIC OR SHAREHOLDER COMMUNICATIONS MAY NOT BE BASED ON HISTORICAL FACTS AND ARE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED, AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THESE FORWARD-LOOKING STATEMENTS, WHICH ARE BASED ON VARIOUS ASSUMPTIONS (SOME OF WHICH ARE BEYOND THE COMPANY'S CONTROL), MAY BE IDENTIFIED BY REFERENCE TO A FUTURE PERIOD(S) OR BY THE USE OF FORWARD-LOOKING TERMINOLOGY SUCH AS "ANTICIPATE," "BELIEVE," "COMMITMENT," "CONSIDER," "CONTINUE," "COULD," "ENCOURAGE," "ESTIMATE," "EXPECT," "FORESEE," "INTEND," "IN THE EVENT OF," "MAY," "PLAN," "PRESENT," "PROPOSE," "PROSPECT," "UPDATE," "WHETHER," "WILL," "WOULD," FUTURE OR CONDITIONAL VERB TENSES, SIMILAR TERMS, VARIATIONS ON SUCH TERMS OR NEGATIVES OF SUCH TERMS. ALTHOUGH THE COMPANY BELIEVES THE ANTICIPATED RESULTS OR OTHER EXPECTATIONS REFLECTED IN SUCH FORWARD-LOOKING STATEMENTS ARE BASED ON REASONABLE ASSUMPTIONS, IT CAN GIVE NO ASSURANCE THAT THOSE RESULTS OR EXPECTATIONS WILL BE ATTAINED. ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE INDICATED IN SUCH STATEMENTS DUE TO RISKS, UNCERTAINTIES AND CHANGES WITH RESPECT TO A VARIETY OF FACTORS, INCLUDING, BUT NOT LIMITED TO, THE ABILITY OF THE COMPANY AND OAC TO CONSUMMATE THE MERGER, MARKET PRICES OF THE COMMON STOCK OF THE COMPANY AND OAC, INTERNATIONAL, NATIONAL, REGIONAL OR LOCAL ECONOMIC ENVIRONMENTS (PARTICULARLY IN THE MARKET AREAS WHERE THE COMPANY OPERATES), GOVERNMENT FISCAL AND MONETARY POLICIES (PARTICULARLY IN THE MARKET AREAS WHERE THE COMPANY OPERATES), PREVAILING INTEREST OR CURRENCY EXCHANGE RATES, EFFECTIVENESS OF INTEREST RATE, CURRENCY AND OTHER HEDGING STRATEGIES, LAWS AND REGULATIONS AFFECTING FINANCIAL INSTITUTIONS, REAL ESTATE INVESTMENT TRUSTS, INVESTMENT COMPANIES AND REAL ESTATE (INCLUDING REGULATORY FEES, CAPITAL REQUIREMENTS, INCOME AND PROPERTY TAXATION, ACCESS FOR DISABLED PERSONS AND ENVIRONMENTAL COMPLIANCE), UNCERTAINTY OF FOREIGN LAWS, COMPETITIVE PRODUCTS, PRICING AND CONDITIONS (INCLUDING FROM COMPETITORS THAT HAVE SIGNIFICANTLY GREATER RESOURCES THAN THE COMPANY), CREDIT, PREPAYMENT, BASIS, DEFAULT, SUBORDINATION AND ASSET/LIABILITY RISKS, LOAN SERVICING EFFECTIVENESS, ABILITY TO IDENTIFY ACQUISITIONS AND INVESTMENT OPPORTUNITIES MEETING THE COMPANY'S INVESTMENT STRATEGY, COURSE OF NEGOTIATIONS AND ABILITY TO REACH AGREEMENT WITH RESPECT TO MATERIAL TERMS OF ANY PARTICULAR TRANSACTION, SATISFACTORY DUE DILIGENCE RESULTS, SATISFACTION OR FULFILLMENT OF AGREED UPON TERMS AND CONDITIONS OF CLOSING OR PERFORMANCE, TIMING OF TRANSACTION CLOSINGS, RECENT EFFORTS TO REFOCUS ON CORE BUSINESSES AND INCREASE LIQUIDITY, DISPOSITIONS AND WINDING DOWN OF DISCONTINUED BUSINESSES, ACQUISITIONS AND INTEGRATION OF ACQUIRED BUSINESSES, SOFTWARE INTEGRATION, DEVELOPMENT AND LICENSING, AVAILABILITY OF AND COSTS ASSOCIATED WITH OBTAINING ADEQUATE AND TIMELY SOURCES OF LIQUIDITY, DEPENDENCE ON EXISTING SOURCES OF FUNDING, 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 AND TO SECURITIZE WHOLE LOANS, TAXABLE INCOME EXCEEDING CASH FLOW, AVAILABILITY OF DISCOUNT LOANS FOR PURCHASE, SIZE OF, NATURE OF AND YIELDS AVAILABLE WITH RESPECT TO THE SECONDARY MARKET FOR MORTGAGE LOANS AND FINANCIAL, SECURITIES AND SECURITIZATION MARKETS IN GENERAL, ALLOWANCES FOR LOAN LOSSES, CHANGES IN REAL ESTATE CONDITIONS (INCLUDING LIQUIDITY, VALUATION, REVENUES, RENTAL RATES, OCCUPANCY LEVELS AND COMPETING PROPERTIES), ADEQUACY OF INSURANCE COVERAGE IN THE EVENT OF A LOSS, KNOWN OR UNKNOWN ENVIRONMENTAL CONDITIONS, YEAR 2000 COMPLIANCE, OTHER FACTORS GENERALLY UNDERSTOOD TO AFFECT THE REAL ESTATE ACQUISITION, MORTGAGE AND LEASING MARKETS, SECURITIES INVESTMENTS AND RAPID GROWTH COMPANIES, AND OTHER RISKS DETAILED FROM TIME TO TIME IN THE COMPANY'S REPORTS AND FILINGS WITH THE COMMISSION, INCLUDING ITS REGISTRATION STATEMENTS ON FORMS S-1 AND S-3 AND PERIODIC REPORTS ON FORMS 10-Q, 8-K AND 10-K. SPECIFIC REFERENCE IS MADE TO EXHIBIT 99. 1, FILED HEREWITH, FOR A DESCRIPTION OF MATERIAL RISKS FACED BY THE COMPANY AND ITS SECURITIES HOLDERS. GIVEN THESE UNCERTAINTIES, READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON SUCH STATEMENTS. THE COMPANY DOES NOT UNDERTAKE, AND SPECIFICALLY DISCLAIMS ANY OBLIGATION, TO PUBLICLY RELEASE THE RESULT OF ANY REVISIONS THAT MAY BE MADE TO ANY FORWARD-LOOKING STATEMENTS TO REFLECT THE OCCURRENCE OF ANTICIPATED OR UNANTICIPATED EVENTS OR CIRCUMSTANCES AFTER THE DATE OF SUCH STATEMENTS.

PART II OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

3.1	Amended and Restated Articles of Incorporation (1)
3.2	Amended and Restated Bylaws (2)
4.0	Form of Certificate of Common Stock (1)
4.1	Form of Indenture between the Company and Bank One, Columbus, NA as Trustee (1)
4.2	Form of Note due 2003 (included in Exhibit 4.1) (1)
4.3	Certificate of Trust of Ocwen Capital Trust I (3)
4.4	Amended and Restated Declaration of Trust of Ocwen Capital Trust I (3)
4.5	Form of Capital Security of Ocwen Capital Trust I (4)
4.6	Form of Indenture relating to 10 7/8% Junior Subordinated Debentures due 2027 of the Company (3)
4.7	Form of 10 7/8% Junior Subordinated Debentures due 2027 of the Company (4)
4.8	Form of Guarantee of the Company relating to the Capital Securities of Ocwen Capital Trust I (3)
4.9	Form of Indenture between the Company and The Bank of New York as Trustee (5)
4.10	Form of Subordinated Debentures due 2005 (5)
10.1	Ocwen Financial Corporation 1991 Non-Qualified Stock Option Plan, as amended (6)
10.2	Annual Incentive Plan (1)
10.3	Ocwen Financial Corporation 1996 Stock Plan for Directors, as amended (7)
10.4	Ocwen Financial Corporation 1998 Annual Incentive Plan (7)
10.5	Ocwen Financial Corporation Long-Term Incentive Plan (7)
10.6	Loan Facility Agreement dated April 23, 1999 between Ocwen Limited, National Westminster Bank plc, and Ocwen Financial Corporation (filed herewith)
10.7	Agreement of Merger dated as of July 25, 1999 among Ocwen Financial Corporation, Ocwen Asset Investment Corp. and Ocwen Acquisition Company (8)
27.1	Financial Data Schedule-For the three months ended June 30, 1999 (filed herewith)
99.1	Risk factors (filed herewith)

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(1) Incorporated by reference to 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.

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

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

(4) Incorporated by reference to similarly described exhibit included with Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997.

(5) Incorporated by reference to 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 to 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.

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

(8) Incorporated by reference to the similarly described exhibit included with the Registrant's current report on Form 8-K filed with the Commission on July 26, 1999.

(b) Reports on Form 8-K.

(1) A Form 8-K was filed by the Company on July 26, 1999 which contained a news release announcing the signing of a definitive agreement with Ocwen Asset Investment Corp. ("OAC") that contemplates that OAC would merge with an indirect subsidiary of the Company. The Form 8-K also contained the Agreement of Merger dated July 25, 1999 among the Company, Ocwen Acquisition Company and OAC.

(2) A Form 8-K was filed by the Company on August 12, 1999 which contained a news release announcing its financial results for the second quarter of 1999.

SIGNATURE

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

Ocwen Financial Corporation

By: /s/ 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 16, 1999

THIS AGREEMENT is made on 23 April 1999 between:

(1) OCWEN LIMITED, a company incorporated under the laws of England and Wales, registered number 3542994 whose registered office is at Malvern House, Croxley Business Park, Watford WD1 8YF (the "BORROWER"); and

(2) NATIONAL WESTMINSTER BANK PLC whose registered office is at 41 Lothbury, London EC2P 2BP (the "LENDER") acting through its duly authorised agent, Greenwich NatWest Limited ("GNW") whose principal office is at 135 Bishopsgate, London EC2; and

(3) OCWEN FINANCIAL CORPORATION, a company incorporated in the State of Florida, USA and whose principal place of business is at The Forum, 1675 Palm Beach Lakes Boulevard, West Palm Beach, Florida 33401 ("OFC" or the "GUARANTOR")

WHEREAS:

(1) The Borrower carries on the business of originating and acquiring mortgage loans secured by residential property in England, Wales and Scotland.

(2) The Lender has agreed to provide a facility to the Borrower to enable the Borrower to repay the GIL Facility and to finance the origination by the Borrower of mortgage loans on the terms and subject to the conditions contained herein.

(3) OFC has agreed to indemnify the Lender in respect of, INTER ALIA, the obligations of the Borrower under this Agreement.

1. INTERPRETATION

1.1 DEFINITIONS

In this Agreement (including the recitals hereto) the following terms shall have the respective meanings set forth below:

"ACCELERATION" means any acceleration of the Advances hereunder following the occurrence of an Event of Default;

"ACCOUNT CHARGES" means the Borrower Collection Account Charge and the Borrower Funding Account Charge.

"ACCOUNT BANK" means National Westminster Bank Plc or such other bank or financial institution as may be substituted as account bank with the prior written consent of the Lender.

"ADVANCE" means, save as otherwise provided herein, the Closing Date Advance and any advance made by the Lender hereunder pursuant to this Loan Facility to fund the origination of a Mortgage Loan (as from time to time reduced by repayment and prepayment).

"ADVANCE DATE" means, in the case of the Closing Date Advance, the date hereof and, in the case of each other Advance, each date on which the Lender advances monies to the Solicitors under clause 4.3 to fund the origination of Mortgage Loans hereunder.

"ADVANCE MONIES UNDERTAKING" means the Solicitors' undertaking given in respect of monies drawn under this Facility (save in respect of the refinancing of Existing Mortgage Loans), in the form set out in Schedule 5 (part 1).

"AFFILIATE" means, in relation to any company, a subsidiary or holding company of such company and, if such company is itself a subsidiary, any company which is also a subsidiary of the holding company of such first mentioned company, as such terms are defined in section 736 of the Companies Act 1985.

"AGREED FORM DOCUMENTATION LETTERS" means the letters of even date from the Lender, addressed respectively to (i) the Borrower, The Savjani Partnership and Bernard Elliston Sandler & Co. and (ii) the Borrower and Turner Macfarlane Green, with agreed form documentation attached, in each case signed by way of acknowledgement and acceptance by the relevant solicitors and the Borrower.

"AGREEMENT" means this Loan Facility Agreement, including all schedules and annexures hereto, which expression shall include the same as varied, supplemented, re-stated, novated, extended or replaced from time to time.

"ASSOCIATED COSTS RATE" means the cost imputed to the Lender of compliance with, inter alia, the mandatory liquid assets requirements of the Financial Services Authority during any Interest Period (or other period), expressed as a rate per annum and determined in accordance with Schedule 4.

"AVAILABLE COMMITMENT" means, at any time, the Loan Commitment at such time less the Loan Amount then outstanding.

"AVAILABILITY PERIOD" means the period commencing on the date of this Agreement and ending on the earlier of:-

(a) the date on which the Lender ceases to be under any obligation to make further Advances to the Borrower hereunder pursuant to the terms hereof; and

(b) the Final Maturity Date.

"BARCLAYS FACILITY" means the loan facility agreement dated 9 November, 1998 between Ocwen 2 Limited as borrower and Barclays Bank plc as lender.

"BERNARD ELLISTON SANDLER & CO. CLIENT ACCOUNT" means account number 95629920 sort code 60-00-01 at the Account Bank in the name of Bernard Elliston Sandler & Company - Ocwen Originations or such other account or accounts as may be utilised for the purpose of funding the origination of Mortgage Loans by Messrs. Bernard Elliston Sandler & Co.

"BORROWER COLLECTION ACCOUNT" means the account in the name of the Borrower with the Account Bank number 36156914 charged to the Lender pursuant to the Borrower Collection Account Charge.

"BORROWER COLLECTION ACCOUNT CHARGE" means the charge of the Borrower Collection Account in favour of the Lender dated on or about the date hereof in form and substance satisfactory to the Lender.

"BORROWER FUNDING ACCOUNT" means the account in the name of the Borrower at the Account Bank number 36156892 charged to the Lender under the Borrower Funding Account Charge.

"BORROWER FUNDING ACCOUNT CHARGE" means the charge of the Borrower Funding Account in favour of the Lender dated on or about the date hereof in form and substance satisfactory to the Lender.

"BORROWING BASE DEFICIENCY" means, on any day by reference to which the same falls to be calculated, the excess (if any) of the Loan Amount over Collateral Value calculated and agreed in accordance with clause 20.

"BUSINESS DAY" means a day (other than a Saturday or Sunday) on which banks are generally open for business in London.

"CCA" means the Consumer Credit Act 1974.

"CLIENT ACCOUNTS" means the Savjani Partnership Client Account, the Bernard Elliston Sandler & Co. Client Account and the Turner Macfarlane & Green Client Account and "Client Account" means each of such accounts.

"CLOSING DATE ADVANCE" means an advance in an amount equal to all outstandings (other than the GIL Accrued Interest) under the GIL Facility on the Closing Date, to be made available by the Lender hereunder, subject to the terms hereof, on the Closing Date.

"CLOSING DATE" means 23 April 1999.

"CLOSING DATE ADVANCE REQUEST" means a written request from the Borrower to the Lender for the Closing Date Advance substantially in the form set out in Schedule 1, Part 1.

"COLLATERAL PERCENTAGE" in respect of any Mortgage Loan as at any date means the percentage of the Outstanding Principal Balance of the Mortgage Loan set out in the table below by reference to the category into which such Mortgage Loan falls:-

Performing Senior Mortgage Loan	100%
Performing Junior Mortgage Loan	95%
Non Performing Senior Mortgage Loan	70%
Non Performing Junior Mortgage Loan	30%

"COLLATERAL VALUE" means, on any Interest Payment Date by reference to which the same falls to be determined, the aggregate of the values attributed to each Mortgage Loan as at the related Determination Date (other than any Mortgage Loan in relation to which the related Advance has been repaid in full), the value to be attributed to each such Mortgage Loan for such purpose to be determined by multiplying the lesser of the Collateral Percentage and the Market Value Percentage for each Mortgage Loan (on the basis of the status of such Mortgage Loan as at the related Determination Date) by the Outstanding Principal Balance of each such Mortgage Loan as at the relevant Determination Date provided that the Collateral Value shall be deemed to be zero with respect to each Mortgage Loan:

(a) in respect of which there is a material breach of a representation and warranty contained in clause 15.4 as at the relevant Determination Date which:

   (i) is curable but, as at the relevant Determination Date, has remained uncured for a period of 50 days or more; or

   (ii) (in the reasonable opinion of the Lender) is not curable;

(b) in respect of which the related Mortgaged Property has been repossessed;

(c) if

   (i) the related Mortgage Loan or the related Mortgage is not genuine or is not the legal, valid, binding and enforceable obligation of the maker or grantor thereof;

   (ii) such Mortgage, is not a valid, subsisting and enforceable mortgage or heritable security on the Mortgaged Property with the priority which it is expressed to have.

"COLLECTION PERIOD" means the period from and including the first day of the calendar month immediately preceding the calendar month in which the relevant Interest Payment Date falls until and including the last day of such preceding calendar month.

"CONSOLIDATED INDEBTEDNESS" means for any period, the aggregate Indebtedness of the relevant entity determined on a consolidated basis in accordance with GAAP less any non-specific balance sheet reserves maintained in accordance with GAAP.

"CONSOLIDATED TANGIBLE NET WORTH" means all amounts included as capital on the relevant entity's consolidated balance sheet determined in accordance with GAAP less amounts owing to affiliates and less any intangible assets including, without limitation, goodwill and deferred tax assets.

"COUNTER INDEMNITY" means the counter indemnity to be entered into on or about the date hereof between OFC and the Borrower in respect of the Indemnity, in form and substance satisfactory to the Lender.

"DEBENTURE" means the debenture to be entered into on or about the date hereof in form and substance satisfactory to the Lender by the Borrower in favour of the Lender creating fixed and floating charges over all of the Borrower's undertaking and assets and includes (where the context so admits) all further deeds and documents granted or executed pursuant thereto.

"DETERMINATION DATE" means the fifth Business Day of each calendar month and "related Determination Date" in the context of an Interest Payment Date means the fifth Business Day of the calendar month in which such Interest Payment Date falls.

"DRAWDOWN REQUEST" means the form of written request for an Advance to be delivered by the Borrower to the Lender prior to the relevant Advance Date, substantially in the form set out in Schedule 1, Part 2, together with a Solicitors' Report on Title attached thereto in relation to each Mortgage Loan to be originated.

"ELIGIBLE COLLATERAL" means any mortgage loan which, as at the date on which the Borrower is required to provide additional security to the Lender hereunder:

(a) is neither subject to the fixed charges contained in the Debenture nor forms the subject of a Scottish Sub-Security; and

(b) complies with all representations and warranties set out in clause 15.4.

"ELIGIBLE COLLATERAL SCHEDULE" means a schedule provided by the Borrower to the Lender under clause 8.

"ENGLISH MORTGAGE LOAN" means a Mortgage Loan secured over a Mortgaged Property situated in England or Wales.

"EVENT OF DEFAULT" means any one of the conditions or circumstances referred to in clause 18.

"EXISTING MORTGAGE LOANS" means those of the mortgage loans which are financed under the GIL Facility as at the Closing Date, details of which are listed in the Existing Mortgage Loans Schedule.

"EXISTING MORTGAGE LOANS SCHEDULE" means the schedule of mortgage loans set out in Schedule 1 to the Debenture.

"EXISTING MORTGAGE LOANS UNDERTAKING" means the Solicitors' undertakings in respect of Existing Mortgage Loans in the form set out in Schedule 5 (part 2) addressed to the Lender.

"FACILITY OFFICE" means the office of the Lender through which it makes any Advance to the Borrower.

