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, 1998

OR

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

Commission File No. 0-21341

OCWEN FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

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

THE FORUM, SUITE 1000
1675 PALM BEACH LAKES BOULEVARD, WEST PALM BEACH, FLORIDA 33401
(Address of principal executive offices) (Zip Code)

(561) 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 11, 1998: 60,771,897

OCWEN FINANCIAL CORPORATION
FORM 10-Q

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PART I - FINANCIAL INFORMATION

ITEM 1. INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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

	June 30, 1998	December 31, 1997
Assets		
Cash and amounts due from depository institutions	$ 16,160	$ 12,243
Interest earning deposits	19,870	140,001
Federal funds sold and repurchase agreements	138,000	--
Securities available for sale, at market value	589,283	476,796
Loans available for sale, at lower of cost or market	338,359	177,041
Investment securities, net	87,378	13,295
Loan portfolio, net	280,951	266,299
Discount loan portfolio, net	1,421,506	1,434,176
Investments in low-income housing tax credit interests	132,983	128,614
Investment in joint ventures	1,056	1,056
Real estate owned, net	151,607	167,265
Investment in real estate	22,453	65,972
Premises and equipment, net	38,207	21,542
Income taxes receivable	8,254	--
Deferred tax asset	63,858	45,148
Excess of purchase price over net assets acquired	36,372	15,560
Principal, interest and dividends receivable	23,329	17,284
Escrow advances on loans	58,041	47,888
Other assets	77,912	38,985
	$ 3,505,579	$ 3,069,165
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits	$ 2,144,377	$ 1,982,822
Securities sold under agreements to repurchase	133,970	108,250
Obligations outstanding under lines of credit	321,457	118,304
Notes, debentures and other interest bearing obligations	225,469	226,975
Accrued interest payable	32,640	32,238
Income taxes payable	--	3,132
Accrued expenses, payables and other liabilities	94,233	51,709
Total liabilities	2,952,146	2,523,430
Company-obligated, mandatorily redeemable securities of subsidiary trust holding solely junior subordinated debentures of the Company	125,000	125,000
Minority interest	1,134	1,043
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred stock, $.01 par value; 20,000,000 shares authorized; 0 shares issued and outstanding	--	--
Common stock, $.01 par value; 200,000,000 shares authorized; 60,771,897 and 60,565,835 shares issued and outstanding at June 30, 1998 and December 31, 1997, respectively	608	606
Additional paid-in capital	165,992	164,751
Retained earnings	243,795	259,349
Unrealized gain (loss) on securities available for sale, net of taxes	18,441	(5,014)
Foreign currency translation adjustment, net of taxes	(1,537)	--
Total stockholders' equity	427,299	419,692
	$ 3,505,579	$ 3,069,165

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 per share data)

For the periods ended June 30,	Three Months 1998	Three Months 1997	Six Months 1998	Six Months 1997
Interest income:				
Federal funds sold and repurchase agreements	$ 1,758	$ 795	$ 2,437	$ 2,453
Securities available for sale	4,565	6,509	8,526	14,682
Securities held for trading	--	--	--	248
Loans available for sale	25,291	3,973	34,794	6,824
Loans	11,655	10,674	17,917	21,366
Discount loans	42,281	44,246	79,078	74,470
Investment securities and other	1,532	745	2,017	1,426
	87,082	66,942	144,769	121,469
Interest expense:				
Deposits	28,677	31,371	56,522	61,264
Securities sold under agreements to repurchase	2,416	204	3,701	477
Advances from the Federal Home Loan Bank	--	145	100	428
Obligations outstanding under lines of credit	15,103	--	19,623	--
Notes, debentures and other interest bearing obligations	6,734	7,148	13,486	13,863
	52,930	38,868	93,432	76,032
Net interest income before provision for loan losses	34,152	28,074	51,337	45,437
Provision for loan losses	9,675	7,909	11,929	17,651
Net interest income after provision for loan losses	24,477	20,165	39,408	27,786
Non-interest income:				
Servicing fees and other charges	13,488	4,845	23,260	10,081
Gains on sales of interest earning assets, net	33,828	23,365	62,565	40,143
Impairment loss on AAA-rated agency IOs	(77,645)	--	(77,645)	--
Gain on real estate owned, net	10,521	4,629	11,547	3,835
Other income	10,286	450	16,157	581
	(9,522)	33,289	35,884	54,640
Non-interest expense:				
Compensation and employee benefits	29,766	19,676	51,247	34,599
Occupancy and equipment	8,553	3,960	15,010	6,789
Net operating loss on investments in real estate and certain low-income housing tax credit interests	1,046	104	2,292	1,197
Other operating expenses	16,406	7,340	21,275	11,192
	55,771	31,080	89,824	53,777
Distributions on Company-obligated, mandatorily redeemable securities of subsidiary trust holding solely junior subordinated debentures	3,398	--	6,797	--
Equity in earnings of investment in joint venture	--	1,301	--	15,674
(Loss) income before income taxes	(44,214)	23,675	(21,329)	44,323
Income tax benefit (expense)	6,383	(5,126)	5,810	(8,733)
Minority interest in net (income) loss of consolidated subsidiary	(68)	243	(35)	243
Net (loss) income	$ (37,899)	$ 18,792	$ (15,554)	$ 35,833
(Loss) income per share:				
Basic	$ (0.62)	$ 0.35	$ (0.26)	$ 0.67
Diluted	$ (0.62)	$ 0.35	$ (0.25)	$ 0.66
Weighted average common shares outstanding:				
Basic	60,713,593	53,599,022	60,682,432	53,599,014
Diluted	61,326,784	54,127,521	61,336,494	54,137,127