"FINAL MATURITY DATE" means the day falling 364 days from (but including) the date hereof unless that day is not a Business Day in which case the Final Maturity Date shall be the immediately preceding day which is a Business Day.

"FIRST LEGAL SUB-MORTGAGE" means a document in the form set out in Schedule 2 to the Debenture relating to a Mortgage Loan of a Mortgaged Property in England or Wales.

"GIL" means Greenwich International, Ltd.

"GIL FACILITY" means the loan facility agreement dated 24 April 1998 between GIL as lender, the Borrower as borrower and OFC as guarantor, as amended and supplemented by an amending agreement dated 21 October 1998 and as further amended and supplemented by a second amending agreement dated 26 October 1998.

"GIL ACCRUED INTEREST" means the amount of interest accrued under the GIL Facility from and including 15 April 1999 to but excluding the Closing Date.

"GNW" means Greenwich NatWest Limited.

"INDEBTEDNESS" means any obligation (whether incurred as principal, cautioner or surety) for the payment or repayment of money in respect of:

(a) monies borrowed and debit balances at banks;

(b) any loan note, bond, note, loan stock, commercial paper, debenture or other security;

(c) any acceptance or documentary credit;

(d) the deferred purchase price of property or services, except accounts payable and accrued expenses arising in the ordinary course of business;

(e) any receivable sold or discounted (otherwise than on a non-recourse basis);

(f) the capital value of any lease (whether in respect of land, machinery, equipment or otherwise) entered into primarily as a method of raising finance or financing the acquisition of the asset leased;

(g) any currency or interest swap, cap, collar or floor transaction, any repurchase or reverse repurchase transaction, any foreign exchange, spot or forward transaction, any stock lending transaction, any financial option, or any combination of any of the foregoing; or

(h) without double counting, any guarantee, indemnity or contingent liability in respect of any borrowings of any person of a type referred to in (a) to (g) above but only to the extent the borrowings thereby guaranteed or indemnified against are outstanding.

"INDEMNITY" means the indemnity to be given by OFC on or about the date hereof in form and substance satisfactory to the Lender indemnifying, inter alia, the Lender for, inter alia, the obligations of the Borrower under this Agreement.

"INTEREST PAYMENT DATE" means the 15th day of each month unless that day is not a Business Day in which case the Interest Payment Date shall be the immediately preceding day which is a Business Day.

"INTEREST PERIOD" means, for each Advance, each of the following periods:

(a) the period commencing on (and including) the day the relevant Advance is made and ending on (but excluding) the next following Interest Payment Date; and

(b) thereafter, each period commencing on (and including) an Interest Payment Date and ending on (but excluding) the next following Interest Payment Date,

provided that any Interest Period which would otherwise overrun the Final Maturity Date or the Repayment Date of the relevant Advance shall end upon whichever is the earlier of the Final Maturity Date or the relevant Repayment Date.

"ISSUERS" means each of City Mortgage Receivables 1 Plc (Company No. 3126751), City Mortgage Receivables 2 Plc (Company No. 3245450), City Mortgage Receivables 3 Plc (Company No. 3245445), City Mortgage Receivables 4 Plc (Company No. 3246090), City Mortgage Receivables 5 Plc (Company No. 3304205), City Mortgage Receivables 6 Plc (Company No. 3328209), Ocwen Mortgage Loans 1 Plc (Company No. 3565250) and Ocwen Mortgage Loans 2 Plc (Company No. 3654408).

"JUNIOR MORTGAGE LOAN" means any Mortgage Loan which is secured other than by way of a first ranking legal mortgage or first ranking Standard Security.

"LIBOR" in respect of a particular period and in relation to an Advance or other amount in respect of which an interest rate is to be determined pursuant to this Agreement, means the percentage interest rate per annum for the time being offered in the London Interbank Market to prime banks for one month sterling deposits at or about 11.00 a.m. (London time) on the first day of such period as published on the relevant page of The Bloomberg (Bloomberg L.P.) under the heading "Money Market Money Market Rates".

"LOAN AMOUNT" means, on any date, the aggregate of Advances drawn down against the Loan Commitment by the Borrower as at that date, save to the extent that any such Advances have been repaid to the Lender.

"LOAN COMMITMENT" means an aggregate amount of (pound)100,000,000 (one hundred million pounds) (including, for the avoidance of doubt, the Closing Date Advance).

"LOAN FACILITY" means the loan facility granted to the Borrower by the Lender under this Agreement.

"MANUALS" has the meaning attributed to it in the Servicing Agreement.

"MARGIN" means 0.875%.

"MARKET VALUE PERCENTAGE" means in respect of any Mortgage Loan on any date of determination, the market value of such Mortgage Loan (expressed as a percentage of the Outstanding Principal Balance of such Mortgage Loan) determined by the Lender in its sole discretion acting reasonably and having notified the Borrower in advance of its determination and the reasons therefor, which determination shall, in the absence of manifest error, be conclusive.

"MHA DOCUMENTATION" means in relation to any Scottish Mortgage Loan, any affidavit, consent or renunciation granted in terms of the Matrimonial Homes (Family Protection) (Scotland) Act 1981 given in connection with such Scottish Mortgage Loan or the Mortgaged Property secured thereunder.

"MINDED TO REVOKE NOTICE" means any notice given under section 32 of the CCA.

"MIRAS" means the mortgage interest relief at source scheme specified in section 369 of the Income and Corporation Taxes Act 1988.

"MONTHLY PAYMENT" means, in respect of any Mortgage Loan, the monthly payment due and payable by the relevant Mortgagor on a Monthly Payment Date in accordance with the relevant Mortgage Conditions including all interest, principal, fees, charges and expenses payable thereunder.

"MONTHLY PAYMENT DATE" means, in respect of any Mortgage Loan, the date in each month on which the relevant Mortgagor is required to make payments of interest and, as the case may be, principal in accordance with the Mortgage Deed applicable thereto.

"MORTGAGE" means each charge, Standard Security or mortgage created by a Mortgage Deed.

"MORTGAGE DEED" means in relation to each Mortgage Loan, the deed creating the charge by way of first or subsequent ranking legal mortgage or first or subsequent ranking Standard Security over the relevant Mortgaged Property, and incorporating the terms and conditions on which the relevant advance to the Mortgagor was made.

"MORTGAGE FILE" means the Mortgage Loan Documents pertaining to a particular Mortgage Loan including, without limitation, any land certificates or charge certificates obtained by it issued by HM Land Registry or the Registers of Scotland now vested in the Borrower or vesting in it after the date of this Deed, together with the related mortgage application forms completed by the relevant Mortgagor(s), credit agency checks, if any, carried out in respect of such Mortgagor(s), correspondence files and all other material documents, papers and computer records held by or for the Borrower in respect of the particular Mortgage Loan and the origination and servicing thereof.

"MORTGAGE LOAN" means each mortgage loan referred to in a Mortgage Loan Schedule and any other mortgage loan, the origination of which is financed by the Lender hereunder (other than any such mortgage loan in respect of which the Borrower has repaid the related Advance in full) and all rights and entitlements of the Borrower in relation thereto and all references herein to "Mortgage Loan" shall be construed as a reference to the relevant Mortgage Loan, together with its Related Security.

"MORTGAGE LOAN DOCUMENTS" means, in respect of a Mortgage Loan, the original of each of the documents listed in Schedule 3 pertaining to any Mortgage Loan.

"MORTGAGE LOAN SCHEDULE" means each of the following:-

(a) the Existing Mortgage Loans Schedule;

(b) a schedule of loans annexed to a Drawdown Request containing, in respect of each mortgage loan specified therein the information set out in Part 3 of Schedule 1; and

(c) any Eligible Collateral Schedule.

"MORTGAGED PROPERTY" means each and all (as the context admits) freehold and/or leasehold properties in England or Wales and/or properties held on heritable title or long lease in Scotland subject to a Mortgage Deed.

"MORTGAGOR" means the party (or parties) referred to as such or as "the Borrower" or "the Grantor" in the relevant Mortgage Deed.

"NEW MORTGAGE LOAN" means a mortgage loan (other than an Existing Mortgage Loan) in respect of which the Borrower has drawn an Advance under this Facility.

"NEW MORTGAGE LOANS UNDERTAKING" means the Solicitors' Undertaking in respect of New Mortgage Loans in the form set out in Schedule 5 (part 3) addressed to the Lender.

"NON PERFORMING JUNIOR MORTGAGE LOANS" means a Junior Mortgage Loan which as of the last day of the related Collection Period has due and unpaid all or any part of at least one Monthly Payment.

"NON PERFORMING SENIOR MORTGAGE LOANS" means each Mortgage Loan which:

(a) is a Senior Mortgage Loan; and

(b) as of the last day of the related Collection Period has due and unpaid all or any part of at least two Monthly Payments.

"OFT" means the Office of Fair Trading.

"OFT GUIDELINES" means the guidelines issued by the OFT relating to the non-status lending market in effect from time to time.

"OUTSTANDING PRINCIPAL BALANCE" means, in respect of any Mortgage Loan on any date, the principal amount advanced to the relevant Mortgagor on completion of that Mortgage Loan, together with any retention amounts subsequently released to such Mortgagor and secured by the same Mortgage, (but excluding for the avoidance of doubt any fees, charges, disbursements and capitalised interest charged to the Mortgagor's mortgage account) less any repayments of the same (other than early repayments) received prior to that date.

"PERFORMING JUNIOR MORTGAGE LOAN" means a Junior Mortgage Loan which is not a Non Performing Junior Mortgage Loan.

"PERFORMING SENIOR MORTGAGE LOAN" means each Mortgage Loan which:

(a) is a Senior Mortgage Loan; and

(b) is not a Non Performing Senior Mortgage Loan.

"PIPELINE LOAN" means such of the Existing Mortgage Loans brief details of which are set out in Schedule 7.

"POTENTIAL EVENT OF DEFAULT" means any event which with the giving of notice or the passing of time or both or the occurrence of any other event will become an Event of Default.

"REASONABLY PRUDENT MORTGAGE LENDER" means a mortgage lender lending to credit-impaired borrowers in England, Wales and Scotland who is reasonably prudent in the origination, administration and enforcement of mortgage loans and the security for their repayment beneficially owned by such mortgage lender.

"REGISTERS OF SCOTLAND" means the Land Register of Scotland and/or the General Register of Sasines.

"REGULATED MORTGAGE LOAN" means a Mortgage Loan that is a regulated or partly regulated agreement for the purposes of the Consumer Credit Act 1974.

"RELATED SECURITY" has the meaning given to it in the Debenture.

"REPAYMENT DATE" means, in relation to:

(a) the Closing Date Advance in respect of each Existing Mortgage Loan refinanced by the Closing Date Advance, the date which is 180 days after the day on which the advance relating to such Existing Mortgage Loan was made under the GIL Facility (such that, for the avoidance of doubt, the Closing Date Advance will become repayable on a number of Repayment Dates, each determined as aforesaid); and

(b) in relation to any other Advance, the Final Maturity Date or other date which is 180 days following its Advance Date, whichever is the earlier.

"REPORT ON TITLE" means the Solicitors' report on title in respect of a Mortgaged Property addressed to the Borrower.

"SAVJANI PARTNERSHIP CLIENT ACCOUNT" means account number 36202630 sort code 60-00-01 with the Account Bank in the name of the Savjani Partnership - Ocwen Originations or such other account or accounts as may be utilised for the purpose of funding Mortgage Loans by the Savjani Partnership.

"SCOTTISH MORTGAGE LOAN" means a Mortgage Loan secured over a Mortgaged Property situated in Scotland.

"SCOTTISH SUB-SECURITY" means a Standard Security granted in favour of the Lender over a Scottish Mortgage Loan pursuant to clause 3.7 or 3.8(b) of the Debenture substantially in either of the forms set out in Schedule 3 and 4 thereof.

"SECURED SUMS" has the meaning given to it in the Debenture.

"SECURITISATION BANK AGREEMENTS" means the bank agreements dated 21 March 1996, 18 October 1996, 31 October 1996, 31 January 1997, 30 April 1997, 30 June 1998 and 25 November 1998 in relation to the Securitisations.

"SECURITISATIONS" means each of the securitisations of mortgage loans originated by City Mortgage Corporation Limited and certain of its subsidiaries, effected through sales of mortgage loans to certain of the Issuers on 21 March 1996, 18 October 1996, 31 October 1996, 31 January 1997 and 30 April 1997 and the securitisations of mortgage loans originated by the Borrower and of mortgage loans acquired by the Borrower from City Mortgage Corporation Limited and certain of its subsidiaries effected through sales of such mortgage loans to certain of the Issuers on 30 June 1998 and 25 November 1998.

"SECURITISED MORTGAGE LOANS" has the meaning attributed to it in the Debenture.

"SECURITY" includes any mortgage, sub mortgage, Standard Security, fixed or floating charge, sub charge, encumbrance, lien, pledge, hypothecation, absolute assignment, assignment by way of security, or title retention arrangement, and any agreement or arrangement having substantially the same economic or financial effect as any of the foregoing (including any "hold back" or "flawed asset" arrangement).

"SECURITY DOCUMENTS" means the Debenture (and each further security document executed pursuant thereto including, without limitation, any First Legal Sub-Mortgage or Scottish Sub-Security) and the Account Charges and any security executed in respect of additional collateral provided pursuant to the terms hereof.

"SENIOR MORTGAGE LOANS" means each Mortgage Loan which is secured by way of a first ranking legal mortgage or first ranking Standard Security.

"SERVICE DOCUMENT" means a writ, summons, order, judgment or other process issued out of the courts of England and Wales.

"SERVICER" means Ocwen UK Servicing Limited or, following the termination of that company's appointment as servicer under the Servicing Agreement, any substitute servicer appointed thereunder.

"SERVICER COLLECTION ACCOUNT" means the account in the name of Ocwen UK Servicing Limited with the Account Bank, number 76694895.

"SERVICER COLLECTION ACCOUNT TRUST" means all trusts subsisting from time to time over the Servicer Collection Account.

"SERVICING AGREEMENT" means the servicing agreement in form and substance satisfactory to the Lender to be entered into on or about the date hereof between the Borrower, the Lender and the Servicer.

"SOLICITOR LETTERS OF INSTRUCTION" means the form of letters of instruction so described and annexed to each of the Agreed Form Documentation Letters.

"SOLICITORS" means each of the Savjani Partnership, Bernard Elliston Sandler & Co and in relation to Scottish Mortgage Loans, Turner Macfarlane Green and each other firm of solicitors approved in writing by the Lender, each comprising a minimum of two partners holding current practising certificates issued by the Law Society or the Law Society of Scotland, engaged by the Borrower to undertake conveyancing and/or security enforcement services in relation to Mortgaged Properties, and who carry professional indemnity insurance in the sum of at least (pound)1,000,000 for each and every claim against them by any party in any one year or such increased amount as may from time to time be prescribed by the Lender, acting reasonably.

"SOLICITORS UNDERTAKINGS" means each of the Existing Mortgage Loans Undertakings, the Advance Monies Undertakings, and the New Mortgage Loans Undertakings.

"STANDARD SECURITY" means a standard security in terms of the Conveyancing and Feudal Reform (Scotland) Act 1970.

"STANDARD FORM DOCUMENTATION" means the standard form documents to be used by the Borrower in the origination of Mortgage Loans as the same have been initialled by the parties hereto for the purpose of identification and annexed hereto in Annexure 2 or as otherwise changed, varied, supplemented or substituted by or on behalf of the Borrower as approved and agreed by the Lender.

"TERM" means save as otherwise provided herein, in relation to any Advance, the period commencing on (and including) the date on which such Advance is made and ending on (but excluding) the Repayment Date relating to such Advance.

"TURNER MACFARLANE & GREEN CLIENT ACCOUNT" means account number 00895249 sort code 80-09-15 at Bank of Scotland in the name of Turner Macfarlane & Green Client Account or such other account or accounts as may be utilised for the purpose of funding Mortgage Loans by Turner Macfarlane & Green.

"TRANSACTION DOCUMENTS" means this Agreement, the Security Documents, the Indemnity, the Servicing Agreement, and each other document at any time entered into between all or any of the Borrower, OFC, the Lender, the Servicer and any third party pursuant to or in connection with any document which is a Transaction Document.

"UNDERTAKING" means the undertaking to be given by OFC to the Borrower on the date hereof.

"UNDERWRITING GUIDELINES" means the underwriting guidelines applied by the Borrower in connection with the origination of Mortgage Loans, as set out in Schedule 5, as the same may be amended or supplemented from time to time with the prior written consent of the Lender.

"Y2K COMPLIANT" means, in respect of any computer system, that neither the performance nor functionality of such system is affected by dates prior to, during and after 9 September 1999, as more particularly described in BS1 PD2000-1.

"HOLDING COMPANY" of a company or corporation means any company or corporation of which the first-mentioned company or corporation is a subsidiary, and references to a company or corporation shall be deemed to include a company or corporation which is not formed and registered under the Companies Act 1985.

a "MONTH" is a reference to a period starting on one day in a calendar month and ending on the numerically corresponding day in the next following calendar month, provided that, where any such period would otherwise end on a day which is not a Business Day, it shall end on the following succeeding Business Day, unless that day falls in the calendar month next following that in which it would otherwise have ended, in which case it shall end on the immediately preceding Business Day and provided further that, if there is no numerically corresponding day in the next following calendar month, that period shall end on the last Business Day in that next following calendar month (and references to "MONTHS" shall be construed accordingly).

a "PERSON" shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) of two or more of the foregoing.

"REPAY" (or any derivative form thereof) shall, subject to any contrary indication, be construed to include "PREPAY" (or, as the case may be, the corresponding derivative form thereof).

"SUBSIDIARY" has the meaning given to it by section 736 of the Companies Act 1985 save that references therein to company shall be deemed to include a company which has not been formed and registered under the Companies Act 1985.

"TAX" shall be construed so as to include any present or future tax, levy, impost, duty or other charge of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

"VAT" shall be construed as a reference to value added tax including any similar tax which may be imposed in place thereof from time to time.

the "WINDING-UP", "DISSOLUTION" or "ADMINISTRATION" of a company or corporation shall be construed so as to include any equivalent or analogous proceedings under the law of the jurisdiction in which such company or corporation is incorporated or any jurisdiction in which such company or corporation carries on business including the seeking of liquidation, winding-up, reorganisation, dissolution, administration, arrangement, adjustment, protection or relief of debtors.

1.2 INTERPRETATION

For the purposes of this Agreement except as otherwise expressly provided or unless the context otherwise requires:-

(a) accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles save that references herein to GAAP are to generally accepted accounting principles in the

United States of America in the case of information relating to OFC and to generally accepted accounting principles in the United Kingdom in the case of any entity based primarily in the United Kingdom;

(b) references herein to "clauses", "sub-clauses", "paragraphs", and other subdivisions without reference to a document are to designated clauses, sub-clauses paragraphs and other subdivisions of this Agreement;

(c) reference to a sub-clause without further reference to a clause is a reference to such sub-clause as contained in the same clause in which the reference appears, and this rule shall also apply to paragraphs and other subdivisions;

(d) the words "herein", "hereof", "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular provision;

(e) headings to clauses and Schedules are for convenience only and do not affect the interpretation of this Agreement;

(f) references to a "company" shall be construed so as to include any company, corporation or other body corporate, wherever and however incorporated or established;

(g) references to times of the day are to London time;

(h) references to any agreement (including without limitation to each Transaction Document), shall be construed as a reference to such agreement as the same may be, or may from time to time have been, amended, modified, supplemented, novated or restated in accordance with (in the case of a Transaction Document) the terms of the Transaction Documents;

(i) "(POUND)", "POUNDS" and "STERLING" denote the lawful currency of the United Kingdom;

(j) any reference in this Agreement to a statute shall be construed as a reference to such statute as the same may have been, or may from time to time be, amended, modified or re-enacted;

(k) any reference to any person, including without limitation the "LENDER", shall be construed so as to include its and any subsequent successors and assigns in accordance with their respective interests.

(l) any obligation of the Lender contained in this Agreement shall be deemed to be discharged if such obligation is performed by GNW on behalf of the Lender;

(m) any right which the Lender is entitled to exercise hereunder may be exercised on behalf of the Lender by GNW;

(n) any consent, authorisation or approval required to be given or determination to be made by the Lender hereunder shall be deemed to have been duly given if given by GNW on behalf of the Lender.