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

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Dollars in thousands, except per share data)
For the six months ended June 30, 1998 and the year ended December 31, 1997

	Common Stock							
	Shares	Amount	Additional paid-in capital	Retained earnings	Unrealized gain (loss) on securities available for sale, net of taxes	Foreign currency translation adjustments	Notes receivable on exercise of common stock options	Total
Balances at December 31, 1996 ..	53,488,340	$ 535	$ 22,990	$ 180,417	$ 3,486	$ --	$(3,832)	$203,596
Net income	--	--	--	78,932	--	--	--	78,932
Repurchase of common stock options	--	--	(3,208)	--	--	--	--	(3,208)
Exercise of common stock options	171,297	2	3,035	--	--	--	--	3,037
Issuance of common stock	6,906,198	69	141,934	--	--	--	--	142,003
Repayment of notes receivable on exercise of common stock options, net of advances ...	--	--	--	--	--	--	3,832	3,832
Change in unrealized gain (loss) on securities available for sale, net of taxes	--	--	--	--	(8,500)	--	--	(8,500)
Balances at December 31, 1997 ..	60,565,835	606	164,751	259,349	(5,014)	--	--	419,692
Net loss	--	--	--	(15,554)	--	--	--	(15,554)
Repurchase of common stock options	--	--	(14,107)	--	--	--	--	(14,107)
Exercise of common stock options	206,062	2	15,348	--	--	--	--	15,350
Change in unrealized gain (loss) on securities available for sale, net of taxes	--	--	--	--	23,455	--	--	23,455
Foreign currency translation Adjustment, net of taxes ...	--	--	--	--	--	(1,537)	--	(1,537)
Balances at June 30, 1998	60,771,897	$ 608	$ 165,992	$ 243,795	$ 18,441	$ (1,537)	$ --	$427,299

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,	1998	1997
Cash flows from operating activities:		
Net (loss) income	$ (15,554)	$ 35,833
Adjustments to reconcile net income to net cash (used) provided by operating activities:		
Net cash provided from trading activities	55,657	106,833
Proceeds from sales of loans available for sale	943,947	187,848
Purchases of loans available for sale	(763,013)	(62,504)
Origination of loans available for sale	(399,221)	(126,502)
Principal payments received on loans available for sale	52,464	6,251
Premium amortization (discount accretion), net	75,508	23,310
Depreciation and amortization	6,703	11,339
Provision for loan losses	11,929	17,651
Gains on sales of interest earning assets, net	(62,565)	(40,143)
Impairment loss on AAA-rated agency IOs	77,645	--
Provision for real estate owned, net	5,871	2,246
Gain on sale of real estate owned, net	(23,382)	(10,466)
Gain on sale of low-income housing tax credit interests	(4,746)	--
(Increase) decrease in principal, interest and dividends receivable	(6,045)	3,510
(Increase) decrease in income taxes receivable	(11,386)	6,236
Increase in deferred tax asset	(33,466)	(4,925)
Increase in escrow advances	(10,153)	(5,759)
Increase in other assets	(63,287)	(14,465)
Increase (decrease) in accrued expenses, interest payable and other liabilities	42,926	(7,858)
Net cash (used) provided by operating activities	(120,168)	128,435
Cash flows from investing activities:		
Proceeds from sales of securities available for sale	91,230	162,412
Purchases of securities available for sale	(453,449)	(107,374)
Maturities of and principal payments received on securities available for sale	148,621	11,930
Purchase of securities held for investment	(74,084)	(29,920)
Acquisition of subsidiaries	(21,477)	(6,750)
Purchase of low income housing tax credit interests	(23,030)	(16,200)
Proceeds from sale of low income housing tax credit interests	21,927	--
Proceeds from sales of discount loans	318,222	221,966
Proceeds from sales of loans held for investment	--	3,594
Purchase and originations of loans held for investment, net of undisbursed loan funds	(104,351)	(99,851)
Purchase of discount loans	(587,608)	(707,209)
Decrease in real estate held for investment	43,519	--
Decrease in investment in joint ventures	--	40,321
Principal payments received on loans held for investment	90,102	69,394
Principal payments received on discount loans	175,840	159,144
Proceeds from sales of real estate owned	155,050	85,604
Purchase of real estate owned in connection with discount loan purchases	(7,769)	(1,425)
Additions to premises and equipment	(20,954)	(5,718)
Net cash used by investing activities	(248,211)	(220,082)

(Continued on next page)

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

For the six months ended June 30,	1998	1997
Cash flows from financing activities:		
Increase in deposits	$ 161,555	$ 278,861
Increase (decrease) in securities sold under agreements to repurchase	25,720	(74,546)
Repayment of short-term notes	(1,506)	--
Proceeds from issuance of obligations under lines of credit, net of repayments	203,153	61,399
Payments on advances from Federal Home Loan Bank	--	(399)
Loans made to executive officers, net of repayments	--	994
Exercise of common stock options	15,350	1,736
Repurchase of common stock options	(14,107)	(1,870)
Net cash provided by financing activities	390,165	266,175
Net increase in cash and cash equivalents	21,786	174,528
Cash and cash equivalents at beginning of period	152,244	52,219
Cash and cash equivalents at end of period	$ 174,030	$ 226,747
Reconciliation of cash and cash equivalents at end of period:		
Cash and amounts due from depository institutions	$ 16,160	$ 6,911
Interest earning deposits	19,870	29,992
Federal funds sold and repurchase agreements	138,000	189,844
	$ 174,030	$ 226,747
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 93,031	$ 77,512
Income taxes	$ 34,425	$ 7,354
Supplemental schedule of non-cash investing and financing activities:		
Real estate owned acquired through foreclosure	$ 106,030	$ 90,153

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 generally accepted accounting principles ("GAAP") for complete financial statements. The consolidated financial statements include the accounts of Ocwen Financial Corporation ("Ocwen" or the "Company") and its subsidiaries. Ocwen 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") and Ocwen UK plc ("Ocwen UK"). Ocwen also owns 97.8% of Ocwen Financial Services ("OFS"), with the remaining 2.2% owned by the owners (and their spouses) of 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 consolidated financial statements of the Company's foreign subsidiary, Ocwen UK, and its equity investee, Kensington Mortgage Company, have been prepared in accordance with accounting principles generally accepted in the United Kingdom ("UK GAAP") and comply with the significant accounting policies described hereunder. UK GAAP varies in certain significant respects from generally accepted accounting principles in the United States ("U.S. GAAP"). The principal adjustment made to conform to U.S. GAAP was to recognize a gain on sale of interest earning assets in connection with the securitization of single family subprime residential mortgage loans and record the residual security retained at fair value.

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, 1998 and December 31, 1997, the results of its operations for the three and six months ended June 30, 1998 and 1997, its cash flows for the six months ended June 30, 1998 and 1997, and its changes in stockholders' equity for the year ended December 31, 1997 and the six months ended June 30, 1998. The results of operations and other data for the three and six month periods ended June 30, 1998 are not necessarily indicative of the results that may be expected for any other interim periods or the entire year ending December 31, 1998. 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 Form 10-K for the year ended December 31, 1997. Certain reclassifications have been made to the prior period's consolidated financial statements to conform to the June 30, 1998 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 ADOPTION OF RECENTLY ISSUED ACCOUNTING STANDARDS

In February 1997, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share." SFAS No. 128 simplifies the standards found in APB No. 15 for computing earnings per share ("EPS") and makes them comparable to international standards. Under SFAS No. 128, the Company is required to present both basic and diluted EPS on the face of its statements of operations. Basic EPS, which replaces primary EPS required by APB No. 15 for entities with complex capital structures, excludes common stock equivalents and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS gives effect to all dilutive potential common shares that were outstanding during the period. SFAS No. 128 is effective for financial statements for both interim and annual periods ending after December 15, 1997 with earlier application not permitted. The Company adopted SFAS No. 128 effective December 31, 1997. All prior period EPS data has been restated.

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income." SFAS No. 130 requires the inclusion of comprehensive income, either in a separate statement for comprehensive income, or as part of a combined statement of income and comprehensive income in a full-set of general-purpose financial statements. Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances, excluding those resulting from investments by and distributions to owners. SFAS No. 130 requires that comprehensive income be presented beginning with net income, adding the elements of comprehensive income not included in the determination of net income, to arrive at comprehensive income. SFAS No. 130 also requires that an enterprise display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of the statement of financial position. SFAS No. 130 is effective for the Company's fiscal year beginning January 1, 1998. SFAS No. 130 requires the presentation of information already contained in the Company's financial statements and therefore did not have an impact on the Company's financial position or results of operation upon adoption.

In June 1997, the FASB also issued SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information." SFAS No. 131 establishes standards for the reporting of information about operating segments by public business enterprises in their annual and interim financial reports issued to shareholders. SFAS No. 131 requires that a public business enterprise report financial and descriptive information, including profit or loss, certain specific revenue and expense items, and segment assets, about its reportable operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. SFAS No. 131 is effective for financial statements for periods beginning after December 15, 1997. SFAS No. 131 is a disclosure requirement and therefore did not have an effect on the Company's financial position or results of operations upon adoption.

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 instruments, including certain derivative instruments embedded in other contracts and for hedging activities. SFAS No. 133 requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as (a) a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, (b) a hedge of the exposure to variable cash flows of a forecasted transaction, or (c) a hedge of the foreign currency exposure of a net investment in a foreign operation, an unrecognized firm commitment, an available-for-sale security, or a foreign-currency-denominated forecasted transaction.