2. THE FACILITY AND PURPOSE

2.1 The Lender hereby agrees to:-

(a) make the Closing Date Advance available to the Borrower in accordance with clause 4.1 for the sole purpose of repaying amounts owing by the Borrower under the GIL Facility; and

(b) make the remainder of the Loan Commitment available to the Borrower on and subject to the terms of this Agreement for the sole purpose of financing the origination of Mortgage Loans.

2.2 At no time may the Loan Amount exceed the Loan Commitment.

2.3 The Lender shall not be obliged to concern itself with the application of amounts borrowed by the Borrower under this Agreement and application by the Borrower of funds so borrowed contrary to the provisions of clause 2.1 shall not prejudice the Lender's rights hereunder or under any other Transaction Document.

2.4 Without prejudice to clause 18.1, the Lender shall cease to be obliged to make any Advances hereunder on the Final Maturity Date and any undrawn portion of the Loan Commitment shall be automatically cancelled on that date.

3. AVAILABILITY

3.1 The Loan Facility will not become available to the Borrower and the Lender shall be under no obligation to make any Advance hereunder until each of the following conditions precedent shall have been fulfilled to the satisfaction of the Lender:

(a) the Lender shall have received each of the following documents, each in form and substance satisfactory to it:-

(i) a certified copy of the Certificate of Incorporation and Memorandum and Articles of Association or constitutional documents of each of the Borrower, OFC (comprising, in the case of OFC, articles of incorporation, byelaws and a certificate of good standing) and the Servicer each duly certified by the secretary or a director of the relevant company as true, accurate and complete as at the date hereof;

(ii) originals (or, where the Lender is not party to the relevant document, certified copies) of each of the following documents, duly executed by each party thereto other than the Lender:-

(A) the Indemnity, Counter Indemnity and Undertaking;

(B) the Security Documents (other than any First Legal Sub-Mortgage or Scottish Sub-Security to be delivered to the Lender under clause 3.9 of the Debenture) and all notices and acknowledgements thereof to be given and received thereunder and all consents to any such security being granted;

(C) the Servicing Agreement;

(D) copies of the mandates relating to the Servicer Collection Account;

(E) an Existing Mortgage Loans Undertaking executed by each of the Solicitors;

(F) the Agreed Form Documentation Letters;

(G) the Solicitors Letters of Instruction, duly acknowledged in writing by each of the Solicitors;

(H) an Advance Monies Undertaking executed by each of the Solicitors;

(I) a deed of release and reassignment by GIL of all the assets of the Borrower subject to the security created by the debenture dated 24 April 1998 granted by the Borrower in favour of GIL and by the deeds of assignment by the Borrower of the Borrower Collection Account and the Borrower Funding Account in favour of GIL, also dated 24 April 1998;

(iii) in respect of each of the Borrower, OFC and the Servicer, a copy (certified by the secretary or a director or equivalent officer of the relevant company to be true, complete and up to date as at the date of drawing of the Initial Advance) of all board minutes and all other resolutions and authorisations passed or given in relation to the entry into the Transaction Documents or the performance of the relevant party's obligations thereunder;

(iv) in respect of the Borrower and the Servicer, a solvency certificate in the form set out in Schedule 2 dated the date hereof;

(v) in respect of each of the Borrower, OFC and the Servicer a copy (certified by the secretary or a director or equivalent officer of the relevant company to be true, complete and up to date as at the date of advance of the Closing Date Advance) of all consents, approvals, authorisations or orders of any court or governmental agency or body (including, without limitation, the OFT) required for the execution, delivery and performance by it of, or compliance by it with, the terms of any Transaction Document or the consummation of the transactions contemplated thereby;

(iv) in relation to each of the Borrower and the Servicer, a copy (certified by the secretary or a director of the relevant company as in full force and effect) of the Consumer Credit Act licence held by such company together with evidence of registration of each such company under the Data Protection Act 1984;

(vii) duly executed account mandates in relation to the Borrower Funding Account and the Borrower Collection Account, specifying the authorised signatories for the Borrower;

(viii) a certificate of the Directors of the Servicer stating that all computer and electronic systems utilised by the Servicer in connection with the administration and enforcement of the Mortgage Loans is Y2K Compliant or will be Y2K Compliant by 9 September 1999; and

(ix) such information relating to the servicing agreement entered into by the Servicer in relation to the Barclays Facility as the Lender shall reasonably require and the undertakings and covenants given by the Servicer thereunder;

(b) confirmation as to the identity of all Solicitors engaged by the Borrower as at the date of this Agreement in relation to conveyancing and/or security enforcement concerning Mortgaged Properties, together with evidence as to their respective professional indemnity insurance cover;

(c) all conditions precedent under each other Transaction Document (other than any requirement that the Facility shall have become available hereunder) shall have been fulfilled or expressly waived by the Lender;

(d) the Lender shall have received legal opinions, each in form and substance satisfactory to it, from each of the following firms:

(i) edge ellison;
(ii) Tods Murray; and
(iii) in house counsel to OFC;

(e) the Borrower having provided satisfactory information to the Lender (including, without limitation, such legal opinions and auditors' reports as the Lender shall require) relating to the matters referred to in the letter dated 5 March 1999 from the Lender to the Borrower, a copy of which is annexed hereto as Schedule 8; and

(f) GIL shall have received from the Borrower, in cleared funds into an account nominated by GIL, an amount equal to the GIL Accrued Interest.

4. DRAWINGS

4.1 Subject to:-

(a) the conditions precedent in clause 3 having been fulfilled to the satisfaction of the Lender or waived by the Lender;

(b) no Event of Default or Potential Event of Default having occurred and subsisting unremedied (to the satisfaction of the Lender) and unwaived;

(c) there having been received from the Borrower by the Lender not later than 5pm (London time) on the Business Day before the date on which the Closing Date Advance is to be made a duly completed Closing Date Advance Request relating thereto including a schedule giving required details of each Existing Mortgage Loan;

the Lender will make the Closing Date Advance to the Borrower on the Closing Date.

4.2 Subject to:-

(a) each condition precedent in clause 3 having been fulfilled to the satisfaction of the Lender or waived by the Lender;

(b) no Event of Default or Potential Event of Default having occurred and subsisting unremedied (to the satisfaction of the Lender) and unwaived;

(c) the following having been received by the Lender in respect of each Mortgage Loan specified in a Mortgage Loan Schedule not later than 5pm (London time) on the Business Day before the date on which the Advance under the Loan Facility is to be made to fund the origination of each such Mortgage Loan:

(i) a Report on Title in a form satisfactory to the Lender (in its absolute discretion);

(ii) a duly completed Drawdown Request including a duly completed Mortgage Loan Schedule specifying each loan which the Borrower requires to be funded by that Advance;

(iii) a data tape in respect of the relevant Mortgage Loans, in computer readable form, containing the information set out in Schedule 6 Part 1 regarding each loan specified in the Mortgage Loan Schedule; and

(iv) a duly executed Scottish Sub-Security in respect of each Scottish Mortgage Loan specified in the Mortgage Loan Schedule;

(d) each Mortgage Loan specified in the Mortgage Loan Schedule complying with the representations and warranties contained in clause 15.1 and 15.4;

(e) the Borrower and OFC being, in all material respects, in compliance with the covenants and undertakings contained in clause 17;

(f) no Minded to Revoke Notice having been served on the Borrower or the Servicer;

(g) no injunction or interdict having been obtained by (or on behalf of) the OFT against the Borrower or the Servicer which relates to their respective residential mortgage lending and/or servicing activities including, without limitation, any Mortgage Loan financed hereunder;

(h) where the proposed Advance is to fund Mortgage Loans secured by a Mortgage over unregistered land in England and Wales where the Borrower does not hold the title deeds to such Mortgaged Property (and in relation to which the Borrower's legal mortgage is therefore a second or subsequent ranking legal mortgage protected at Central Land Charges Registry by registration of a C(i) Land Charge) the Lender shall have received a schedule of such Mortgage Loans (together with the full names of the owners of such Mortgaged Property and the full address of that Mortgaged Property);

the Borrower may draw Advances under the Loan Commitment (subject to the provisions of this Agreement) to fund the origination of Mortgage Loans provided always that:-

(i) Advances may only be made on Business Days during the Availability Period;

(ii) the aggregate of Advances to be made on any one day shall be a minimum of(pound)250,000 or, if less than (pound)250,000, the Available Commitment;

(iii) no Advance shall be made to the extent that, if as a result thereof :

(A) the Loan Amount for the time being outstanding would exceed the Loan Commitment; or

(B) the covenant of the Borrower contained in clause 17.1(u) would be breached;

(iv) no Advance shall be made or may be requested to refinance any Mortgage Loan the origination of which was financed by a prior Advance under this Agreement;

(v) the amount of each Advance requested shall not, insofar as it relates to any particular Mortgage Loan to be financed thereby, be greater than the value attributed to such Mortgage Loan, such value to be determined by multiplying the lesser of the Collateral Percentage and the Market Value Percentage of such Mortgage Loan by the Outstanding Principal Balance thereof as at the relevant Advance Date.

4.3 Subject to the foregoing provisions of this clause 4, upon receipt of a duly executed Drawdown Request the Lender shall, not later than 11 am (London time) on the Business Day on which the Advance is to be made (or such later time as may be agreed between the Borrower and GNW on behalf of the Lender), make the Advance requested, such Advance to be advanced to the Client Account of the Solicitors acting for the Borrower in relation to the particular Mortgage Loans to be financed by the Advance and it is acknowledged (for the avoidance of doubt) that any Advance paid to Solicitors under this clause 4.3 shall be deemed to have been drawn by the Borrower under this Agreement on the date of such payment.

4.4 If the Borrower fails for any reason whatsoever (other than as a consequence of a breach of the Lender's obligations) to draw down an Advance after a Drawdown Request has been received by the Lender (whether such failure be the result of the occurrence of an Event of Default or otherwise), the Borrower will pay to the Lender on demand such amount as the Lender certifies to be necessary to compensate the Lender for all losses excluding loss of Margin incurred or to be incurred on account of deposits acquired or arranged in order to fund the Advance. Any such certificate by the Lender shall be PRIMA FACIE evidence of such losses.

4.5 In the event that no duly completed New Mortgage Loans Undertaking shall have been received by the Lender in respect of any Mortgage Loan(s) in respect of which an Advance shall have been made hereunder by 5pm (London time) on the fourth Business Day following the making of the Advance (or such longer period as the Lender may, in its sole discretion, agree) the Lender shall immediately notify the Borrower and an amount equal to the Advance, or such part thereof as was advanced in respect of such Mortgage Loan or Mortgage Loans shall become due and repayable by the Borrower to the Lender together with accrued interest thereon on the fourth Business Day following the making of the Advance.

4.6 If all or any part of any Advance made to finance a Mortgage Loan which is subject to the provisions of clause 4.4 shall be held by any Solicitors, payment in full by such Solicitors to the following account of the amounts due under clause 4.5 shall discharge the Borrower's obligation to pay the same:

Account Name: NatWest Capital Markets
Account Number: 04622626
Sort Code: 60-00-04

4.7 All parties hereby agree and acknowledge that:

(a) all sums credited to the Borrower Funding Account shall be subject to the Borrower Funding Account Charge; and

(b) all sums credited to the Borrower Collection Account shall be subject to the Borrower Collection Account Charge.

5. CANCELLATION

5.1 The Borrower may at any time by giving not less than two Business Days irrevocable written notice to the Lender cancel any amount (in integral multiples of (pound)5,000,000) of the Loan Commitment to the extent not currently outstanding or requested in a current Drawdown Request, provided that if the Borrower wishes to reduce the Loan Commitment below the Loan Amount then outstanding plus the amount of Advances requested in a current Drawdown Request, the Borrower shall, prior to the date on which the reduction takes effect:

(a) repay the Advances to the extent necessary to reduce the Loan Amount outstanding to below the reduced Loan Commitment requested; and

(b) pay to the Lender such amount as is certified by the Lender to be necessary to compensate the Lender for loss of margin and all other amounts which the Lender certifies to be necessary to compensate it for all losses incurred by it in connection with such cancellation. Any such certificate by the Lender shall be PRIMA FACIE evidence of such loss.

5.2 During such period of notice the Borrower may not serve a Drawdown Request purporting to draw all or any part of the amount of the subject of such notice of cancellation.

5.3 Upon such cancellation becoming effective, the Loan Commitment shall be appropriately reduced.

6. INTEREST ON ADVANCES

6.1 The Borrower will pay interest on each Advance on each Interest Payment Date in respect of each Interest Period referable thereto at the rate per annum equal to the aggregate of (i) the Margin and (ii) LIBOR for the relevant Interest Period and (iii) the Associated Costs Rate.

6.2 The Lender will, as soon as practicable after commencement of each Interest Period advise the Borrower of LIBOR for that Interest Period. Any certificate of the Lender as to the rate and amount of interest determined by it under this Agreement in respect of any Interest Period shall, save for manifest error, be conclusive and binding on the Borrower and OFC.

6.3 Interest at the rate determined as aforesaid shall be calculated on each Advance and each part thereof on the basis of actual days elapsed and a 365 day year, shall accrue from day to day from and including the first day of each Interest Period to but excluding the date of repayment of such Advance.

6.4 If LIBOR cannot be determined for any reason the rate of interest applicable to such Advance shall be the sum of the Margin, the Associated Costs Rate and the rate, expressed as a percentage rate per annum, which is the actual cost to the Lender of funding such Advance from whatever sources it may reasonably select during such Interest Period (as applicable) and, if the Lender so requires, within five days of such notification the Lender and the Borrower shall enter into negotiations with a view to agreeing a substitute basis for determining the rates of interest which may be applicable to Advances in the future.

7. REPAYMENT AND APPLICATION OF RECEIPTS

7.1 Without prejudice to any of the Borrower's other obligations to make any payment, repayment or prepayment hereunder (including without limitation under clause 18.1), the Borrower shall repay the whole of the outstanding amount of each Advance and, in the case of the Closing Date Advance, each part thereof on the Repayment Date relating thereto. Any amount repaid or any part thereof may, subject to the provisions of this Agreement, be redrawn.

7.2 Prior to midday on the Business Day prior to each Interest Payment Date, the Borrower shall provide a data tape to the Lender specifying the Mortgage Loans in relation to which all or any part of the relevant Advances are to be repaid on such Interest Payment Date which shall include the information set out in Schedule 6.

7.3 If on any Interest Payment Date there is a Borrowing Base Deficiency the Borrower shall, at its option, on the relevant Interest Payment Date or on the Business Day immediately following the Interest Payment Date either:-

(a) prepay an amount equal to the amount of the Borrowing Base Deficiency; or

(b) provide additional Eligible Collateral of a value which is determined by the Lender to be at least equal to the amount of the Borrowing Base Deficiency in accordance with clause 8.

7.4 On each Interest Payment Date all amounts standing to the credit of the Borrower Collection Account shall be applied in or toward satisfaction of obligations of the Borrower in the following order of priority:-

(a) first, in or toward payment of all interest falling due to the Lender hereunder on the relevant Interest Payment Date together with any overdue interest accrued thereon up to and including the relevant distribution date;

(b) second, in or towards repayment of any Borrowing Base Deficiency or any other amount due under clause 7.3 on such date;

(c) third, in or towards payment of all amounts due and owing to the Lender under all Transaction Documents other than the foregoing; and

(d) the balance to be released to the Borrower,

provided that at all times following the occurrence of an Acceleration the provisions of this clause 7.4 shall cease to apply and after such time all amounts received or recovered in respect of the assets subject to the Security Documents may be applied by the Lender (whether through set-off or otherwise) in or towards satisfaction of the Secured Sums in such order as the Lender in its absolute discretion shall determine.

7.5 If the Borrower wishes to or is required to repay all or any part of an Advance other than on an Interest Payment Date, the Borrower will pay to the Lender on demand such amount as the Lender certifies to be necessary to compensate it for all losses excluding loss of Margin incurred or to be incurred by it on account of deposits acquired or arranged in order to fund the Advance which the Borrower is seeking to or is obliged to repay except in the case of a repayment of any Advance on any such date where:

(a) that Advance is repaid from the proceeds of a securitisation of the relevant Mortgage Loan or Mortgage Loans (whether as part of a securitisation involving any such Mortgage Loan or otherwise); and

(b) the Lender or any Affiliate of the Lender is the lead arranger (or lead manager) in respect of the relevant securitisation (it being agreed that any appointment as co-lead arranger or co-lead manager shall not constitute fulfilment of this condition (b)).

Any such certificate by the Lender shall be PRIMA FACIE evidence of such losses.

7.6 Subject to clause 7.5, the Borrower may on any Business Day, upon five Business Days prior written notice to the Lender, prepay in whole or in part any Advance outstanding hereunder together with all accrued interest thereon.

7.7 If the outstanding Advances are prepaid pursuant to clause 11.6 or clause 12.4, the Loan Commitment shall be reduced to zero and the Lender shall cease to be obliged to make Advances hereunder.

8. ELIGIBLE COLLATERAL

In the event that the Borrower is obliged to provide Eligible Collateral under clause 7.3(b), 17.1(r) or if, in the case of clause 16.5(b), the Borrower elects to provide Eligible Collateral the Borrower shall, on the Business Day prior to the day on which the Borrower is required to provide such additional Eligible Collateral, deliver a schedule to the Lender substantially in the form set out in Part 3 of Schedule 1 setting out details of Mortgage Loans which constitute Eligible Collateral and which the Borrower wishes to provide to the Lender as additional security in discharge of its obligations under those clauses. If the Lender, in its sole discretion, is satisfied that each loan referred to in such schedule constitutes Eligible Collateral, (but without prejudice to the Lender's rights under clauses 9 or 16) the Lender shall evidence such approval by signing the same.

9. EXAMINATION OF MORTGAGE FILES

9.1 The Lender or its delegates shall have the right to examine the Mortgage Files to determine, INTER ALIA, whether each Mortgage Loan complies with the representations and warranties in clause 15.4 and the undertakings and covenants in clause 17. Such examination may be made by or on behalf of the Lender at any time during reasonable hours upon reasonable prior notice before or after the date on which any Advance is to be or was made.

9.2 If the Lender or its delegates makes such examination prior to the date on which an Advance is to be made and properly identifies any Mortgage Loans specified in a schedule attached to a Drawdown Request which do not comply with the representations and warranties in clause 15.4, such loans shall be deleted from the schedule of loans appended to the Drawdown Request.

9.3 The Lender may make an Advance without conducting any partial or complete examination. The fact that the Lender has conducted or has failed to conduct any partial or complete examination of the Mortgage Files or to review any Drawdown Request under clause 9.2 shall not affect the Lender's (or any of its successor's) rights provided herein including, without limitation, those contained in clause 16 and clause 18.

10. EVIDENCE OF DEBT

The Lender shall maintain, or shall cause to be maintained, in accordance with its usual practice accounts evidencing the amounts from time to time lent by and owing to it hereunder, and in any legal action or proceeding arising out of or in connection with this Agreement, the entries made in such accounts shall in the absence of manifest error be PRIMA FACIE evidence of the existence and amounts of the specified obligations of the Borrower.

11. TAXES

11.1 Subject to clause 11.2, all payments to be made by the Borrower to the Lender hereunder shall be made free and clear of and without deduction or withholding for or on account of tax.

11.2 If the Borrower is nevertheless required as a result of any change in law or in its interpretation or administration to make any payment to the Lender hereunder subject to any deduction or withholding on account of tax the sum payable by the Borrower in respect of which such deduction or withholding is required to be made shall be increased to the extent necessary to ensure that, after the making of the required deduction or withholding, the Lender receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made.

11.3 If the Borrower makes any payment hereunder in respect of which it is required by law to make any deduction or withholding on account of tax, it shall pay the full amount required to be deducted or withheld to the relevant taxation or other authority within the time allowed for such payment under applicable law and shall deliver to the Lender, within thirty days after it has made such payment to the applicable authority, an original receipt (or a certified copy thereof) issued by such authority evidencing the payment to such authority of all amounts so required to be deducted or withheld in respect of such payment or any other written evidence acceptable to the Lender.