The accounting for changes in the fair value of a derivative (that is, gains and losses) depends on the intended use of the derivative and the resulting designation. For a derivative designated as hedging the exposure to changes in the fair value of a recognized asset or liability or a firm commitment (referred to as a fair value hedge), the gain or loss is recognized in earnings in the period of change together with the offsetting loss or gain on the hedged item attributable to the risk being hedged. The effect of that accounting is to reflect in earnings the extent to which the hedge is not effective in achieving offsetting changes in fair value. For a derivative designated as hedging the exposure to variable cash flows of a forecasted transaction (referred to as a cash flow hedge), the effective portion of the derivative's gain or loss is initially reported as a component of other comprehensive income (outside earnings) and subsequently reclassified into earnings when the forecasted transaction affects earnings. The ineffective portion of the gain or loss is reported in earnings immediately. For a derivative designated as hedging the foreign currency exposure of a net investment in a foreign operation, the gain or loss is reported in other comprehensive income (outside earnings) as part of the cumulative translation adjustment. The accounting for a fair value hedge described above applies to a derivative designated as a hedge of the foreign currency exposure of an unrecognized firm commitment or an available-for-sale security. Similarly, the accounting for a cash flow hedge described above applies to a derivative designated as a hedge of the foreign currency exposure of a foreign-currency-denominated forecasted transaction. For a derivative not designated as a hedging instrument, the gain or loss is recognized in earnings in the period of change.

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 the impact on the results of operations, financial position or cash flows as a result of implementing SFAS No. 133.

NOTE 3 ACQUISITION AND DISPOSITION TRANSACTIONS

On April 24, 1998, the Company, through its wholly owned subsidiary Ocwen UK, acquired substantially all of the assets, and certain liabilities, of the United Kingdom ("UK") operations of Cityscape Financial Corp. ("Cityscape UK"). As consummated, the Company acquired Cityscape UK's mortgage loan portfolio and its residential subprime mortgage loan origination and servicing businesses for $421,326 ((British pound)249.6 million) and assumed $34,303 ((British pound)20.3 million) of Cityscape UK's liabilities. The excess of purchase price over net assets acquired related to this transaction, which amounted to $13,413, net of accumulated amortization of $160 at June 30, 1998, is being amortized on a straight-line basis over a period of 15 years.

On February 25, 1998, the Company purchased 36.07% of the total outstanding common stock of Kensington Mortgage Company ("Kensington"), a leading originator of nonconforming residential mortgages in the UK for $45,858 ((British pound)27.8 million). This investment is accounted for under the equity method and is included in investment securities. The excess of the purchase price over the net investment which amounted to $38,485 ((British pound)23.4 million) net of accumulated amortization of $855 ((British pound)519,000) at June 30, 1998, is being amortized on a straight-line basis over a period of 15 years.

On January 20, 1998, the Company acquired DTS Communications, Inc. ("DTS"), a real estate technology company located in San Diego, California, for a purchase price of $13,025 in cash, common stock of the Company and repayment of certain indebtedness. DTS has developed technology tools to automate real estate transactions. DTS has been recognized by Microsoft Corporation for the Microsoft(R) component-based architecture to facilitate electronic data interchange. The common stock of the Company issued in the acquisition was acquired from affiliates of the Company at the same price per share as was used to calculate the number of shares issued in the acquisition. The excess of purchase price over net assets acquired related to this transaction, which amounted to $7,824, net of accumulated amortization of $240 at June 30, 1998, is being amortized on a straight-line basis over a period of 15 years.

The Company's investment in joint venture includes an investment in BCFL, L.L.C. ("BCFL"), a limited liability corporation formed in January 1997 between the Company and BlackRock Capital Finance L.P. ("BlackRock"). The Company owns a 10% interest in BCFL which was formed to acquire multifamily loans. At June 30, 1998, the Company's 10% investment, which is accounted for under the cost method, amounted to $1,056.

On November 6, 1997, the Company acquired AMOS, Inc., a Connecticut based company engaged primarily in the development of mortgage loan servicing software. AMOS' products are Microsoft(R) Windows(R) based, client/server architecture and feature real-time processing, designed to be year 2000 compliant, a scaleable database platform and strong workflow capabilities. The aggregate purchase price was $9,718, including $4,815 which is contingent on AMOS, Inc. meeting certain software development performance criteria. The excess of purchase price over net assets acquired related to this transaction, which amounted to $4,736, net of accumulated amortization of $214 at June 30, 1998, is being amortized on a straight-line basis over a period of 15 years.

(Dollars in thousands, except per share data)

On December 12, 1997, BCBF, L.L.C., (the "LLC"), a limited liability company formed in March 1996 between the Company and BlackRock distributed all of its assets to the Company and its other 50% investor, BlackRock. Simultaneously, the Company acquired BlackRock's portion of the distributed assets. The Company's equity in earnings of the LLC of $0 and $15,674 for the six months ended June 30, 1998 and 1997, respectively, includes 50% of the net income of the LLC before deduction of the Company's 50% share of loan servicing fees which are paid 100% to the Bank. Equity in earnings for the six months ended June 30, 1997 includes the recapture of $2,641 of valuation allowances established in 1996 by the Company on its equity investment in the joint venture as a result of the resolution and securitization of loans during the first quarter of 1997. The Bank has recognized 50% of the loan servicing fees not eliminated in consolidation in servicing fees and other charges.

Set forth below is the statement of operations of the LLC for the periods indicated.

BCBF, L.L.C.
STATEMENTS OF OPERATIONS

	For the Three Months Ended June 30, 1997	For the Six Months Ended June 30, 1997
Interest income	$ 1,869	$ 5,354
Interest expense	--	--
Net interest income....................	1,869	5,354
Non-interest income:		
Gain on sale of loans held for sale ...	--	18,412
(Loss) gain on real estate owned, net..	(206)	1,337
Loan fees	1	23
	(205)	19,772
Operating expenses:		
Loan servicing fees	753	1,429
Net income	$ 911	$ 23,697

In March, 1997, as part of a larger transaction involving the Company and an affiliate of BlackRock, the LLC securitized 1,196 loans with an unpaid principal balance of $51,714 and past due interest of $14,209, and a net book value of $40,454. Proceeds from sales of such securities by the LLC amounted to $58,866.

NOTE 4 CAPITAL SECURITIES

In August 1997, Ocwen Capital Trust I, a wholly owned subsidiary of Ocwen, issued $125.0 million 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 Ocwen. The Junior Subordinated Debentures, which represent the sole assets of Ocwen Capital Trust I, 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 Ocwen Capital Trust I, and payments on liquidation of Ocwen Capital Trust I or the redemption of Capital Securities, are guaranteed by the Company to the extent Ocwen Capital Trust I has funds available. If the Company does not make principal or interest payments on the Junior Subordinated Debentures, Ocwen Capital Trust I will not have sufficient funds to make distributions on the Capital Securities, in which event the guarantee shall not apply to such distributions until Ocwen Capital Trust I has sufficient funds available. Therefore, 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 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, Ocwen Capital Trust I is treated as a subsidiary of the Company and, accordingly, the accounts of Ocwen Capital Trust I are included in the consolidated financial statements of the Company. 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. 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 COMPREHENSIVE INCOME

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances, excluding those resulting from investments by and distributions to owners. SFAS No. 130 requires that comprehensive income be presented beginning with net income, adding the elements of comprehensive income not included in the determination of net income, to arrive at comprehensive income. Comprehensive income for the three months ended June 30, 1998 and 1997 amounted to a loss of $21,140 and income of $19,204, respectively, and for the six months ended June 30, 1998 and 1997 amounted to income of $6,364 and $ 39,407, respectively.

(Dollars in thousands, except per share data)

NOTE 6 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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 interest rate swap agreements ("interest swaps"). Under interest 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 interest 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 interest swaps is amortized (i.e., reduced) monthly based upon estimated prepayment rates of the mortgages underlying the securities being hedged. The terms of the outstanding interest swaps at June 30, 1998 and December 31, 1997 follow:

	Maturity	Notional Amount	LIBOR Index	Fixed Rate	Floating Rate at End of Period	Fair Value
JUNE 30, 1998	1998	$32,650	1-Month	6.18%	5.65%	56
DECEMBER 31, 1997...	1998	$36,860	1-Month	6.18%	5.69%	(94)

The 1-month LIBOR was 5.66% and 5.72% on June 30, 1998 and December 31, 1997, respectively.

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. 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.

Terms and other information on interest rate futures contracts sold short were as follows at the dates indicated:

	Maturity	Notional Principal	Fair Value
JUNE 30, 1998:			
U.S. Treasury futures..........	1998	$ 90,100	$ 505
DECEMBER 31, 1997:			
U.S. Treasury futures..........	1998	$194,500	$1,996

The fair value of the interest rate swaps and interest rate futures contracts represent the estimated amount that the Company would receive or pay to terminate these agreements taking into account current interest rates. Market quotes are available for these agreements. The fair values are recorded in the Consolidated Statements of Financial Condition offsetting the item being hedged.

FOREIGN CURRENCY MANAGEMENT

The Company enters into foreign currency derivatives to hedge its equity investments denominated in a foreign currency.

(Dollars in thousands, except per share data)

The Company has determined that the local currency of its foreign subsidiary, Ocwen UK, 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 Balance Sheet date and revenues and expenses are translated at average monthly rates.

On April 22, 1998, the Company sold short foreign currency futures contracts ("currency futures") to hedge its foreign currency exposure related to its equity investment in Ocwen UK. Under the terms of the currency futures, the Company has the right to receive $66,728 and pay (British pound)40 million. The value of the currency futures is based on quoted market prices.

The Company also has an equity investment in a foreign entity, Kensington, which is translated into U.S. dollars at the current rate of exchange existing at the Balance Sheet date. The Company's 36.07% share of Kensington's profits and losses for the period are reflected in the Consolidated Statements of Operations at the average monthly exchange rate.

On February 25, 1998, 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 (British pound)27.5 million 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 statement of financial condition 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 other comprehensive income.

The following table sets forth the terms and values of these financial instruments at June 30, 1998. No such financial instruments were held at December 31, 1997:

		Notional Amount				
	Maturity	Pay	Receive	Contract Rate	Unamortized Discount	Fair Value
Currency swap...........	2003	(British pound)27.5 million	$43,546	1.5835	$ 1,650	$ 45

		Notional Amount				
	Maturity	Pay	Receive	Number of Contracts	Contract Rate	Fair Value
British pound Currency futures......	Sept98	(British pound)40 million	$66,728	624	162.50	$ 1,432

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 counter party 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.