11.4 All amounts payable under this Agreement are expressed to be exclusive of any VAT chargeable in respect thereof. If any VAT is chargeable in respect of such amounts, the Borrower shall, in addition, pay to the Lender an amount equal to such VAT, and the Lender shall provide the Borrower with a proper VAT invoice in respect thereof.

11.5 If the Lender or the Borrower becomes aware that the Borrower will be required as a result of any change in law or its interpretation or administration to make any payment to the Lender hereunder subject to any deduction or withholding on account of tax, the Lender or, as the case may be, the Borrower shall, promptly upon becoming aware of the same, notify the other party, in writing, setting out the reasons for the anticipated deduction or withholding and the date from which such deduction or withholding will be required by law to be made (such date the "WITHHOLDING DATE").

11.6 If an increased payment is made under clause 11.2 by the Borrower and the Lender reasonably determines that it has received or been granted (and has derived use and benefit from) a credit against, or relief or remission for, or repayment of, any tax, then, if and to the extent that the Lender reasonably determines that such credit, relief, remission or repayment is in respect of or calculated with reference to the deduction or withholding giving rise to such increased payment, the Lender shall, to the extent that it can do so without prejudice to the retention of the amount of such credit, relief, remission or repayment, pay to the Borrower such amount as the Lender shall have reasonably concluded to be attributable to such deduction or withholding. Nothing contained in this Clause shall interfere with the right of the Lender to arrange its tax affairs in whatever manner it thinks fit or oblige the Lender to disclose any information in relation to its tax affairs or computations.

12. INCREASED COSTS

12.1 If, by reason of:-

(a) the introduction of, or any change in any applicable law, regulation or regulatory requirement or any change in the interpretation or application of any thereof in each case after the date hereof and/or

(b) compliance by the Lender or any holding company of the Lender with any applicable directive, request or requirement whether or not having the force of law but, if not having the force of law being of general application and of a type with which the Lender or a holding company of the Lender is accustomed to comply of any central bank or any self regulating organisation or any governmental, fiscal, monetary or other authority (including, but not limited to, a directive, request or requirement which affects the manner in which any bank allocates capital in support of its assets or liabilities or contingent liabilities or deposits with it or for its account or advances or commitments made by it) which is brought into effect after the date hereof,

and if, to the extent of compliance with either or both of paragraphs (a) and (b) and as a result thereof:-

(c) the Lender or any holding company of the Lender is unable to obtain the rate of return on its capital which it would have been able to obtain but for the Lender's entering into or assuming or maintaining a commitment or performing its obligations (including its obligation to make Advances) under this Agreement;

(d) the Lender or any holding company of the Lender incurs a cost as a result of the Lender's entering into or assuming or maintaining a commitment or performing its obligations (including its obligation to make Advances) under this Agreement;

(e) there is any increase in the cost to the Lender or any holding company of the Lender of funding or maintaining all or any of the Advances;

(f) the Lender or any holding company of the Lender becomes liable to make any payment on account of tax or otherwise (except on account of any tax imposed on and calculated by reference to the net income of the Facility Office by the jurisdiction in which the Lender (or its holding company) is incorporated or in which the Facility Office is located), or foregoes any interest or other return, on or calculated by reference to the amount of any Advance or the amount of any sum received or receivable by it (or its subsidiary) under this Agreement,

then the Borrower shall, from time to time on demand of the Lender, promptly pay to the Lender amounts sufficient to indemnify the Lender and its holding company against, as the case may be, (1) such reduction in the rate of return of capital, (2) such cost, (3) such increased cost (or such proportion of such increased cost as is, in the opinion of the Lender, attributable to its or its holding company funding or maintaining the Advance), or (4) such liability.

12.2 If the Lender intends to make a claim pursuant to clause 12.1 it shall notify the Borrower of the event by reason of which it is entitled to do so, such notification to be given as soon as practicable following the Lender becoming aware of the same, provided that nothing herein shall require the Lender to disclose any confidential information relating to the organisation of its affairs.

12.3 If the Borrower receives notice under clause 12.2, then without prejudice to the Lender's rights under clause 12.1, the Lender shall consult with the Borrower as to possible steps that could be taken to reduce any such increased costs, provided that the Lender shall be under no obligation to take any such steps considered.

12.4 Upon receipt of a notice under clause 12.2 the Borrower shall be entitled, upon the giving of 5 Business Days written notice, to prepay all (but not part) of the Advances (together with all interest accrued thereon and other amounts then due hereunder) provided that the provisions of clause 7.5 shall not apply in respect of any such prepayment.

13. ILLEGALITY

13.1 If, at any time, it is or will become unlawful for the Lender to make, fund or allow to remain outstanding all or part of any of the Advances, then the Lender shall, promptly after becoming aware of the same, deliver to the Borrower a notice to that effect notifying the Borrower of the date (or estimated date) on which it will become (if it has not already become) unlawful as aforesaid (such date the "Unlawful Date").

13.2 Unless the Lender shall have exercised its rights under clause 13.3 by such time, the Lender shall not, with effect from close of banking business on the Business Day immediately prior to the Unlawful Date, be obliged to make any further Advances hereunder, the Loan Commitment shall be immediately and automatically reduced to zero and the Borrower shall, on such date, repay any outstanding Advances, in each case together with accrued interest thereon and all other amounts owing to the Lender hereunder.

13.3 Following service of notice under clause 13.1, the Lender shall consult with the Borrower as to possible steps that could be taken to avoid such illegality provided that the Lender shall be under no obligation to take any such steps considered, and the Lender shall have the right, during the period after service of such notice but before the Unlawful Date to, to require the Borrower to repay all Advances hereunder (together with all interest accrued thereon and other amounts outstanding hereunder) on a date earlier than that specified under clause 13.2 (the "Early Repayment Date") (in which event and whereupon the Lender shall cease to be obliged to make further Advances hereunder and the Loan Commitment shall be reduced to zero) provided that the Lender shall only have the right to require repayment on an Early Repayment Date after consultation with the Borrower, and acting reasonably.

14. PAYMENTS

Any payment to be paid by the Borrower to the Lender pursuant to this Agreement shall be made in sterling, in immediately available, freely transferrable and cleared funds for value same day, to such account of the Lender as the Lender shall, from time to time, have specified in writing for such purpose.

15. REPRESENTATIONS AND WARRANTIES

15.1 The Borrower and OFC (each in relation to itself) hereby represent, warrant, covenant and undertake to the Lender that (except as previously disclosed to the Lender in writing on or prior to the date hereof):-

(a) it is a limited liability company duly incorporated under the laws of England and Wales and, in the case of OFC, it is a corporation duly incorporated and validly existing and in good standing under the laws of the State of Florida and is duly authorised and qualified to transact any and all business contemplated by this Agreement and the other Transaction Documents to be conducted by it and is in compliance with such laws to the extent necessary to ensure its ability to enforce each Mortgage Loan;

(b) it has the full corporate power and authority to execute, deliver and perform, and to enter into and consummate the transactions contemplated by this Agreement and the other Transaction Documents to which it is a party and has been duly authorised by all necessary corporate action on its part to execute, deliver and perform this Agreement and the other Transaction Documents to which it is a party; and its obligations under this Agreement and each Transaction Document to which it is a party, assuming the due authorisation, execution and delivery thereof by the Lender, constitutes its legal, valid and binding obligations, enforceable against it in accordance with its respective terms, except to the extent that (a) the enforceability thereof may be limited by bankruptcy, insolvency, moratorium, receivership and other similar laws relating to creditors' rights generally and (b) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to the equitable defences and to the discretion of the court before which any proceeding therefor may be brought;

(c) its execution and delivery of this Agreement and each Transaction Document to which it is a party, the consummation of any of the transactions herein or therein contemplated on its part and the fulfilment of or compliance with the terms hereof or thereof will not (i) result in a material breach of any term or provision of its Memorandum and Articles of Association and/or its other constitutional documents or (ii) materially conflict with, result in a material breach, violation or acceleration of, or result in a material default under, the terms of any other material agreement or instrument to which it is a party or by which it may be bound, or any statute, order or regulation applicable to it of any court, regulatory body, administrative agency or governmental body having jurisdiction over it;

(d) it is not party to, bound by, or in breach or violation of any material indenture or other material agreement or instrument, or subject to or in violation of any statute, order or regulation of any court, regulatory body, administrative agency or governmental body having jurisdiction over it, which materially and adversely affects or, to its knowledge, would in the future materially and adversely affect, (i) its ability to perform its obligations under this Agreement or the Transaction Documents to which it is a party or (ii) its business, operations, financial condition, properties or assets taken as a whole;

(e) no litigation is pending or, to the best of its knowledge, threatened against it that would materially and adversely affect the execution, delivery or enforceability of this Agreement or the Transaction Documents to which it is a party or its ability to perform any of its obligations hereunder or thereunder in accordance with the terms hereof or thereof;

(f) no consent, approval, authorisation or order of any court or governmental agency or body is required for the execution, delivery and performance by it of, or compliance by it with, this Agreement or any Transaction Document to which it is a party or the consummation of the transactions contemplated hereby or thereby, or if any such consent, approval, authorisation or order is required, it has obtained or it is in the process of obtaining the same.

15.2 The representations and warranties under clause 15.1(a) to (f) inclusive shall be given on the date of this Agreement and shall be repeated on each date on which any Advance is outstanding hereunder by reference to the facts and circumstances existing at the relevant time.

15.3 The Lender represents and warrants to the Borrower in terms of clauses 15.1(a) to (f) (inclusive), MUTATIS MUTANDIS.

15.4 The Borrower hereby represents and warrants to the Lender in relation to the Existing Mortgage Loans on the Closing Date and each other Mortgage Loan on the Advance Date applicable thereto or, if later, the date on which a New Mortgage Loans Undertaking in respect thereof is issued, as follows:

(a) the information set forth on each Mortgage Loan Schedule (and, in relation to any Scottish Mortgage Loan, in the schedule to any Scottish Sub-Security) with respect to each Mortgage Loan is true and correct in all material respects;

(b) each Mortgage Deed constitutes (i) in the case of English Mortgage Loans, a valid and enforceable legal mortgage of the relevant Mortgaged Property subject only in certain cases to registration of the relevant Mortgage Deed at HM Land Registry, or (ii) in the case of Scottish Mortgage Loans, a valid and enforceable Standard Security over the relevant Mortgaged Property subject only in certain cases to registration or recording of the relevant Mortgage Deed in the

Registers of Scotland, in either case duly executed by the Mortgagor named in the relevant Mortgage Deed;

(c) the Borrower (subject only to registration of legal title at HM Land Registry or the Registers of Scotland as appropriate) has good title to each Mortgage Loan and its Related Security, has full right and authority to charge and assign the same by way of security and the same is the absolute property of the Borrower (subject to any registration or recording in favour of the Borrower which may be pending at HM Land Registry or the Registers of Scotland) free and clear of all mortgages, securities, charges, liens, encumbrances, claims and equities (including, without limitation, rights of set off or counterclaim, overriding interest within the meaning of Section 3(xvi) of the Land Registration Act 1925 or Section 28(1) of the Land Registration (Scotland) Act 1979 and adverse entries or notices of application therefor against any title at HM Registry or the Registers of Scotland to any relevant Mortgaged Property) except any such encumbrances, claims, equities, overriding interests or entries which rank after the interests of the Borrower and the Lender in the Mortgaged Loans or which do not have an adverse effect on the value of the relevant Mortgaged Property as security for the relevant Mortgage Loan or which are the subject of a duly completed and signed Postponement Agreement or appropriate executed MHA Documentation as contemplated in sub-clause (y) below;

(d) each Mortgaged Property is a residential property or mixed commercial and residential property in England, Wales or Scotland;

(e) the steps necessary to perfect the vesting of full legal and equitable title to each Mortgage Loan and the Related Security in the Borrower have been duly taken at the appropriate time or are in the course of being taken with all due diligence;

(f) to the best of its knowledge, each Mortgaged Property is free of material damage;

(g) each Mortgage Loan at origination complied in all material respects with applicable laws and regulations including, where applicable, the Consumer Credit Act 1974 and any regulations made thereunder (and in particular no Mortgage Loan is cancellable thereunder) and consummation of the transactions contemplated hereby will not involve the violation of any such laws and regulations;

(h) in respect of each Existing Mortgage Loan the Borrower has not (a) modified the Mortgage Loan in any material respect, except that a Mortgage Loan may have been modified by a written instrument in respect of which any applicable registration(s) have been completed; (b) satisfied, cancelled or subordinated such Mortgage Loan in whole or in part; (c) released the related Mortgaged Property in whole or in part from the security created by the relevant Mortgage Deed; or (d) executed any instrument of release, cancellation, discharge, modification or satisfaction with respect thereto;

(i) no sub-mortgage, sub-charge, pledge, lien or right of set off or counterclaim or other security interest or other adverse right or interest has been created or has arisen between it and any Mortgagor which entitles or entitled the Mortgagor to reduce the amount of any payment otherwise due under the terms of such Mortgagor's Mortgage Loan (save, in the case of Junior Mortgage Loans, the relevant prior ranking legal mortgage or mortgages of or Standard Security over the relevant Mortgaged Property created by the Mortgagor and any related security for the loan secured thereby);

(j) each Mortgage Loan was originated in all material respects in accordance with the criteria set out in the Underwriting Guidelines;

(k) each Mortgage Loan (other than a Pipeline Loan) was originated in the name of the Borrower;

(l) each Pipeline Loan was acquired by the Borrower in accordance with the origination and transfer agreement dated 24 April 1998 between, inter alia, the Borrower, City Mortgage Corporation Limited and the Donors (as defined therein);

(m) in relation to each Mortgaged Property:-

   (i) in respect of title to property in England or Wales which is not registered, the relevant Mortgagor had or will on completion of the relevant Mortgage have good and marketable title to the fee simple absolute in possession (if freehold) or a term of years absolute of not less than thirty years beyond the term of the Mortgage Loan (if leasehold) relating to such Mortgaged Property and is free from any encumbrance which would adversely affect such title;

   (ii) in relation to title which is registered at HM Land Registry, it is registered with title absolute in the case of freehold property or absolute leasehold or good leasehold title aforesaid in the case of leasehold property;

   (iii) in relation to which title is registered or recorded in the Registers of Scotland, it was so registered or recorded with valid and marketable title (whether feudal or long lease), having in the case of a long lease an unexpired term of not less than thirty years beyond the term of the Mortgage Loan;

   (iv) no works on the relevant Mortgaged Property were carried out in violation of any applicable planning law or regulation or building regulations;

(v) if the relevant Mortgaged Property is leasehold or (in Scotland) held under long lease, any requisite consent of the landlord to or notice to the landlord of the creation of the relevant Mortgage had been obtained or given and no consents of or notices to such landlord are required to any transfer, assignation or sub-charge of the relevant Mortgage, and a copy of any such consent or notice is held with the title deeds to the relevant Mortgaged Property or held to the order of the Lender or its Solicitors;

(vi) the relevant Mortgaged Property is not subject to any adverse third party claim or proceeding for compulsory acquisition thereof;

(n) the obligations of each grantor of each Mortgage relating to a Mortgage Loan (and any other documents entered into in relation to the relevant Mortgage Loan) constitute the legal, valid and binding obligations of the grantor thereof, enforceable in accordance with their respective terms and with applicable laws and the parties thereto had legal capacity to execute each Mortgage and associated document and the same have been duly and properly executed by such parties;

(o) either:

(i) the full amount of each Mortgage Loan has been fully disbursed and there is no requirement for further advances thereunder; or

(ii) if any retention was recommended by the Borrower or its valuer, the recommendation to make a retention was implemented and cash was not advanced until the Borrower had received a certificate (or other evidence acceptable to it) of completion of the relevant repairs or other works;

(p) the Mortgage Documents applicable to each Mortgage Loan are substantially in the form of the relevant Standard Documents;

(q) the origination and underwriting practices used by the Borrower with respect to each Mortgage Loan have been in all respects in accordance with the standards of a Reasonably Prudent Mortgage Lender and comply with the Underwriting Guidelines;

(r) either:

(i) each Mortgaged Property is insured under the block insurance policy from time to time maintained by the Borrower to provide, cover against such risks and contingencies as are commonly insured against in a fully comprehensive buildings insurance for residential properties to a minimum of the full cost of reinstatement thereof together with inflation cost over any period that may be required for obtaining any relevant planning permission and other approvals and the reinstatement or repair period and architects and other professional fees; or

(ii) where the Mortgagor insures, the Borrower has established that such insurance was, at the date of origination of the relevant Mortgage Loan, in accordance with the foregoing provisions of this sub-clause, with a reputable insurer, with an acknowledgement by the insurer that the interest of the Borrower has been or will be promptly following the relevant Advance Date noted on the relevant policy. In the case of leasehold property in England and Wales, the relevant Mortgaged Property is insured under arrangements effected by the freeholder or any intermediate leaseholder, on a fully comprehensive basis as aforesaid;

(s) prior to making the relevant advance the subject of a Mortgage Loan, the Borrower carried out or caused to be carried on its behalf the investigations, searches (other than local authority searches) and other actions and made or caused to be made on its behalf the enquiries as to the Mortgagor's status that were required in accordance with the relevant lending criteria of the Borrower applicable at the time when the offer of advance was made and the results thereof were acceptable to the Borrower in accordance with such lending criteria for the purposes of the proposed advance;

(t) any further advances after the date of the Mortgage Deed but made prior to the Advance Date have been advanced under separate mortgage documentation (and, accordingly, have not been consolidated with the outstanding principal amount secured by the Mortgage), and all ground rents, ground burdens and service charges and other payments required in relation to leasehold property or heritable property which previously became due and owing have been paid. Except for interest accruing from the date of the relevant Mortgage Deed or date of advance to the relevant Mortgagor, whichever is later, to the day which precedes by one month the date for payment of the first instalment of principal and interest, the Borrower has not advanced funds, or induced, solicited or knowingly received any advance of funds by a party other than the Mortgagor, directly or indirectly, for the payment of any amount in relation to the relevant Mortgage Loan save to the extent that the same reduces the Mortgage Loan;

(u) to the best of the Borrower's knowledge and belief (the Borrower having made all reasonable enquiries) there is no default, breach, violation or event of acceleration existing under any Mortgage Loans and it has not waived any default, breach, violation or event of acceleration other than any waiver which is in accordance with and permitted under the relevant Manuals;

(v) each Mortgage File contains a valuation of the relevant Mortgaged Property undertaken on the instructions of the Borrower or instructions issued on its behalf by an independent qualified valuer being an associate or fellow of the Royal Institute of Chartered Surveyors or, as the case may be, Society of Valuers and Auctioneers, in each case approved by the Borrower and unless otherwise agreed between the Lender and the Borrower, the principal amount advanced to the relevant Mortgagor was not more than the amount permissible under the terms of the Underwriting Guidelines;

(w) at the time of the making of the Mortgage Loan, the Mortgaged Property was not located within a 1 mile radius of any contaminated land or any land with environmental or hazardous waste risks known to the Borrower or, where such was the case, an environmental audit was procured by the Borrower or evaluated in accordance with its established environmental review procedures, and found to be satisfactory;

(x) in selecting the Mortgage Loans in respect of which Advances are made hereunder, no selection procedure was employed by the Borrower which was intended to adversely affect the interests of the Lender;

(y) prior to the making of the relevant mortgage advance, enquiry was made of each Mortgagor as to the identity of the persons in actual occupation of the Mortgaged Property and (i) in the case of English Mortgage Loans, any person who at the date when the advance was made had attained the age of 18 and who was identified in writing to the Borrower or its Solicitor by the Mortgagor as residing or being about to reside in the relevant Mortgaged Property is either named as joint mortgagor on the relevant Mortgage Deed or has signed a legally binding agreement postponing (each a "POSTPONEMENT AGREEMENT") all rights and entitlements to which such person may be entitled in the Mortgaged Property to the interests, rights and entitlements of the Borrower or such other person as may have or acquire as mortgagee or chargee of the property from time to time, such agreement in a form as was satisfactory to such Solicitor, and (ii) in the case of Scottish Mortgage Loans, prior to the making of the advance, the Borrower or its Solicitor obtained all necessary validly executed MHA Documentation so as to ensure that neither the relevant Mortgage Loan nor the relevant Mortgaged Property was subject to or affected by any statutory right of occupancy in favour of a non-entitled spouse;

(z) the Borrower has kept, or caused to be kept, full and proper accounts, books and records showing all transactions payments, receipts and proceedings relating to that Mortgage and all such accounts, books and records are up to date and in its possession or held to its order;

(aa) there exists no litigation, dispute or complaint (subsisting or pending or threatened) calling into question in any way title of the Borrower to any Mortgage Loan or the ability of the Borrower or any other person to enforce such Mortgage Loan in accordance with its terms or, to the best of its knowledge, the relevant Mortgagor's title to his Mortgaged Property;

(bb) the Mortgage Loan Documents are held to the order of the Lender by the relevant Solicitor or have been lodged at H.M. Land Registry or the Registers of Scotland and in the case of each Mortgaged Property the title to which is registered or for which application for first registration has been made the Borrower knows the title number under which the Mortgaged Property is (or, in the case of first registration, is to be) registered at H.M. Land Registry or the Registers of Scotland;

(cc) in relation to each Mortgage Deed for Mortgaged Property where registration is pending at H.M. Land Registry, there is no caution, notice or other entry which would prevent the registration of the Mortgage Deed as a charge by way of first or, as the case may be, second or third subsequent legal mortgage;

(dd) none of the Mortgagors which pay interest is a company;

(ee) the Mortgage Loan Documents applicable to each Mortgage Loan require the relevant Mortgagor to make all payments thereunder directly into the Servicer Collection Account.