NOTE 7 STOCK SPLIT

On October 29, 1997, the Company's Board of Directors approved a 2-for-1 stock split of its issued and outstanding common stock, par value $.01 per share. The stock split was effected through the distribution of authorized but unissued shares of its common stock on November 20, 1997, to holders of record of its common stock at the close of business on November 12, 1997. All references in the interim consolidated financial statements to the number of shares and per share amounts have been adjusted retroactively for the stock split.

NOTE 8 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, 1998, the minimum regulatory capital requirements were:

- Tangible and core capital of 1.5 percent and 3.0 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 8.0 percent of the value of risk-weighted assets.

At June 30, 1998, 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 and must not be subject to any written agreement, order or directive issued by the OTS to meet and maintain a specific capital level for any capital measure. The Bank's capital amounts and classification are subject to review by federal regulators about components, risk-weightings and other factors. There are no conditions or events since June 30, 1998 that management believes have changed the institution's category.

(Dollars in thousands, except per share data)

The following tables summarize the Bank's actual and required regulatory capital at June 30, 1998:

	Actual		Minimum for Capital Adequacy Purposes		To Be Well Capitalized for Prompt Corrective Action Provisions		Agreed Upon Capital Requirements
	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Stockholders' equity, and ratio to total assets	9.72%	$ 256,973					
Net unrealized loss on certain available for sale securities		(2,106)					
Excess mortgage servicing rights and deferred tax assets		(428)					
Tangible capital, and ratio to adjusted total assets	9.64%	$ 254,439	1.50%	$ 39,599			
Tier 1 (core) capital, and ratio to adjusted total assets	9.64%	$ 254,439	3.00%	$ 79,198	5.00%	$ 131,996	9.00%
Tier 1 capital, and ratio to risk-weighted assets	11.45%	$ 254,439			6.00%	$ 133,367	
Allowance for loan and lease losses		23,497					
Subordinated debentures		100,000					
Tier 2 capital		123,497					
Low-level recourse deduction		(19,889)					
Total risk-based capital, and ratio to risk-weighted assets	16.11%	$ 358,047	8.00%	$ 177,823	10.00%	$ 222,279	13.00%
Total regulatory assets		$ 2,642,455					
Adjusted total assets		$ 2,639,921					
Risk-weighted assets		$ 2,222,790					

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 June 30, 1998. 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. Notwithstanding the foregoing, however, the Bank's ability to make capital distributions as a Tier 1 institution is limited by agreements between it and the OTS to maintain specified capital levels and to dividend to Ocwen subordinate and residual securities resulting from the Bank's securitization activities.

In addition to these OTS regulations governing capital distributions, the indenture governing the $100,000 of 12% subordinated debentures (the "Debentures") due 2005 and issued by the Bank on June 12, 1995 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.

In connection with an examination of the Bank in late 1996 and early 1997, the staff of the OTS expressed concern about many of the Bank's non-traditional operations, which generally are deemed by the OTS to involve higher risk, certain of the Bank's accounting policies and the adequacy of the Bank's capital in light of the Bank's lending and investment strategies. The activities which were of concern to the OTS included the Bank's subprime single family residential lending activities, the Bank's origination of acquisition, development and construction loans with terms which provide for shared participation in the results of the underlying real estate, the Bank's discount loan activities, which involve significantly higher investment in nonperforming and classified assets than the majority of the savings and loan industry, and the Bank's investment in subordinated classes of mortgage-related securities issued in connection with the Bank's asset securitization activities and otherwise.

Following the above-referenced examination, 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 required to be maintained by it pursuant to such commitment.

NOTE 9 COMMITMENTS AND CONTINGENCIES

At June 30, 1998 the Company had commitments to (i) purchase $3,727 of loans secured by small commercial properties, (ii) originate $104,756 of subprime loans secured by single family residential properties, (iii) fund $29,489 of loans secured by multi-family residential buildings, (iv) fund $4,135 of loans secured by office buildings and (v) fund $1,447 of loans secured by hotel properties. In addition, the Company through the Bank had commitments under outstanding letters of credit in the amount of $11,705 at June 30, 1998. The Company, through its investment in subordinate securities and REMIC residuals which had a book value of $188,642 at June 30, 1998, supports senior classes of mortgage-related securities having an outstanding principal balance of $3,409,915. On July 27, 1998, the Company entered into a commitment to sell its entire portfolio of AAA-rated agency interest-only and inverse interest-only securities (together, "IOs") for $137,546, which represents book value.

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

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GENERAL

The Company's business activities currently consist primarily of its single family, small commercial and large commercial discount loan acquisition and resolution activities, commercial real estate lending, subprime single family residential lending, mortgage loans serviced for others and investments in low-income housing tax credit interests.

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; and (iv) sales by the Company of loans and/or securities acquired from the Company's securitization of loans.

The Company continuously evaluates opportunities to expand 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 Company is a registered savings and loan holding company subject to regulation by the OTS. Likewise, 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.