15.5 It is acknowledged and agreed that references in this clause 15 to Mortgage Loans shall include reference to their Related Security, as appropriate.

16. BREACH OF REPRESENTATIONS AND WARRANTIES

16.1 lt is understood and agreed that the representations and warranties set forth in clauses 15.1, 15.2 and 15.4 shall survive the charging of Mortgage Loans to the Lender and shall enure to the benefit of the Lender notwithstanding the examination by the Lender or failure by the Lender to examine any Mortgage File.

16.2 The Borrower shall notify the Lender of any breach of any representation and warranty (relating to the Borrower) given under clause 15.1 forthwith upon becoming aware of the same.

16.3 OFC shall notify the Lender of any breach of any representation and warranty (relating to OFC) given under clause 15.1 forthwith upon becoming aware of the same.

16.4 The Borrower shall notify the Lender, forthwith upon becoming aware of the same, of any breach of any representation and warranty given under clause 15.4 which would have (or has) a material and adverse effect on the value of relevant Mortgage Loan.

17. UNDERTAKINGS AND COVENANTS

17.1 The Borrower and (but only where the covenant or undertaking relates to OFC) OFC hereby undertake with the Lender that from and after the date hereof and until all sums due and to become due hereunder have been paid or repaid in full and the Loan Facility shall no longer exist:

(a) the Borrower and OFC shall obtain, comply with the terms of and do all that is necessary to maintain in full force and effect all authorisations, approvals, licences and consents required in or by the laws and regulations of England, Scotland and (in the case of OFC) Florida to enable it lawfully to enter into and perform its obligations under this Agreement and each Transaction Document and to ensure the legality, validity, enforceability or admissibility in evidence in England and in Scotland of this Agreement and each Transaction Document and shall ensure that none of the foregoing are revoked or modified;

(b) the Borrower shall promptly inform the Lender of the occurrence of any Event of Default or Potential Event of Default and, upon receipt of a written request to that effect from the Lender, confirm to the Lender that, save as previously notified to the Lender or as notified in such confirmation, no such event has occurred;

(c) to the extent that the Event of Default or Potential Event of Default relates to the conduct, omission, status or condition or otherwise relates to OFC, OFC shall promptly inform the Lender of the occurrence of any Event of Default or Potential Event of Default and shall also (unless it is aware that the Lender has received notification thereof) notify the Lender of any Event of Default or Potential Event of Default arising from any other fact or circumstance forthwith upon becoming aware thereof;

(d) the Borrower shall ensure that at all times the claims of the Lender against it under this Agreement are secured as provided in the Security Documents and that the security thereunder will be of the nature and will rank in the priority it is expressed to have in the Security Documents;

(e) the Borrower shall not, without the prior written consent of the Lender, create or permit to subsist any Security over all or any of its present or future revenues or assets save for security created (or permitted) under the Security Documents;

(f) the Borrower shall not, without the prior written consent of the Lender, make any loans, grant any credit or give any guarantee or indemnity (except (i) as contemplated in the Transaction Documents; or (ii) to OFC or any of its subsidiary companies or affiliates) to or for the benefit of any person or otherwise voluntarily assume any liability, whether actual or contingent, in respect of any obligation of any other person;

(g) the Borrower shall not, without the prior written consent of the Lender, sell, lease, transfer or otherwise dispose of, by one or more transactions or series of transactions (whether related or not), the whole or any part of its revenues or its assets except as permitted under the Debenture;

(h) the Borrower undertakes to continue to endeavour to settle all matters outstanding and pending with the OFT from time to time as expeditiously as reasonably practicable;

(i) the Borrower will procure that the origination, administration and enforcement of each Mortgage Loan does not violate in any material respect:-

  (i) OFT Guidelines for Non-Status Lending; and

  (ii) any undertakings or agreements from time to time between the Borrower, any holding company or any subsidiary of the Borrower and the OFT;

(j) the Borrower will procure that the Lender is:-

  (i) promptly notified on the receipt by Ocwen UK plc or any of its Affiliates of any correspondence (other than correspondence which is of a routine nature) received from the OFT on or after the date hereof relating to Ocwen UK plc's or any of its Affiliates' mortgage lending business and/or mortgage servicing business (insofar as it relates to mortgage loans owned (whether legally or beneficially) by Ocwen UK plc or any of its Affiliates) and/or the enforceability or servicing of mortgage loans which are owned (whether legally or beneficially) by Ocwen UK plc or any of its Affiliates; and

  (ii) all correspondence sent by the Borrower to the OFT (other than any correspondence of a routine nature) provided that nothing in this or any other undertaking shall entitle the Lender to receive access to or copies of privileged correspondence between the Borrower and its counsel.

  Upon the Lender being notified of the receipt of any correspondence from the OFT under clause 17.1 (j)(i), the Lender shall be entitled, upon giving reasonable prior notice to the Borrower and at reasonable times, to inspect the Borrower's files at the Borrower's offices relating to the matter which is the subject of such correspondence;

(k) the Borrower will procure that:

  (i) all Mortgage Loan Documents are delivered to Hays Business Services Limited or such other storer as the Lender may have approved (acting reasonably) from time to time (subject always to clause 3.10(d) of the Debenture) as soon as reasonably practicable following receipt thereof by the Borrower or the Solicitors acting on behalf of the Borrower in connection with the relevant Mortgage Loan and shall use reasonable endeavours to procure that the Lender has, upon 1 Business Day's notice, access to the offices of all Solicitors, Hays Business Services Limited or other storage provider aforesaid) during normal business hours and shall procure that the

Solicitors are instructed to allow the Lender to take possession of any Mortgage Loan Documents in relation to any Mortgage Loan financed or to be financed hereunder; and

(ii) all Mortgage Loan Files (other than the Mortgage Loan Documents referred to in (i) are delivered to the Servicer as soon as reasonably possible after the origination of the relevant Mortgage Loan;

(l) immediately on becoming aware thereof, the Borrower will provide the Lender with full and accurate details of any litigation (subsisting or pending) and of any dispute or complaint (other than any dispute or complaint which is frivolous or vexatious (but only if the subject matter or nature of the dispute or complaint (which includes, without limitation, any particular provision or provisions in the mortgage loan documentation to which the claim or dispute relates) is not of a type as has been subject to prior actions, disputes or complaints in relation to mortgage loans owned legally and/or beneficially by the Borrower or its Affiliates on at least five occasions) or is remedied within ten Business Days of it first being made) which may affect the value to the Lender of the security created by the Security Documents. Following notification of any such litigation, dispute or complaint and prior to any settlement thereof (other than any settlement thereof through the 10 Business Day remedy as permitted by this clause), the Borrower shall consult with the Lender and shall take due account of the Lender's representations (whether made in its capacity as Lender hereunder or as lead manager of the Securitisations) regarding how the litigation, dispute or complaint in question is to be settled;

(m) the Borrower will not amend the Standard Form Documentation or the Underwriting Guidelines without the prior written consent of the Lender;

(n) the Borrower shall deliver to the Lender as soon as the same are available, and in any event within one hundred and twenty (120) days after the end of each of their respective financial years

(i) a copy of the Borrower's audited annual financial statements; and

(ii) a copy of Ocwen UK plc's consolidated audited financial statements.

(o) the Borrower shall provide the Lender promptly upon request with any information relating to it and/or its financial condition and with any information relating to OFC and/or OFC's financial condition as the Lender may from time to time reasonably require in connection with this Agreement;

(p) the Borrower shall ensure that each set of audited annual financial statements delivered pursuant to sub-clause (n) are prepared in accordance with generally accepted accounting principles and on the same basis every year and half year (save as may be required from time to time as a result of changes in law or regulation or generally accepted accounting principles);

(q) the Borrower shall, promptly upon receipt of the same, deliver to the Lender a copy of any independent accountants' management letters received by it relating to it;

(r) the legal and equitable title of each Mortgage Loan financed hereunder and not sold or otherwise disposed of (whether through a securitisation, whole loan sale or otherwise) by the Borrower will be held in the name of the Borrower and the Borrower shall procure that in each case all necessary steps are undertaken to protect the Borrower's title to the Related Security including as appropriate registration or recording of the relevant Mortgage Deeds in the name of the Borrower at HM Land Registry or the Registers of Scotland and shall take all reasonable steps within its power to ensure that (i) such registration or recording shall be completed within 6 months from the date of application to the relevant registry and will submit each such application promptly (and within any applicable priority time periods) and (ii) the Solicitors will comply with the Solicitor's Undertakings and the Borrower shall be responsible for and meet any registration fees and other costs in connection therewith, provided that breach by the Borrower of this provision in relation to any one or more Mortgage Loans, shall not constitute an Event of Default but shall entitle the Lender to require (i) repayment of the Advance, or part thereof, (and all interest accrued thereon) which funded the acquisition of the relevant Mortgage Loan against release by the Lender of the relevant Mortgage Loan from the security created by the Debenture or (ii) if the relevant Mortgage Loan was specified in an Eligible Collateral Schedule, the provision by the Borrower of replacement Eligible Collateral in accordance with clause 8;

(s) the Borrower shall procure that where any retention is made in respect of a Mortgage Loan funded hereunder, the amount retained is, pending advance of the same against the relevant certificate (or other evidence) of completion of the relevant works, held either in the Borrower Funding Account or with the relevant Solicitor under the terms of the Solicitor's Undertaking.

(t) the Borrower shall procure that the Mortgage Loans are administered at all times in accordance with the standards of a Reasonably Prudent Mortgage Lender and, in particular but without limitation, that all computer and electronic systems required to administer the Mortgage Loans in accordance with such standards are Y2K compliant;

(u) the Borrower undertakes that:

  (i) (subject as set out in (v) below the aggregate Outstanding Principal Balance of Junior Mortgage Loans shall not at any time exceed 55% of the Loan Amount;

(ii) the aggregate Outstanding Principal Balance of Mortgage Loans secured by third or subsequent ranking Mortgages shall not at any time exceed 3% of the Loan Amount;

(iii) if the amount of mortgage loans secured by second or subsequent ranking mortgages or standard securities ("Junior Loans") and originated by the Borrower and its Affiliates over any period of 3 consecutive months as a proportion of all mortgage loans so originated falls significantly below such proportion over the preceding 6 months, the Borrower will endeavour to ensure that such a fall is reflected in the proportion of Junior Loans funded out of the Loan Facility thereafter;

(iv) in determining the ranking of a Mortgage, for the purposes of this clause 17.1(u) any Mortgage ranking immediately in priority shall be disregarded;

(v) this clause shall have no effect in relation to Junior Mortgage Loans already funded out of the Loan Facility as at close of business on the Closing Date.

17.2 The Borrower shall procure that the Servicer provides such certificates as required by the Lender pursuant to the Servicing Agreement.

17.3 The Borrower shall not originate any MIRAS loans without the prior written consent of the Lender.

17.4 Subject to clauses 17.5 and 17.6 the Borrower shall take all reasonable steps within its power to procure that all payments made in respect of each Mortgage Loan shall be paid directly into the Servicer Collection Account.

17.5 The Borrower shall, if required by the Lender, give notice to Mortgagors requiring the Mortgagors to redirect payment so as to pay direct to the Borrower Collection Account, or such other account of the Borrower or (following an Acceleration) such other Account as the Lender shall specify.

17.6 In the event that any payments under Mortgage Loans financed hereunder ("Mortgage Proceeds") are paid to or for the account of the Borrower other than by way of a direct credit to the Servicer Collection Account, the Borrower shall transfer such Mortgage Proceeds (or shall procure that such Mortgage Proceeds are transferred) to the Servicer Collection Account forthwith.

17.7 The Guarantor shall, for so long as this Agreement is in effect :

(a) maintain a minimum Consolidated Tangible Net Worth of $320,000,000.00 (three hundred and twenty million United States dollars);

(b) not permit the ratio of its Consolidated Indebtedness to Consolidated Tangible Net Worth to exceed 12:1; and

(c) maintain liquid assets consisting of cash and cash equivalents on an unconsolidated basis of not less than $15,000,000.00 (fifteen million United States dollars).

17.8 The Borrower shall, forthwith upon becoming aware of the same, notify the Lender (in writing) of each of the following:

(a) any termination of the Barclays Facility or servicing agreement with the Servicer relating to the Barclays Facility (the "Barclays Servicing Agreement");

(b) the occurrence of any event which entitles any person to terminate the Barclays Facility or the appointment of the Servicer as servicer under the Barclays Servicing Agreement;

(c) the occurrence of any event which, with the passing of time, fulfilment of any condition or both would entitle any person to terminate the Barclays Facility or appointment of the Servicer as servicer under the Barclays Servicing Agreement; and

(d) Ocwen 2 Limited negotiating or agreeing with Barclays Bank Plc to terminate the Barclays Facility or significantly reduce the amount available to be drawn by Ocwen 2 Limited thereunder.

17.9 The Borrower undertakes with the Lender that it will use all reasonable endeavours to avoid securitising Mortgage Loans during the period from 15 December 1999 to 16 January 2000 without the Lender's prior consent and the Lender agrees with the Borrower that it will endeavour to co-operate with the Borrower to facilitate it in complying with such undertaking.

18. DEFAULT

18.1 In the event of:-

(a) any default by the Borrower in the payment of any amount due for payment hereunder or under any Transaction Document within two Business Days after receipt of written notice by the Lender requiring payment of the same; or

(b) the Borrower failing to observe or perform any other covenants, obligations or agreements of the Borrower under this Agreement or any Transaction Document which, if (in the good faith opinion of the Lender) capable of remedy shall not have been remedied (to the satisfaction of the Lender) within thirty days of being required by the Lender to do so; or

(c) any representation or warranty made or repeated by the Borrower under this Agreement (other than any representation or warranty made or deemed to be made pursuant to clause 15.4) or under any other Transaction Document or any representation and warranty made or repeated by OFC hereunder being or proving to be or have been untrue or incorrect or misleading in any material respect as at the date at which it was made or repeated, and in the case of any such breach which is (in the good faith opinion of the Lender) capable of remedy, the relevant breach not having been remedied within thirty days of the Lender requiring the Borrower or, as the case may be, OFC to do so; or

(d) any default by OFC in the payment of any amount due for payment hereunder or under the Indemnity on the due date therefor; or

(e) OFC failing to observe or perform any other covenant, obligation or agreement contained hereunder or in the Indemnity which, if (in the good faith opinion of the Lender) is capable of remedy has not been remedied (to the satisfaction of the Lender) within thirty days of the Lender requiring OFC to do so; or

(f) the Servicing Agreement being terminated, or becoming capable of being terminated (after expiration of any applicable grace periods) in accordance with its terms other than by reason of a disposal that by its terms is conditional upon a release of servicing in respect of such Mortgage Loans; or

(g) OFC or the Servicer failing to observe or perform any material covenant, obligation or agreement (including any obligation to make any payment) on its part to be observed or performed under any Transaction Document (other than, in the case of OFC, this Agreement, or the Indemnity and, in the case of the Servicer the Servicing Agreement) which is (in the good faith opinion of the Lender) capable of remedy shall not have been remedied (to the satisfaction of the Lender) within thirty days (or such shorter or longer grace period as may apply in respect of the relevant breach under the relevant Transaction Document) of the Lender requiring remedy of the same; or

(h) any representation or warranty made or repeated by OFC or the Servicer under any Transaction Document (other than, in the case of OFC, this Agreement and the Indemnity and in the case of the Servicer, the Servicing Agreement) being or becoming untrue or misleading as of the date on which made or repeated and, in the case of any such breach which is (in the good faith opinion of the Lender) capable of remedy, the relevant breach not having been remedied to the satisfaction of the Lender within thirty days (or such shorter or longer grace period as may apply in respect of the relevant breach under the relevant Transaction Document) of the Lender requiring OFC or the Servicer, as the case may be, to do so; or

(i) the loss by the Borrower or the Servicer of its Consumer Credit Act Licence; or

(j) an adverse determination being made by the OFT in respect of any Minded to Revoke Notice served by the OFT on any of the Borrower or the Servicer in respect of the Consumer Credit Act Licence of the Borrower or the Servicer irrespective of any right to appeal (or other right) which the Borrower, or the Servicer may have thereafter, a "determination" being the decision or determination made by the Director (as defined under the CCA) under section 34(3) CCA in respect of the relevant Minded to Revoke Notice; or

(k) an injunction or interdict which relates to its residential mortgage lending business including, without limitation, Mortgage Loans financed hereunder being obtained by (or on behalf of) the OFT against the Servicer or the Borrower which remains in effect for more than 60 days;

(l) an order being made or an effective resolution being passed for winding up of the Borrower, the Servicer or OFC or any analogous provision or order being made under any applicable jurisdiction; or

(m) the Borrower, the Servicer or OFC ceasing or threatening to cease to carry on business or a substantial part of such business or stopping payment or threatening to stop payment of its debts or being or becoming unable to pay its debts within the meaning of Section 123(1)(a), (b), (c) or (d) of the Insolvency Act 1986, as that section may be amended, (or as the case may be any analogous provision under any applicable jurisdiction) or otherwise becoming unable to pay its debts as they fall due or the value of its assets falling to less than the amount of its liabilities (taking into account for both these purposes its contingent and prospective liabilities) or the Borrower, the Servicer or OFC otherwise becoming insolvent;

(n) proceedings being initiated against the Borrower, the Servicer or OFC under any applicable liquidation, insolvency, composition, bankruptcy, reorganisation (other than a reorganisation the terms of which have been approved by the Lender and where the Borrower, the Servicer or OFC is solvent) or other similar laws, or a petition for an administration order being presented against the Borrower, or the Servicer or OFC or an administrative or other receiver, administrator or other similar official in any applicable jurisdiction being appointed in relation to the Borrower, or the Servicer or OFC or in relation to the whole or any substantial part of the undertaking of or assets of the Borrower, or the Servicer or OFC or an encumbrancer taking possession of the whole or any substantial part of the undertaking or assets of the Borrower, or the Servicer or OFC or a distress, diligence or execution or other process being levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Borrower, or the Servicer or OFC or the Borrower, or the Servicer or OFC initiating or consenting to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or making a conveyance or assignment for the benefit of its creditors generally; or

(o) any material adverse change in the condition (financial, business, prospects or otherwise) of any of the Borrower or OFC occurring, which, in the reasonable judgment of the Lender is reasonably likely to prevent the Borrower or OFC, as the case may be, from performing its respective material obligations under any Transaction Document or is likely to adversely affect the value (to the Lender) of its security whether by adversely affecting the value of such security, the prospects of a sale thereof or otherwise; or

(p) the Borrower ceasing to be a wholly owned subsidiary of the Guarantor; or

(q) any Indebtedness, arising under any one or more transactions of the Guarantor and/or the Borrower, in excess (in aggregate) of $5,000,000 or the equivalent thereof in any other currency (determined by translating the other currency into dollars at the mean of National Westminster Bank Plc's spot buying and selling rates (based on the market rates prevailing at the relevant time) for the exchange of dollars and such currency at the relevant time):

   (i) not being paid on its due date or within any applicable grace period; or

   (ii) if payable on demand, not being paid on demand or within any applicable grace period; or

   (iii) becoming due by reason of a declared (or automatic) event of default (howsoever described) prior to its original maturity date and not being paid within 5 days of its required date of payment;

(each of the foregoing an "EVENT OF DEFAULT"), the Lender may, for so long as such event is continuing unwaived by the Lender do each or any of the following:

   (A) declare, by notice in writing to the Borrower, any undrawn portion of the Loan Commitment or any of it to be no longer available to the Borrower; and/or

   (B) declare, by written notice to the Borrower, all Advances outstanding together with all interest accrued thereon and all other sums then due and outstanding hereunder from the Borrower to be immediately due and payable, whereupon the same shall become immediately due and payable; and/or

   (C) enforce all or any of its security under the Security Documents; and/or

   (D) terminate the Servicing Agreement pursuant to its terms; and/or

   (E) terminate this Agreement,

whereupon the Lender shall cease to be obliged to make Advances hereunder.