At June 30, 1998, the only significant subsidiaries of the Company, other than the Bank, were IMI, OFS, Ocwen Capital Trust I and Ocwen UK. Prior to July 15, 1997, IMI, through subsidiaries, owned and managed the Westin Hotel (the "Hotel") in Columbus, Ohio. On July 15, 1997, IMI sold a 69% partnership interest in the Hotel for a minimal gain and no longer manages the Hotel. In addition, as of June 30, 1998, IMI owned 8.1% or 1,540,000 shares of the outstanding common stock of Ocwen Asset Investment Corp. ("OAC"), as well as 8.7% or 1,808,733 units of Ocwen Partnership, L.P. ("OPLP"), the operating partnership formed to undertake the business of OAC and, through subsidiaries, also owns non-residential real estate properties as well as residential units in cooperative buildings. OFS was formed in October 1996 for the purpose of purchasing substantially all of the assets of Admiral (a transaction which closed on May 1, 1997), the Company's primary correspondent mortgage banking firm for subprime single family residential loans, and of assuming all of the Bank's subprime single family residential lending operations. Ocwen Capital Trust I, a wholly owned subsidiary of Ocwen, was formed for the express purpose of issuing $125.0 million of 10 7/8% Capital Securities, the proceeds of which were invested in 10 7/8% Junior Subordinated Debentures issued by Ocwen.

The following discussion of the Company's consolidated financial condition and results of operations and capital resources and liquidity should be read in conjunction with the Interim Consolidated Financial Statements and related Notes included in Item 1 hereof.

HIGHLIGHTS FOR THE QUARTER ENDED JUNE 30, 1998

On April 24, 1998, the Company, through its wholly-owned subsidiary Ocwen UK, acquired the mortgage loan portfolio and residential subprime mortgage loan origination and servicing businesses from Cityscape UK for $421.3 million ((British pound)249.6 million) and assumed $34.3 million ((British pound)20.3 million) of its liabilities. See Note 3 to the Interim Consolidated Financial statement included in Item 1 hereof.

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On May 12, 1998, the Company established a wholly-owned subsidiary, Ocwen Technology Xchange, Inc. ("OTX"), to supply its advanced mortgage loan servicing, resolution and work flow technology to the mortgage and real estate industries. OTX has two subsidiaries which were previously acquired by the Company: Amos, Inc., a developer of mortgage loan servicing and origination software and workflow technology, acquired in October 1997, and DTS Communications, Inc., a leading real estate technology company, acquired in January 1998.

On June 29, 1998, the Company completed the securitization of 4,522 subprime single family residential mortgage loans with an aggregate unpaid principal balance of $382.7 million. The Company recorded a net gain of $9.7 million on the sale of the senior classes of securities in connection with this transaction. The Company continues to service the loans for a fee and has retained the related residual security.

On June 29, 1998, the Company, as part of a larger transaction involving the Company, Black Rock Finance LP and Residential Funding Corporation, completed the securitization of 1,155 single family residential mortgage discount loans with an aggregate unpaid principal balance of $98.3 million. The Company recorded a net gain of $12.2 million on the sale of the senior classes of securities in connection with this transaction. The Company continues to service the loans for a fee and has retained the related subordinate security.

On June 30, 1998, the Company completed the securitization of 14,179 UK subprime single family residential mortgage loans with an aggregate unpaid principal balance of (British pound)218.1 million ($363.8 million), the largest such securitization in the history of the UK. The Company recorded a net gain of (British pound)5.5 million ($9.1 million) on the sale of (British pound)222.0 million ($370.3 million) senior classes of securities in connection with this transaction. The Company continues to service the loans for a fee and has retained the related residual security.

For the three months ended June 30, 1998, the Company purchased discount loans with a total unpaid principal balance of approximately $585.8 million, including $217.7 million of single family residential discount loans from Union Bank of Switzerland. Combined purchases and originations of subprime single family loans for the same period amounted to approximately $658.0 million of unpaid principal balance, including $421.3 million purchased in connection with the acquisition of Cityscape UK.

RECENT DEVELOPMENTS

On July 27, 1998, the Company sold its entire portfolio of AAA-rated agency IOs for $137.5 million, which represents book value. A $77.6 million pre-tax ($62.4 million after-tax) impairment loss was previously charged to earnings in the second quarter of 1998 as a result of the Company's decision to discontinue this investment activity and write-down the book value of the IOs.

On July 28, 1998, the Company announced that it has engaged an investment bank to identify potential strategic partners who can enable the Company to expand its franchise both domestically and internationally. Further, on July 30, 1998 in response to investor inquiries, Willliam C. Erbey, Chairman and Chief Executive Officer stated that "Our capital and businesses have never been stronger. We see vast opportunities to further deploy our services in new and untapped markets. It is for this reason, and this reason only, that we are considering strategic alliances to complement our strengths. Affiliations could take on many different forms only one of which is a merger. However, a merger would only occur if the transaction was clearly in the best interest of Ocwen's employees, customers and shareholders."