18.2 If any Advance shall be declared immediately due and payable as aforesaid, the Borrower shall pay to the Lender such amount as the Lender certifies to be necessary to compensate it for any loss incurred (excluding loss of Margin) or to be incurred on account of deposits acquired or arranged in order to fund such Advances as a consequence of such Event of Default.

18.3 The rights conferred on the Lender pursuant to this clause 18 shall be in addition to whatever rights the Lender may have both at law and in equity.

18.4 The Lender may waive any default by the Borrower in the performance of its obligations hereunder and its consequences. Upon any such waiver of a past default, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been remedied for every purpose of this Agreement. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon except to the extent expressly so waived.

18.5 The Borrower agrees to indemnify and keep indemnified the Lender, GNW and every Receiver, delegate, attorney, manager or agent or other person appointed by the Lender hereunder or acting on behalf of the Lender in connection with any Transaction Document from and against any loss, cost (including, without limitation, any cost of enforcement), liability (including, without limitation, any tax liability), claim or damage which any such person incurs or suffers (other than through that person's own gross negligence or wilful default):

(a) as a consequence of any breach of any representation and warranty contained in clause 15;

(b) as a consequence of any breach of any undertaking and covenant contained in clause 17;

(c) as a consequence of any Event of Default or any Potential Event of Default; and

(d) in connection with any actions, proceedings, claims or demands whether brought or made (directly or indirectly) by Mortgagors (of Mortgage Loans financed or previously financed hereunder) or other third parties, in each case in respect of or relating to any Mortgage Loan at any time financed hereunder whether such Mortgage Loan or Mortgage Loans continue to be financed hereunder at the time any such action, claim, proceeding or demand is made (or concluded) and irrespective of the status of such Mortgage Loan or Mortgage Loans, at the relevant time, (including, without limitation, whether the same had been previously redeemed) including, without limitation, any claim, demand, proceeding or action for repayment or recovery (or compensation or damages in respect) of amounts paid under the relevant Mortgage Loan or Mortgage Loans.

The indemnity contained in this clause 18.5 may, without limiting the Lender's rights, be claimed as a debt or liquidated demand.

19. DEFAULT INTEREST

19.1 If any sum due and payable by the Borrower hereunder is not paid on the due date therefor or if any sum due and payable by the Borrower under any judgement or decree of any court in connection herewith is not paid on the date of such judgement or decree, the period beginning on the date seven days after such due date (in the case of non payment by the Borrower of an amount due hereunder) or, as the case may be, the date of such judgement or decree and ending on the date upon which the obligation of the Borrower to pay such sum (the balance thereof for the time being unpaid being herein referred to as an "UNPAID SUM") is discharged shall be divided into successive periods, each of which (other than the first) shall start on the last day of the preceding such period and the duration of each of which shall (except as otherwise provided in this clause 19) be selected by the Lender.

19.2 During each such period relating thereto as is mentioned in clause 19.1 an unpaid sum shall bear interest at the rate per annum which is the sum from time to time of two per cent and the Margin and the Associated Costs Rate in respect thereof at such time and LIBOR on the first day of the relevant period provided that:

(a) if, for any such period, LIBOR cannot be determined, the rate of interest applicable to such unpaid sum shall be the rate per annum which is the sum of two per cent and the Margin and the Associated Costs Rate in respect thereof at such time and the rate per annum determined by the Lender to be equal to the rate which expressed as a percentage rate per annum equals the cost to it of funding such unpaid sum for such period from whatever sources it may select; and

(b) if such unpaid sum is all or part of an Advance which became due and payable on a day other than the Repayment Date therefor, the first such period applicable thereto shall be of a duration equal to the unexpired portion of that Term and the rate of interest applicable thereto from time to time during such period shall be that which exceeds by two per cent the rate which would have been applicable to it had it not so fallen due.

19.3 Any interest which shall have accrued under clause 19 in respect of an unpaid sum shall be due and payable and shall be paid by the Borrower at the end of the period by reference to which it is calculated or on such other dates as the Lender may specify by written notice to the Borrower.

20. CALCULATIONS AND PORTFOLIO INFORMATION

20.1 On each Determination Date, the Borrower shall calculate the Borrowing Base Deficiency for the next Interest Payment Date and shall notify the same to the Lender by data tape, immediately upon calculation of the same.

20.2 By close of business on the second Business Day prior to each Determination Date, the Lender shall, for the purposes of the calculation under clause 20.1, notify the Borrower of the Market Value Percentage of all Mortgage Loans which have not, at the relevant time, been sold or otherwise disposed of by the Borrower.

20.3 The Lender's determination of the matters to be notified to the Borrower under clause 20.2 shall, in the absence of manifest error or bad faith, be final and binding on the parties hereto.

20.4 The Borrower's determination of the Borrowing Base Deficiency once agreed by the Lender under clause 20.5 shall, in the absence of manifest error or bad faith (on the part of either party), be final and binding on the parties hereto.

20.5 The Lender shall use reasonable endeavours to agree the Borrower's determinations of the Borrowing Base Deficiency within three Business Days of notification of the same to the Lender.

20.6 On each Determination Date, the Borrower shall provide a data tape to the Lender setting out the information specified in Schedule 6 in respect of each Mortgage Loan as at that date, such information to be correct as at close of business on the last day of the Collection Period immediately preceding such Determination Date.

21. CURRENCY OF ACCOUNT

21.1 Sterling is the currency of account and payment for each and every sum at any time due from the Borrower hereunder provided that each payment in respect of costs and expenses shall be made in the currency in which the same were incurred.

21.2 If any sum due from the Borrower under this Agreement or any order or judgement given or made in relation hereto has to be converted from the currency (the "FIRST CURRENCY") in which the same is payable hereunder or under such order, decree or judgement into another currency (the "SECOND CURRENCY") for the purpose of (a) making or filing a claim or proof against the Borrower, (b) obtaining an order, decree or judgement in any court or other tribunal or (c) enforcing any order, decree or judgement given or made in relation hereto, the Borrower shall indemnify and hold harmless each of the persons to whom such sum is due from and against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such person may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgement, decree, claim or proof.

22. SET-OFF

22.1 The Borrower authorises the Lender to apply any credit balance to which the Borrower is entitled on any account of the Borrower with the Lender in satisfaction of any sum due and payable from the Borrower to the Lender hereunder but unpaid.

22.2 All payments required to be made by the Borrower hereunder shall be calculated without reference to any set-off, deduction or counterclaim and shall be made free and clear of and without any deduction for or on account of any set-off, deduction or counterclaim.

23. CALCULATION OF INTEREST

Interest shall accrue from day to day and shall be calculated on the basis of a year of 365 days and the actual number of days elapsed.

24. COSTS AND EXPENSES

24.1 The Borrower shall, save where expressed to the contrary in any other Transaction Document, from time to time on demand of the Lender, reimburse the Lender for all reasonable costs and expenses (including legal fees) together with any VAT thereon incurred by it in connection with the negotiation, preparation and execution of this Agreement, the Transaction Documents and the completion of the transactions pursuant to this Agreement and the Transaction Documents or in connection with the preservation and/or enforcement of any of the rights of the Lender under this Agreement and the Transaction Documents.

24.2 The Borrower shall pay all stamp, registration and similar taxes to which this Agreement or any other Transaction Document or any judgement or decree given in connection herewith is or at any time may be subject (including in relation to the perfection of security granted by the Security Documents) and shall, from time to time on demand of the Lender, indemnify the Lender against any liabilities, costs, claims and expenses resulting from any failure to pay or any delay in paying any such tax.

24.3 The Borrower shall, from time to time on demand of the Lender compensate the Lender at such daily and/or hourly rates as the Lender shall from time to time reasonably determine for the time and expenditure, all costs and expenses (including telephone, fax, copying, travel and personnel costs) incurred by the Lender in connection with its taking such action as it may deem appropriate or in complying with any request by the Borrower in connection with (a) the granting or proposed granting of any waiver or consent requested hereunder by the Borrower; (b) any actual, potential or reasonably suspected breach by the Borrower of its obligations hereunder; (c) the occurrence of any event which is an Event of Default or a Potential Event of Default; or (d) any amendment or proposed amendment hereto requested by the Borrower.

25. REMEDIES AND WAIVERS

No failure to exercise, nor any delay in exercising, on the part of the Lender, any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise thereof or the exercise of any other right or remedy. Save as otherwise expressly provided herein the rights and remedies herein provided are cumulative and not exclusive of any rights or remedies provided by law.

26. CONFIDENTIALITY

The Borrower shall not, without the prior written consent of the Lender, disclose to any person the existence or any details concerning the Transaction Documents except to the extent such disclosure is contemplated in any Transaction Document, or is required pursuant to the application of any applicable law or an order of a court of competent jurisdiction, or is made to the Borrower's auditors or other professional advisors who are subject to confidentiality restrictions imposed by a professional body which are substantially similar to those set forth above.

27. NOTICES

27.1 WRITTEN NOTICES

Any notice or other communication, information or document to be made or delivered under this Agreement (save for any communication required to be made by data tape) shall be made or delivered by fax or otherwise in writing. Each such notice, communication information or other document to be delivered to any party to this Agreement shall (unless that other person has by fifteen days' written notice to the other party specified another address or fax number) be made or delivered to that person at the address(es) or fax number (if any) set out below:-

(a) in the case of the Lender, to GNW's branch office in the United Kingdom, facsimile number: 0171 375 5395, attention Caroline Bishop with a copy to:

Office of the General Counsel,
600 Steamboat Road,
Greenwich,
Connecticut 06830,
USA
Facsimile number: 001 203 629 4571
Attention General Counsel

(b) in the case of the Borrower, to its offices at Malvern House, Croxley Business Park, Watford WD1 8YF facsimile number: 01923 426456, attention Chief Executive, with a copy to:

John Erbey
Company Secretary
Ocwen Financial Corporation
The Forum
1675 Palm Beach Lakes Boulevard
Suite 1002
West Palm Beach, Florida 33401
Telephone No: 561-682-8661
Telefax No: 561-682-8163

(c) in the case of OFC, to its offices at:

The Forum
1675 Palm Beach Lakes Boulevard
Suite 1002
West Palm Beach, Florida 33401
Attention: John R. Erbey, Corporate Secretary
Telephone No: 561-682-8000
Telefax No: 561-682-8177

27.2 ELECTRONICALLY TRANSMITTED NOTICES

Any communication, document or information required to be made or delivered by the Borrower under this Agreement by data tape shall be transmitted by electronic mail to the following addresses (or such other addresses as the Lender may notify to the Borrower from time to time not later than the Business Day prior to the day on which the data tape is required to be received by the Lender in accordance with this Agreement):

nick.kent@greenwichnatwest.com
neils.ribeiro@greenwichnatwest.com

with a copy to:

caroline.bishop@greenwichnatwest.com

27.3 In the event that any attempted transmission of data by electronic mail fails, for whatever reason, the Borrower shall procure the delivery to the Lender of the relevant data in disk format, to be delivered to the Lender at the address specified in clause 27.1, marked for the attention of Nick Kent by 9.30 a.m on the day following the day on which the Borrower is informed that the electronic transmission failed.

27.4 DEEMED DELIVERY

Any notice, communication, information, document or data type to be delivered to any person shall be deemed to have been delivered:-

(a) in the case of personal delivery, at the time of such delivery;

(b) in the case of delivery by post, on the business day following the day on which it was posted and in proving such delivery it shall be sufficient to prove that the relevant notice, communication or document was properly addressed, stamped and posted (by airmail, if to another country) in the United Kingdom or, in the case of service to or from an address outside the United Kingdom at 9.00 a.m. on the fourth day following the day on which it was posted;

(c) in the case of any notice or other communication by fax, (a) on the business day the same was transmitted so long as there is evidence that such fax message was received prior to 5.00 p.m. local time of the recipient on such day and such day is a business day for the recipient, otherwise (b) on the business day following the day on which it was transmitted and, in either case, in proving such delivery it shall be sufficient to prove that the whole of the fax message was received on any fax machine of the recipient and that there was no evidence that such transmission had been interrupted.

(d) In the case of any data tape to be transmitted by electronic mail or disk, on actual receipt thereof by the Lender.

28. SEVERABILITY

If at any time any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, that shall not affect or impair:-

(a) the legality, validity or enforceability in that jurisdiction of any other provision of this Agreement; or

(b) the legality, validity or enforceability under the law of any other jurisdiction of that or any other provision of this Agreement.

29. ASSIGNMENT AND SUB PARTICIPATION

29.1 The Lender may at any time:-

(a) sub-participate all or any part of its rights or benefits under this Agreement; and

(b) assign or transfer all or any part of its rights or benefits under this Agreement

provided that:-

(i) if such sub-participation, assignment or transfer is of 51% or more of the total Loan Facility and is to any person other than a subsidiary, holding company of or other member of the Lender's group such sub participation, assignment or transfer shall require the prior consent of the Borrower (such consent not to be unreasonably withheld) provided that if any such member of the Lender's group who, at the relevant time, holds (whether as sub-participant, assignee or transferee) 51% or more of the total Loan Facility ceases to be a member of the group it shall, unless the Borrower shall have consented to the said member retaining its interest after it ceases to be a member of the group, immediately upon it ceasing to be a member of the group assign transfer its interest to any subsidiary, holding company or other member of the Lender's group; and

(ii) if, at the time and as a result of any proposed transfer or assignment, the Borrower would incur any increased cost or be liable to make payments in excess of those required to be made hereunder immediately prior thereto (other than any minimum liquid asset costs) such assignment or transfer is on terms that the Borrower is not and will not be liable for any such increased cost or liability.

29.2 The Borrower shall not be entitled to assign, transfer or otherwise dispose of all or any of its rights or benefits under this Agreement without the prior written consent of the Lender.

29.3 The Lender may disclose to a proposed assignee, transferee or sub-participant information in its possession relating to the provisions of this Agreement and the Transaction Documents which it considers necessary or desirable to disclose for the purposes of the proposed assignment, transfer or sub-participation, notwithstanding the provisions of clause 26 (Confidentiality) provided that the Lender obtains from such assignee, transferee or sub-participant a confidentiality undertaking on substantially the same terms as clause 26 (but substituting references to such proposed assignee, transferee or sub-participant for references therein to the Borrower) or on such other terms as may be agreed between the Borrower and the Lender.

29.4 This Agreement shall bind and inure to the benefit of and be enforceable by the Lender and its respective successors, transferees and assigns and references to the Lender shall be deemed to include references to each of the foregoing.

30. FURTHER ASSURANCE

The Borrower shall, from time to time on being required to do so by the Lender, now or at any time in the future, do or procure the doing of all such acts and/or execute or procure the execution of all such documents in a form satisfactory to the Lender as the Lender may consider necessary for giving full effect to this Agreement and the Transaction Documents and securing to the Lender the full benefit of the rights, powers and remedies conferred upon the Lender in this Agreement or any Transaction Documents.

32. ENTIRE AGREEMENT

This Agreement (together with the Transaction Documents entered into on or after the date hereof) constitutes the whole and only agreement between the parties relating to the secured, guaranteed facility provided by the Lender to the Borrower described herein and supersedes and extinguishes any prior drafts, agreements, undertakings, representations, warranties and arrangements of any nature whatsoever.

32.1 AGENT FOR SERVICE

32.2 OFC irrevocably agrees that any Service Document may be sufficiently and effectively served on it in connection with Proceedings, whether pursuant to this Agreement or any other Transaction Document, in England and Wales by service on its agent Ocwen Limited, if no replacement agent has been appointed and notified to the Lender pursuant to sub-clause 32.4, or on the replacement agent if one has been appointed and notified to the Lender.

32.3 Any Service Document served pursuant to this clause shall be marked for the attention of:

(a) Ocwen Limited at Malvern House, Croxley Business Park, Watford WD1 8YF or such other address within England and Wales as may be notified to the Lender by OFC; or

(b) such other person as is appointed as agent for service pursuant to sub-clause 32.4 at the address notified pursuant to sub-clause 32.4.

32.4 Any document addressed in accordance with sub-clause 32.2 shall be deemed to have been duly served if:-

(a) left at the specified address, when it is left; or

(b) sent by first class post, two clear Business Days after the date of posting.

32.4 If the agent referred to in sub-clause 32.4 (or any replacement agent appointed pursuant to this sub-clause) at any time ceases for any reason to act as such, OFC shall appoint a replacement agent to accept service having an address for service in England or Wales and shall notify the Lender of the name and address of the replacement agent; failing such appointment and notification, the Lender shall be entitled by notice to OFC to appoint such a replacement agent to act on OFC's behalf.

32.5 A copy of any Service Document served on an agent pursuant to this clause shall be sent by post to OFC at its address for the time being for the service of notices and other communications under clause 27 but no failure or delay in so doing shall prejudice the effectiveness of service of the Service Document in accordance with the provisions of sub-clause 32.1.

33 GOVERNING LAW AND JURISDICTION

33.1 This Agreement shall be governed by and construed in accordance with the laws of England, provided that any terms hereof which are particular to Scots law shall be construed in accordance with the laws of Scotland.

33.2 The parties to this Agreement irrevocably agree that the courts of England are to have jurisdiction to settle any dispute which may arise out of or in connection with this Agreement and each other Transaction Document and that accordingly any proceeding, suit, or action arising out of or in connection with this Agreement or any other Transaction Document ("PROCEEDINGS") may be brought in such courts.

33.3 Without prejudice to clause 33.2, all the parties further irrevocably agree that any Proceedings may be brought in any court of the State of New York, or the State of Florida or any other state of the United States, where any party has its chief executive office (all of such states being the "SUBMITTED STATES") or federal court sitting in the Submitted State and any court having jurisdiction over appeals of matters heard in such courts and each of the parties hereto irrevocably submits to the non-exclusive jurisdiction of such courts. Each of OFC and the Lender irrevocably consent to the service of process of any of the aforesaid courts in Submitted States in any such action or Proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid to the party's notice address specified above, such service to become effective upon receipt of evidence of the receipt thereof.

33.4 Each of the parties hereto irrevocably waives any objection it may have now or hereafter to the laying of the venue of any Proceedings in any such court as is referred to in this clause and any claim of FORUM NON CONVENIENS and further irrevocably agrees that a judgment in any Proceedings brought in any court referred to in this clause shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

IN WITNESS WHEREOF this Agreement is duly executed the date and year first above written.

/s/ JOSEPH A. DLUTOWSKI
....
for and on behalf of
OCWEN LIMITED

/s/ (authorized signatory)
....
for and on behalf of
GREENWICH NATWEST LIMITED,
acting as duly authorised agent for
NATIONAL WESTMINSTER BANK, PLC

/s/ John R. Erbey
....
for and on behalf of OCWEN FINANCIAL
CORPORATION

The following schedules have been deleted herefrom, but are available to the Commission upon request:

SCHEDULE

PART 1 - FORM OF CLOSING DATE ADVANCE REQUEST
PART 2 - FORM OF DRAWDOWN REQUEST
PART 3 - MORTGAGE LOAN SCHEDULE

SCHEDULE 2

FORM OF SOLVENCY CERTIFICATE

SCHEDULE 3

ENGLISH MORTGAGE LOAN DOCUMENTS
SCOTTISH MORTGAGE LOAN DOCUMENTS

SCHEDULE 4

ASSOCIATED COSTS RATE

SCHEDULE 5

PART 1 - FORM OF ADVANCE MONIES UNDERTAKING
PART 2 - FORM OF EXISTING MORTGAGE LOANS UNDERTAKING
PART 3 - FORM OF NEW MORTGAGE LOANS UNDERTAKING

SCHEDULE 6

PART 1 - DAILY FUNDING FILE TO BE PROVIDED UNDER CLAUSE 4.2(c)(iii)
PART 2 - MONTH END FILES TO BE PROVIDED UNDER CLAUSE 20.6

RISK FACTORS

Each of the factors set forth below could, directly or indirectly, affect the Company's results of operations and financial condition. Capitalized terms that are not defined herein shall have the meaning ascribed in the Annual Report on Form 10-K of the Company to which this Exhibit relates.

CHANGING NATURE OF RISKS; NO ASSURANCES AS TO CONSISTENCY OF EARNINGS

CHANGING NATURE OF RISKS. The Company's corporate strategy emphasizes the identification, development and management of specialized businesses which the Company believes are not accurately evaluated and priced by the marketplace due to market, economic and competitive conditions. This strategy can result in the entry into or development of businesses and investment in assets which produce substantial initial returns, which may be followed by an exit from any of those businesses or the sale of those assets if, for example, results decrease because markets become more efficient in the evaluation and pricing of such businesses and assets. For example, in recent years, the Company's efforts have focused on lending, the acquisition and resolution of discounted loans, and investment in various types of mortgage- related securities. However, on October 26, 1998, the Company announced that it would refocus its resources on its core competencies, namely the acquisition and management of servicing-intensive assets and the development of exportable loan serving technology for the mortgage and real estate industries. Given that this strategy involves the potential of entering and exiting different businesses, past financial performance may not be considered a reliable indicator of future performance and historical trends may not be reliable indicators of anticipated results or trends in future periods. In addition, there can be no assurance that the Company will be able to accomplish its strategic objectives as a result of changes in the nature of the Company's operations over time or that such changes will not have a material adverse effect from time to time or generally on the Company's business, financial condition or results of operations.

INCONSISTENCY OF RESULTS AND NON-RECURRING ITEMS. In addition to inconsistency in results caused by the entry or exit of businesses by the Company, the consistency of the operating results of the Company has and may continue to be significantly affected by inter-period variations in its current operations, including in respect of (i) the amount of assets acquired, particularly discounted loans; (ii) the amount of resolutions of discounted loans, particularly large multi-family residential and commercial real estate loans; (iii) the amount of multi-family residential and commercial real estate loans which mature or are prepaid, particularly loans with terms pursuant to which the Company participates in the profits of the underlying real estate; and (iv) sales by the Company of loans and/or securities acquired from the Company's securitization of loans. In addition, the Company's operating results have been significantly affected by certain non-recurring items. For example, the Company has earned significant non-interest income from gains on sales of interest-earning assets and real estate owned. Gains on sales of interest-earning assets and real estate owned generally are dependent on various factors which are not within the control of the Company, including market and economic conditions and accounting regulations. In addition, during 1998, the Company took charges related to its portfolio of AAA-rated agency interest-only ("IO") strips, residual and subordinate securities available for sale, curtailment of its domestic operations and investments in OAC and OPLP. There can be no assurance that the level of gains on sales of interest-earning assets and real estate owned reported by the Company in prior periods will be repeated in future periods or that there will not be substantial inter-period variations in the results from such activities or as a result of other non-recurring items.

RISKS RELATED TO NON-TRADITIONAL OPERATING ACTIVITIES

As discussed below, the Company is engaged in a variety of businesses which generally involve more uncertainties and risks than the single-family residential lending activities historically emphasized by savings institutions. In addition, many of the Company's business activities, including its lending activities, are conducted on a nationwide basis, which reduces the risks associated with concentration in any one particular market area but involves other risks because, among other things, the Company may not be as familiar with market conditions and other relevant factors as it would be in the case of activities which are conducted in the market areas in which its executive offices and branch office are located.

DISCOUNTED LOAN ACQUISITION AND RESOLUTION ACTIVITIES. The Company's lending activities include the acquisition and resolution of non-performing or underperforming single-family (one to four units) residential loans, multi-family (over four units) residential loans and commercial real estate loans which are purchased at a discount. Non-performing and subperforming mortgage loans may presently be in default or may have a greater than normal risk of future defaults and delinquencies, as compared to newly-originated, high-quality loans of comparable type, size and geographic concentration. Returns on an investment of this type depend on the borrower's ability to make required payments or, in the event of default, the ability of the loan's servicer to foreclose and liquidate the mortgage loan. There can be no assurance that the servicer can liquidate a defaulted mortgage loan successfully or in a timely fashion.

The Company acquires discounted loans from governmental agencies, which in the early years of the program consisted primarily of the Federal Deposit Insurance Corporation (the "FDIC") and the Resolution

Trust Corporation, a federal agency formed to resolve failed savings institutions which has since ceased operations, and in recent years has consisted primarily of the U.S. Department of Housing and Urban Development. In addition to governmental agencies, the Company acquires discounted loans from various private sector sellers, such as banks, savings institutions, mortgage companies and insurance companies. Although the Company believes that a permanent market for the acquisition of non-performing and underperforming mortgage loans at a discount has emerged in recent years, there can be no assurance that the Company will be able to acquire the desired amount and type of discounted loans in future periods or that there will not be significant inter-period variations in the amount of such acquisitions. There also can be no assurance that the discount on the non-performing and underperforming loans acquired by the Company will enable the Company to resolve discounted loans in the future as profitably as in prior periods. Adverse changes in national economic conditions or in the economic conditions in regions in which the Company acquires pools of loans could impair its ability to resolve successfully loans and could have an adverse effect on the value of those loan pools. The yield on the Company's discounted portfolio also is subject to significant inter-period variations as a result of the timing of resolutions of discounted loans, particularly multi-family residential and commercial real estate loans and non-performing single-family residential loans, interest on which is recognized on a cash basis, and the mix of the overall portfolio between performing and non-performing loans. In addition, the volume of discounted loans acquired by the Company may vary over time, thereby affecting results of operations in future periods as the quantity of loans resolved in any one time period may be affected.

MULTI-FAMILY RESIDENTIAL, COMMERCIAL REAL ESTATE AND CONSTRUCTION LENDING ACTIVITIES. The Company's lending activities currently include (though to a lesser extent than in previous years) nationwide loans secured by existing commercial real estate, particularly hotels and office buildings, and existing multi-family residential real estate. In addition, from time to time the Company originates loans for the construction of multi-family residential real estate and land acquisition and development loans (again, to a lesser extent than in previous years). Multi-family residential real estate, commercial real estate and construction lending generally are considered to involve a higher degree of risk than single-family residential lending due to a variety of factors, including generally larger loan balances, the dependency on successful completion or operation of the project for repayment, the difficulties in estimating construction costs and loan terms which often require little or no amortization of the loan over its term (typically five years) and, instead, provide for a balloon payment at stated maturity. Furthermore, mezzanine loans, which are subordinate to senior loans, and construction loans generally have higher loan-to-value ratios than conventional loans. Although the Company's borrowers generally have an equity investment of 10% to 15% of total project costs, such equity may not be sufficient to protect the Company's investment in these higher-yielding loans. There can be no assurance that any multi-family residential, commercial real estate and construction lending activities engaged in by the Company risks also related to loans already made will not be adversely affected by these and the other risks related to such activities.

SUB-PRIME FAMILY RESIDENTIAL LENDING ACTIVITIES. The Company's lending activities also continue to include the origination or purchase on a nationwide basis of single-family residential loans made to borrowers who have significant equity in the properties which secure the loans but who, because of prior credit problems, the absence of a credit history or other factors, are unable or unwilling to qualify as borrowers under federal agency guidelines. These loans are offered pursuant to various programs, including programs which provide for reduced or no documentation for verifying a borrower's income and employment. Sub-prime loans present a higher level of risk of delinquency or default than loans made to more creditworthy borrowers, and may not be as saleable as loans which conform to the guidelines established by various federal agencies. While the Company believes that the business practices it employs enable it to reduce higher risks inherent in these loans, no assurance can be given that such practices will afford adequate protection against higher delinquencies, foreclosures or losses than anticipated, and as a result, the Company's financial condition or results of operation could be adversely affected.

ENVIRONMENTAL RISKS OF LOAN ACQUISITION AND LENDING ACTIVITIES. The Company evaluates the potential for significant environmental problems prior to acquiring or originating a loan because there is a risk for any mortgage loan, particularly a multifamily residential and commercial real estate loan, that hazardous substances or other environmentally restricted substances could be discovered on the related real estate. Through foreclosure, the Company could become the owner of the real estate that secured its loan and might be required to remove such substances from the affected properties or to engage in abatement procedures at its sole cost and expense. There can be no assurance that the cost of such removal or abatement will not substantially exceed the value of the affected properties or the loans secured by such properties, that the Company would have adequate remedies against the prior owners or other responsible parties or that the Company would be able to resell the affected properties either prior to or following completion of any such removal or abatement procedures. If such environmental problems are discovered prior to foreclosure, the Company generally will not foreclose on the related loan; however, the value of such property as collateral will generally be substantially reduced, and as a result, the Company may suffer a loss upon collection of the loan.

INVESTMENTS IN LOW-INCOME HOUSING TAX CREDIT INTERESTS. The Company invests in low-income housing tax credit interests (generally limited partnerships) in order to obtain federal income tax credits which are allocated pursuant to Section 42 of the Internal Revenue Code of 1986, as amended (the "Code"). There are many uncertainties and risks associated with an investment in low-income housing tax credit interests, including the risks involved in the construction, lease-up and operation of multi-family residential real estate, the investor's ability to earn sufficient income to utilize the tax credits resulting from such investments in accordance with the requirements of the Code and the possibility of required recapture of previously-earned tax credits. In addition, there are numerous tax risks associated with tax credits resulting from potential changes to the Code.

INVESTMENTS IN MORTGAGE-RELATED SECURITIES. From time to time the Company invests in a variety of mortgage-related securities, such as senior, subordinate and residual interests in collateralized mortgage obligations ("CMOs"), including CMOs which have qualified as Real Estate Mortgage Investment Conduits. These investments include so-called stripped mortgage-related securities, in which interest coupons may be stripped from a mortgage security to create an interest-only strip, where the investor receives all of the interest cash flows and none of the principal, and a principal-only ("PO") strip, where the investor receives all of the principal cash flows and none of the interest. Some mortgage-related securities, such as IO strips, PO strips and residual interests, exhibit considerably more price volatility than mortgages or ordinary mortgage pass-through securities, due in part to the uncertain cash flows that result from changes in the prepayment rates of the underlying mortgages. Other mortgage-related securities, such as subordinate interests, also involve substantially more credit risk than the senior classes of the mortgage-related securities to which such interests relate and generally are not as liquid as such senior classes. The Company generally acquires subordinate and residual interests primarily in connection with the securitization of its loans, particularly single-family residential loans to non-conforming borrowers and discounted loans, and under circumstances in which it continues to service the loans which back the related securities. The Company has sought to offset the risk of changing interest rates on certain of its mortgage-related securities by selling U.S. Treasury futures contracts and through other hedging techniques, and believes that the resulting interest-rate sensitivity profile compliments the Company's overall exposure to changes in interest rates. See "--Economic Conditions" below. Although generally intended to reduce the effects of changing interest rates on the Company, investments in certain mortgage-related securities and hedging transactions could cause the Company to recognize losses depending on the terms of the instrument and the interest rate environment.

RISK OF FUTURE ADJUSTMENTS TO ALLOWANCES FOR LOSSES

The Company believes that it has established adequate allowances for losses for each of its loan portfolio and discounted loan portfolio in accordance with generally accepted accounting principles. Future additions to these allowances, in the form of provisions for losses on loans and discounted loans, may be necessary, however, due to changes in economic conditions, increases in loans and discounted loans and the performance of the Company's loan and discounted loan portfolios.

In addition, the OTS, as part of its examination process, periodically reviews the Company's allowances for losses and the carrying value of its assets. As a result of OTS reviews, the Company in the past has increased its allowances for losses on loans and discounted loans and written down the carrying value of certain loans. There can be no assurance that the Company will not determine, at the request of the OTS or otherwise, to further increase its allowances for losses on loans and discounted loans or adjust the carrying value of its real estate owned or other assets. Increases in the Company's provisions for losses on loans would adversely affect the Company's results of operations.

RISKS RELATED TO REAL ESTATE OWNED

GENERAL. The Company's real estate owned consists almost entirely of single-family residential real estate and multi-family residential and commercial real estate acquired by foreclosure or deed-in-lieu thereof on loans in the Company's discounted loan portfolio. Generally, real estate owned properties are non-earning assets, although multi-family residential and commercial real estate owned may provide some operating income to the Company depending on the circumstances. Such operating income may be affected by problems experienced by lessees, which may weaken their financial condition and result in failure to make rental payments when due. At any time, a lessee of the Company's properties may seek the protection of bankruptcy laws, which could result in rejection and termination of the lessee's lease and thereby cause a reduction in cash flow available for distribution to the Company. Moreover, the value of real estate can be significantly affected by adverse changes in national or local economic conditions, competition from other properties offering the same or similar services, changes in interest rates and in the availability, cost and terms of mortgage funds, acts of nature, including earthquakes, hurricanes and other natural disasters, and other factors which are beyond the control of the Company. These factors may require the establishment of provisions for losses to ensure that real estate owned properties are carried at the lower of cost or fair value, less estimated costs to dispose of the properties, which may adversely affect operations. Real estate owned also requires increased allocation of resources and expense to the management and work out of the asset, property taxes and compliance with respect to environmental laws and the Americans with Disabilities Act of 1990, which can also adversely affect operations. There can be no assurance that the amount of the Company's real estate owned will not increase in the future as a result of the Company's discounted loan acquisition and resolution activities and the Company's single-family residential, multi-family residential, commercial real estate and construction lending activities.

ENVIRONMENTAL RISKS. Operating costs and the value of real property may be affected by the obligation to pay for the cost of complying with existing environmental laws, ordinances and regulations, as well as the cost of future legislation. Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances on, under or in such property. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Therefore, an environmental liability could have a material adverse effect on the underlying value of a real property, and the revenue therefrom. Although the Company believes that its pre-acquisition due diligence identified all material environmental concerns which relate to its current investments in real estate and accurately assessed the costs and liabilities to be concurred by it in this regard, there can be no assurance that such investments will not raise material unanticipated environmental concern or costs in the future.

RISKS ASSOCIATED WITH ACQUISITIONS AND DIVESTITURES

Acquiring businesses and assets has been and may continue to be an important focus of the Company's strategic efforts. Any acquisitions could vary in size and may include those that are large relative to the Company. There can be no assurance that suitable acquisition candidates can be identified, that financing for such acquisitions would be available on satisfactory terms, that the Company would be able to accomplish its strategic objectives as a result of any such acquisitions, that any business or assets acquired by the Company would be integrated successfully or that integration of acquired businesses would not divert management resources or otherwise have a material adverse effect on the Company's business, financial condition or results of operations. The Company is continually evaluating possible acquisitions and engages in discussions with acquisition candidates from time to time.

In addition, in the event that the Company chooses to divest any business or sell any asset in the future, there can be no assurance that a suitable purchaser could be identified, that the Company would be able to accomplish its strategic objectives as a result of any such sale, that any proposed asset or business sold by the Company would be completed or that the separation of any such asset or business from the Company would not diminish management resources or otherwise have a material adverse effect on the Company's business, financial condition or results of operations.

ABILITY TO MANAGE GROWTH

The Company has grown rapidly in the past and may continue to grow rapidly in the future. If so, continued growth can be expected to place a significant strain on the Company's management operations, employees and resources. The Company's ability to support, manage and control continued growth is dependent upon, among other things, its ability to hire, train, supervise and manage its workforce and to continue to develop the skills necessary for the Company to compete successfully. There can be no assurance that the Company will be able to manage effectively its expanding operations or achieve growth as planned on a timely or profitable basis. If the Company is unable to manage growth effectively, its business, results of operations or financial condition could be materially adversely affected.

RISKS ASSOCIATED WITH PARTNERING

On July 28, 1998, the Company announced that it has engaged an investment bank to identify potential business partners who can enable the Company to expand its franchise both domestically and internationally. Any transaction resulting therefrom could take on many different forms, including a merger. No assurance can be given that the Company will identify a business partner and transaction that will satisfy its objectives or, if so identified, that such objectives will be achieved.

INTERNATIONAL OPERATIONS

The Company conducts business in the United States and the United Kingdom and may explore opportunities outside of these markets. The Company's U.K. operations are subject to most of the same risks associated with its U.S. operations, as well as additional risks, such as unexpected changes in U.K. and European regulatory requirements, difficulties in managing international operations, potentially adverse tax consequences, enhanced accounting and control expenses and the burden of complying with foreign laws. Changes in foreign currency exchange rates may also affect the value of the Company's U.K. assets and the gains realized from the sale of such assets. Although the Company implements hedging strategies to limit the effects of currency exchange rate fluctuations on the Company's results of operations, currency hedging strategies, like those for interest rates, may not perform their intended purpose. See "--Economic Conditions". There can be no assurance that such factors will not have a material adverse effect on the Company's business, results of operations or financial condition. In addition, the Company's management has only limited international experience outside of the U.S. and the U.K, which could limit the Company's ability to capitalize on investment opportunities that may arise elsewhere.

REGULATION AND REGULATORY CAPITAL REQUIREMENTS

Both the Company, as a savings and loan holding company, and the Bank, as a federally-chartered savings institution, are subject to significant governmental supervision and regulation, which is intended primarily for the protection of depositors. Statutes and regulations affecting the Company and the Bank may be changed at any time, and the interpretation of these statutes and regulations by examining authorities also is subject to change. There can be no assurance that future changes in applicable statutes and regulations or in their interpretation will not adversely affect the business of the Company. The applicable regulatory authorities may, as a result of such regulation and examination, impose regulatory sanctions upon the Company or the Bank, as applicable, as well as various requirements or restrictions which could adversely affect their business activities.

A substantial portion of the Bank's operations involves businesses that are not traditionally conducted by savings institutions and, as a result, there can be no assurance that future actions by applicable regulatory authorities, or future changes in applicable statutes or regulations, will not limit or otherwise adversely affect the Bank's ability to engage in such activities.

Following an examination of the Bank in late 1996 and early 1997, the staff of the Office of Thrift Supervision (the "OTS") expressed concern about many of the Bank's non-traditional operations (which are discussed under "--Risks Related to Non-Traditional Operating Activities" above) and the adequacy of the Bank's capital in light of the Bank's lending and investment strategies. As a result of such examination, the Bank committed to the OTS to maintain, commencing on June 30, 1997, regulatory capital ratios which significantly exceed the requirements which are generally applicable to federally-chartered savings institutions such as the Bank. Specifically, the Bank has committed to the OTS to maintain a core capital (leverage) ratio and a total risk-based capital ratio of at least 9% and 13%, respectively (the requirements of general applicability are 3% and 8%, respectively). At December 31, 1998, the Bank's core capital, Tier 1 risk-based capital and total risk-based capital ratios amounted to 9.07%, 11.71% and 17.26%, respectively. Based on discussions with the OTS, the Bank believes that this commitment does not affect its status as a "well-capitalized" institution, assuming the Bank's continued compliance with the regulatory capital requirements that it committed to maintain. Under applicable laws and regulations, an institution is considered to be "well-capitalized" if it maintains a total risk-based capital ratio of 10.0% or more, a Tier 1 risk-based capital ratio of 6.0% or more and a core capital (leverage) ratio of 5.0% or more and is not subject to a written agreement, order or directive issued by an appropriate agency to meet and maintain a specific capital level for any capital measure.

There can be no assurance that in the future the OTS either will agree to a decrease in the 9% core capital (leverage) ratio and the 13% total risk-based capital ratio committed to be maintained by the Bank or will not seek an increase in such requirements. Unless and until these regulatory capital requirements are decreased, the Bank's ability to leverage its capital through future growth in assets (including its ability to continue growing at historical rates) will be adversely affected, as will the Company's ability to receive dividends from the Bank, which are a primary source of payments on outstanding indebtedness and other expenses of the Company. Although the Company and its non-banking subsidiaries will not be restricted in their growth by these capital requirements, because they do not have access to the Bank's funding sources, their profitability may be different from the Bank's for particular types of businesses. In addition, there can be no assurance that the Bank will continue to meet the regulatory capital requirements that it has committed to maintain or that the OTS will not formally impose such requirements pursuant to a written agreement, order or directive, which would cause the Bank to cease to be a "well-capitalized" institution under applicable laws and regulations. In the event that the Bank ceased to be a "well-capitalized" institution, the Bank would be prohibited from accepting, renewing or rolling over its brokered and other wholesale deposits, which are its principal source of funding, without the prior approval of the FDIC, and the Bank could become subject to other regulatory restrictions on its operations.

ECONOMIC CONDITIONS

GENERAL. The success of the Company is dependent to a certain extent upon the general economic conditions in the geographic areas in which it conducts substantial business activities. Adverse changes in national economic conditions or in the economic conditions of regions in which the Company conducts substantial business likely would impair the ability of the Company to collect on outstanding loans or dispose of real estate owned and would otherwise have an adverse effect on its business, including the demand for new loans, the ability of customers to repay loans and the value of both the collateral pledged to the Company to secure its loans and its real estate owned. Moreover, earthquakes and other natural disasters could have similar effects. Although such disasters have not significantly adversely affected the Company to date, the availability of insurance for such disasters in California, in which the Company conducts substantial business activities, is severely limited. Moreover, changes in building codes and ordinances, environmental considerations and other factors also might render infeasible the use of insurance proceeds to replace damaged or destroyed property. Under such circumstances, the insurance proceeds received by a borrower or the Company might not be adequate to restore the Company's economic position with respect to the affected collateral or real estate.

EFFECTS OF CHANGES IN INTEREST RATES. The Company's operating results depend to a large extent on its net interest income, which is the difference between the interest income earned on interest-earning assets and the interest expense incurred in connection with its interest-bearing liabilities. Changes in the general level of interest rates can affect the Company's net interest income by affecting the spread between the Company's return on interest-earning assets and the Company's cost of interest-bearing liabilities, as well as, among other things, the ability of the Company to originate loans; the value of the Company's interest-earning assets and its ability to realize gains from the sale of such assets; the average life of the Company's interest-earning assets; the value of the Company's mortgage servicing rights; and the Company's ability to obtain deposits in competition with other available investment alternatives. Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond the control of the Company. Although management believes that the maturities of the Company's assets are well balanced in relation to its liabilities (which involves various estimates and assumptions, including as to how changes in the general level of interest rates will impact its assets and liabilities), there can be no assurance that the profitability of the Company would not be adversely affected during any period of changing interest rates.

POTENTIAL ADVERSE EFFECTS OF HEDGING STRATEGIES. The Company may utilize a variety of financial instruments, including interest rate swaps, caps, floors and other interest rate exchange contracts, in order to limit the effects of interest rates on its operations. Among the risks inherent with respect to the purchase and/or sale of such derivative instruments are (i) interest rate risk, which consists of the risks relating to fluctuating interest rates; (ii) basis risk, which consists of the risk of loss associated with variations in the spread between the asset yield and the funding and/or hedge costs; (iii) credit or default risk, which consists of the risk of insolvency or other inability of the counterparty to a particular transaction to perform its obligations thereunder; (iv) prepayment risk, which consists of reinvestment risk to the extent the Company is not able to reinvest repayments, if any, at a yield which is comparable to the yield being generated on the particular security; (v) liquidity risk, which consists of the risk that the Company may not be able to sell a particular security at a particular price; (vi) legal enforceability risk, which consists of the risks related to the Company's ability to enforce the terms of a particular instrument or to obtain or collect upon a legal judgment in the United States in the event that the counterparty to the transaction is a foreign entity or the underlying collateral is located in a foreign jurisdiction; and (vii) volatility risk, which consists of the risk that actual volatility (i.e., the degree of uncertainty relating to the price of the underlying asset) differs from the historical volatility or "implied" volatility of the instrument.

RISKS RELATED TO RELIANCE ON BROKERED AND OTHER WHOLESALE DEPOSITS

The Company currently utilizes as its principal source of funds certificates of deposit obtained through national investment banking firms which obtain funds from their customers for deposit with the Company ("brokered deposits") and, to a lesser extent, certificates of deposit obtained from customers of regional and local investment banking firms and direct solicitation efforts by the Company of institutional investors and high net worth individuals. The Company believes that the effective cost of brokered and other wholesale deposits, as well as other non-branch dependent sources of funds, such as securities sold under agreements to repurchase ("reverse repurchase agreements") and advances from the Federal Home Loan Board ("FHLB") of New York, generally is more attractive to the Company than deposits obtained through branch offices after the general and administrative costs associated with operating a branch office network are taken into account. However, such funding sources, when compared to retail deposits attracted through a branch network, are generally more sensitive to changes in interest rates and volatility in the capital markets and their availability and terms are more likely to be subject to competitive pressures. In addition, such funding sources may be more sensitive to significant changes in the financial condition of the Company. There are also regulatory limitations on an insured institution's ability to solicit and obtain brokered deposits in certain circumstances, which currently are not applicable to the Bank because of its status as a "well capitalized" institution under applicable laws and regulations. See "--Regulation and Regulatory Capital Requirements" above. As a result of the Company's reliance on brokered and other wholesale deposits, significant changes in prevailing interest rates, in the availability of alternative investments for individual and institutional investors or in the Company's financial condition, among other factors, could have a much more significant effect on the Company's liquidity and results of operations than might be the case with an institution that attracted a greater portion of its funds from retail or core deposits obtained through a branch network.

RISKS ASSOCIATED WITH CURRENT SOURCES OF LIQUIDITY AND ADDITIONAL FINANCING FOR GROWTH

CURRENT SOURCES OF LIQUIDITY. The Company's primary sources of funds for liquidity consist of deposits, FHLB advances, reverse repurchase agreements, lines of credit and maturities and principal payments on loans and securities and proceeds from sales thereof. An additional significant source of asset liquidity stems from the Company's ability to securitize assets such as discount loans and sub-prime loans. The Company believes that its existing sources of liquidity will be adequate to fund planned activities for the foreseeable future, although there can be no assurances in this regard. Moreover, the Company continues to evaluate other sources of liquidity, such as lines of credit from unaffiliated parties, which will enhance the Company's ability to increase its liquidity position. The inability of the Company to maintain adequate sources of liquidity, including as a result of the failure to extend or replace existing lines of credit or as a result of the factors described under "--Risks Related to Reliance on Brokered and Other Wholesale Deposits" above or "Risks of Securitization" below, could have a material adverse effect on the Company's business, financial condition or results of operations.

ADDITIONAL FINANCING FOR GROWTH. The Company's ability to enter into certain business lines as opportunities emerge depends to a significant degree on its ability to obtain additional indebtedness, obtain additional equity capital or have access to other sources of capital (e.g., through partnering, joint venturing or other economic or contractual relationships). The Company has no commitments for borrowings in addition to those under its current debt securities and lines of credit, no commitments for future sales of equity capital and no commitments to provide access to other sources of capital. There can be no assurance that the Company will be successful in consummating future financing transactions, if any, on terms satisfactory to the Company, if at all. Factors which could affect the Company's access to the capital markets or other economic or contractual relationships, or the conditions under which the Company could obtain additional financing, involve the perception in the capital markets and the financial services industry of the Company's business, results of operations, leverage, financial condition and business prospects. Each of these factors is to a large extent subject to economic, financial and competitive factors beyond the Company's control. In addition, covenants under the Company's current debt securities and lines of credit do, and future ones may, significantly restrict the Company's ability to incur additional indebtedness, to issue Preferred Stock and to enter into certain other contractual relationships.

RISKS ASSOCIATED WITH HOLDING COMPANY STRUCTURE

As a holding company, the ability of the Company to pay dividends, to pay indebtedness and to conduct its financial operating activities directly or in non-banking subsidiaries will depend significantly on the receipt of dividends or other distributions from the Bank, as well as any cash reserves and other liquid assets held by the Company, any proceeds from securities offerings or other borrowings and any dividends from non-banking subsidiaries of the Company. The ability of the Bank to pay dividends or make other distributions to the Company generally is dependent on the Bank's compliance with applicable regulatory capital requirements and regulatory restrictions.

The Bank's ability to make capital distributions as a Tier 1 association pursuant to the OTS capital distribution regulation are limited by the regulatory capital levels which it has committed to the OTS it would maintain, commencing on June 30, 1997. As a result of an agreement between the Bank and the OTS to dividend subordinate and residual mortgage-related securities resulting from securitization activities conducted by the Bank, which had an aggregate carrying value of $13.9 million at December 31, 1998, the Bank may be limited in its ability to pay cash dividends to the Company.

In addition to the foregoing limitations, there are certain contractual restrictions on the Bank's ability to pay dividends set forth in the Indenture, dated as of June 12, 1995, between the Bank and the Bank of New York, as trustee, relating to the Bank's issuance in June 1995 of $100 million of 12% Subordinated Debentures due 2005, and there are certain contractual restrictions on the ability of the Company and the Bank to pay dividends set forth in the Indenture, dated as of September 30, 1996, between the Company and Bank One, Columbus, NA, as trustee, relating to the Company's issuance in September 1996 of $125 million of 11.875% Notes due 2003, as well as in the Indenture, dated as of August 12, 1997, between the Company and The Chase Manhattan Bank, as trustee, relating to the Company's issuance in August 1997 of $125 million of 10.875% Junior Subordinated Debentures due 2027. In addition, the right of the Company to participate in any distribution of assets of any subsidiary, including the Bank, upon such subsidiary's liquidation or reorganization or otherwise, will be subject to the prior claims of creditors of that subsidiary, except to the extent that any claims of the Company as a creditor of such subsidiary may be recognized as such.

RISKS OF SECURITIZATION

The Company has historically generated a significant amount of revenues, earnings and cash flows from its pooling and selling through securitizations of mortgages and other loans originated or purchased by the Company. Adverse changes in the secondary market for such loans could impair the Company's ability to originate or sell mortgages and other loans on a favorable or timely basis. Accordingly, such impairments could have an adverse effect upon the Company's business and results of operations. Market and other considerations, including rating agency requirements, could also affect the timing of such transactions. Any delay in the sale of loans beyond the reporting period in which such sale is anticipated to take place would delay any expected gains and adversely affect the Company's reported earnings for such reporting period. In addition, the Company retains some degree of credit risk on substantially all loans sold. During the period of time that loans are held pending sale, the Company is at risk for loan delinquencies and defaults and the risk that the rapid increase in interest rates would result in a decline in the value of loans to potential purchasers. Following the sale of loans through a securitization, the Company's direct risk with respect to loan delinquency or default on such loan is limited to those circumstances in which it is required to repurchase such loan due to a breach of a representation or warranty in connection with the securitization.

COMPETITION

The businesses in which the Company is engaged generally are highly competitive. The acquisition of discounted loans is particularly competitive, as acquisitions of such loans are often based on competitive bidding. The Company also encounters significant competition in connection with its other lending activities, its investment activities, its deposit-gathering activities and its servicing activities. Many of the Company's competitors are significantly larger than the Company and have access to greater capital and other resources. In addition, many of the Company's competitors are not subject to the same extensive federal regulation that govern federally-insured institutions such as the Bank and their holding companies. As a result, many of the Company's competitors have advantages over the Company in conducting certain businesses and providing certain services.

POTENTIAL CONFLICTS OF INTEREST INVOLVING OCWEN ASSET INVESTMENT CORP.

The Company will be subject to various potential conflicts of interest arising from the relationship between Ocwen Asset Investment Corp. ("OAC"), a real estate investment trust that specializes in investments in real estate and real estate-related assets in which the Company also may invest, directly or indirectly, through the Bank, and the Company and Ocwen Capital Corporation ("OCC"), a wholly-owned subsidiary of the Company that manages OAC. Historically, OAC has invested primarily in (i) subordinate and residual interests in commercial and residential mortgage-backed securities; (ii) distressed commercial and multi-family residential real estate, including properties acquired by a mortgage lender by foreclosure or by deed-in-lieu thereof and underperforming or otherwise distressed real property (collectively, "Distressed Real Estate"); and (iii) single-family residential loans, multi-family residential loans and commercial real estate loans, including in each case loans that are current in accordance with their terms or are non-performing or underperforming. The Company does not intend to invest in subordinate classes of mortgage-related securities which are not created in connection with its securitization activities or Distressed Real Estate and, as a result, the Company, the Bank and OCC generally have agreed to give OAC an exclusive right to purchase such subordinated classes of mortgage-related securities and Distressed Real Estate. Both the Company and OAC may engage in the acquisition and resolution of mortgage loans, including non-performing and underperforming mortgage loans, and from time to time each such entity also may invest in various non-subordinated classes of mortgage-related securities. In this regard, OCC, which, in addition to managing OAC, conducts the large multi-family residential and commercial real estate lending activities of the Company, has in the past acquired loans for OAC (in order to enable OAC to leverage the proceeds from its initial public offering) rather than for the Company. As a result of the similarity of the Company's and OAC's strategies to invest in certain assets, there can be no assurance that investment opportunities which previously would have been taken by the Company will not be allocated to OAC. In addition, from time to time the Company may sell loans, securities and real estate owned to OAC, which also would involve potential conflicts of interest. Although the Company and OAC have established certain policies and procedures in order to ensure that sales and other transactions between the Company, the Bank and/or OCC, on the one hand, and OAC, on the other hand (including, without limitation, the base compensation to be paid to OCC by OAC for managing its day-to-day operations), are conducted on an arms'-length basis on substantially the same terms as would be present in transactions with unaffiliated parties, there can be no assurance that such procedures will be sufficient in all situations to solve potential conflicts of interest.

IMPORTANCE OF THE CHIEF EXECUTIVE OFFICER

William C. Erbey, Chairman and Chief Executive Officer of the Company, has had, and will continue to have, a significant role in the development and management of the Company's business. The loss of his services could have an adverse effect on the Company. The Company and Mr. Erbey are not parties to an employment agreement, and the Company currently does not maintain key man life insurance relating to Mr. Erbey or any of its other officers.

CONTROL OF CURRENT STOCKHOLDERS

As of March 15, 1999, the Company's directors and executive officers and their affiliates in the aggregate beneficially owned or controlled 51.9% of the outstanding Common Stock of the Company, including 32.0% owned or controlled by William C. Erbey, Chairman and Chief Executive Officer of the Company, and 15.4% owned or controlled by Barry N. Wish, currently a director and formerly the Chairman of the Company. As a result, these shareholders, acting together, would be able effectively to control virtually all matters requiring approval by the shareholders of the Company, including amendment of the Company's Articles of Incorporation, the approval of mergers or similar transactions and the election of all directors.

SOFTWARE PRODUCT DEVELOPMENT; TECHNOLOGICAL CHANGE

The Company's wholly-owned subsidiary, Ocwen Technology Xchange, Inc. ("OTX"), licenses the Company's mortgage loan servicing resolution and work flow technology to third parties in the mortgage and real estate industries. The products offered by OTX have resulted from the enhancement of software products acquired through the Company's purchases of Amos, Inc., a developer of mortgage loan servicing software, and DTS Communication, Inc., a real estate technology company, with the Company's own proprietary technology. While the Company believes it has developed products attractive to the mortgage and real estate industries, the computer software industry is subject to rapid technological change, changing customer requirements, frequent new product introductions and evolving industry standards that may render existing products and services obsolete.

There can be no assurance that OTX will not experience future difficulties that could delay or prevent the successful development, introduction and marketing of its products, or that its products and product enhancements will meet the requirements of the marketplace and achieve market acceptance. If OTX is unable to develop and introduce products of marketable quality in a timely manner in response to changing market conditions or customer requirements, the Company's business, operating results and financial condition could be adversely affected.

DEPENDENCE ON PROPRIETARY INFORMATION

The Company's success is in part dependent upon its proprietary information and technology. The Company relies on a combination of copyright, trade secret and contract protection to establish and protect its proprietary rights in its products and technology. The Company generally enters into confidentiality agreements with its management and technical staff and limits access to and distribution of its proprietary information. There can be no assurance that the steps taken by the Company in this regard will be adequate to deter misappropriation of its proprietary rights or information or independent third party development of substantially similar products and technology. Although the Company believes that its products and technology do not infringe any proprietary rights of others, the growing use of copyrights and patents to protect proprietary rights has increased the risk that third parties will increasingly assert claims of infringement in the future.

YEAR 2000 DATE CONVERSION

The Company is in the process of establishing the readiness of its computer systems and applications for the year 2000 with the objective of having no effect on customers or disruption to business operations. The Company has established a project plan to achieve year 2000 readiness of its mission critical and non-mission critical systems, including hardware infrastructure and software applications. During 1998, the Company substantially completed the systems identification and evaluation phases of the project as well as remediation and validation of its mission critical systems. During 1999, the Company is focusing on any remaining validation tasks, including remediation and validation of its non-mission critical systems and end-to-end testing with third parties.

Because the Company has validated the year 2000 readiness of its mission critical systems and has developed business continuity plans to accommodate unforeseen disruptions, the Company believes that its most reasonably likely worst case year 2000 scenarios are characterized by potential failures of non-critical vendor or customer computer systems or end-to-end disruptions involving as yet unidentified, and hence untested, third-party systems and records stored on those systems. The Company could experience disruptions across all business segments as a result of year 2000 systems failures at government agencies, utilities, telecommunications providers, couriers and financial services vendors, among others. Concerning specific Company business functions, data acquired from third-parties might contain year 2000 incompatible components, which could impact the timeliness of third-party loan servicing functions such as payment processing or loan resolution. In addition, loans acquired by the Company could experience increased borrower or tenant defaults stemming from year 2000 related business shortfalls, dislocations or delays. Such risks could also impact the value of the Company's portfolio of mortgage-backed securities, as these are dependent upon the underlying pool of mortgage loans. There can be no assurance that such risks, if realized individually or collectively, would not have a material adverse effect on the Company's business, results of operations or financial condition.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM OCWEN FINANCIAL CORPORATION'S CONSOLIDATED STATEMENT OF FINANCIAL CONDITION AND STATEMENT OF OPERATIONS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS FROM ITS FILING ON FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998.

0000873860
OCWEN FINANCIAL CORP.
1,000
USD

6-MOS
DEC-31-1999
JAN-01-1999
JUN-30-1999
1
107,476
18,127
75,000
0
733,271
10,825
10,825
1,274,867
26,258
3,012,267
1,874,553
227,780
69,246
279,236
0
0
608
435,379
3,012,267
89,744
33,883
5,454
129,081
50,387
76,636
52,445
4,362
4,394
101,992
7,051
7,051
0
0
5,783
(.10)
(.10)
12.29
553,381
0
0
0
26,330
4,658
224
26,258
26,258
0
0

Includes Loans Available for Sale of $132,425, Loan Portfolio of $133,678, and Discount Loan Portfolio of $1,008,764.

Includes Allowance for Loan Losses on Loan Portfolio of $5,853 and on the Discount Loan Portfolio of $20,405.

Includes Securities sold under agreements to repurchase of $133,741 and Obligations outstanding under lines of credit of $94,039.

Includes Interest Income on Loans Available for Sale of $19,144, Loan Portfolio of $15,044, and Discount Loans of $55,556.

Includes Non-interest expense of $99,908 and Distributions on Company obligated, Mandatorily Redeemable Securities of Subsidiary Trust Holding Solely Junior Subordinated Debentures of the Company of $6,797.