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CONSOLIDATED FINANCIAL HIGHLIGHTS

	At or For the Three Months Ended June 30,		
	1998	1997	Change
	(Dollars in thousands, except per share data)		
Net interest income	$ 34,152	$ 28,074	22%
Provision for loan losses	9,675	7,909	22
Non-interest income excluding impairment loss	68,123	33,289	105
Impairment loss on AAA-rated agency IOs	(77,645)	--	--
Non-interest expense	55,771	31,080	79
Equity in earnings of investment in joint ventures	--	1,301	(100)
Net (loss) income	(37,899)	18,792	(302)
PER COMMON SHARE (1)			
(Loss) income per share:			
Basic	$ (0.62)	$ 0.35	(277)%
Diluted	(0.62)	0.35	(277)
Stock price:			
High	$ 28.38	$ 16.44	73%
Low	22.31	12.75	75
Close	26.88	16.31	65
AVERAGE BALANCES			
Interest-earning assets	$ 3,401,335	$ 2,334,115	46%
Interest-bearing liabilities	3,181,946	2,345,476	36
Stockholders' equity	434,598	232,758	87
KEY RATIOS			
Interest rate spread:			
Yield on interest-earning assets	10.24%	11.47%	(11)%
Cost of interest-bearing liabilities	6.65	6.63	--
Interest rate spread	3.59	4.84	(26)
Annualized return on average assets (2) (3)	(3.80)	2.75	(238)
Annualized return on average equity (3)	(34.88)	32.29	(208)
Efficiency ratio(4)	226.44	49.60	357
Core (leverage) capital ratio	9.64	9.40	3
Risk-based capital ratio	16.11	13.81	17

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	At or For the Six Months Ended June 30,		
	1998	1997	Change
	(Dollars in thousands, except per share data)		
FOR THE PERIOD:			
Net interest income	$ 51,337	$ 45,437	13%
Provision for loan losses	11,929	17,651	(32)
Non-interest income excluding impairment loss	113,529	54,640	108
Impairment loss on AAA-rated agency IOs	(77,645)	--	--
Non-interest expense	89,824	53,777	67
Equity in earnings of investment in joint ventures	--	15,674	(100)
Net (loss) income	(15,554)	35,833	(143)
PER COMMON SHARE (1):			
(Loss) income per share:			
Basic	$ (0.26)	$ 0.67	(139)%
Diluted	(0.25)	0.66	(138)
Stock Price:			
High	$ 30.75	$ 17.38	77%
Low	22.25	12.63	76
Close	26.88	16.31	65
AVERAGE BALANCES:			
Interest-earning assets	$ 3,015,879	$ 2,251,951	34%
Interest-bearing liabilities	2,793,556	2,302,046	(21)
Stockholders' equity	430,544	222,386	94
KEY RATIOS:			
Interest rate spread:			
Yield on interest-earning assets	9.60%	10.79%	(11)%
Cost of interest-bearing liabilities	6.69	6.61	1
Interest rate spread	2.91	4.18	(30)
Annualized return on average assets (2)(3)	(0.86)	2.68	(132)
Annualized return on average equity (3)	(7.23)	32.23	(122)
Efficiency ratio (4)	102.98	46.46	122
Core (leverage) capital ratio	9.64	9.40	3
Risk-based capital ratio	16.11	13.81	17

(1) Retroactively adjusted for the 2-for-1 stock split approved by the Company's Board of Directors on October 29, 1997.
(2) Includes the Company's pro rata share of average assets held by its 50% joint venture for the three and six months ended June 30, 1997.
(3) Exclusive of the impairment loss of $77,645 ($62,368 after tax), the annualized return on average assets would have been 2.45% and 2.58% for the three and six months ended June 30, 1998, respectively, and the annualized return on average equity would have been 22.52% and 21.75% for the three and six months ended June 30, 1998, respectively.
(4) Before provision for loan losses, and including equity in earnings of investment in joint venture for the three and six months ended June 30, 1997. Exclusive of the pre-tax impairment loss of $77,645, the efficiency ratio would have been 54.53% and 54.48% for the three and six months ended June 30, 1998, respectively.

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SECOND QUARTER SUMMARY

The Company recorded a net loss of $37.9 million for the three months ended June 30, 1998 as compared to a net income of $18.8 million for the same period in 1997. Diluted loss per share was $0.62 for the second quarter of 1998 as compared to diluted income per share of $0.35 for the second quarter of 1997. The net loss for the second quarter of 1998 includes a $62.4 million after-tax charge against earnings related to the Company's decision to immediately discontinue its investments in AAA-rated agency IOs. Excluding the IO-related charge, the Company would have reported net income of $24.5 million or $0.40 per diluted share for the 1998 second quarter.

The $6.1 million or 22% increase in net interest income during the second quarter of 1998 as compared to the second quarter of 1997 is primarily due to a $20.1 million or 30% increase in interest income as a result of a $1.07 billion increase in average balance of interest-earning assets, offset by a $14.0 million or 36% increase in interest expense as a result of an $836.5 million or 36% increase in the average balance of interest-bearing liabilities.

The $1.8 million increase in the provision for loan losses for the three months ended June 30, 1998 as compared to the same period in 1997 is due primarily to an additional $2.1 million of general reserves established on discount loans.

Exclusive of the impairment loss of $77.6 million, non-interest income increased by $34.8 million or 105% primarily as a result of a $10.5 million increase in gains on sales of interest earning assets, a $5.9 million increase in gains on real estate owned, an $8.6 million increase in servicing fees and other charges (as a result of a 184.8% increase in the average balance of loans serviced for others) and a $9.8 million increase in other income.

On December 12, 1997, the LLC distributed all of its remaining assets to its partners. As a result, no equity in earnings of investment in joint venture was recorded during the second quarter of 1998. During the second quarter of 1997, the Company recorded $1.3 million of income related to its investment in joint venture.

Non-interest expense, which includes $3.5 million and $11.3 million of operating expenses related to OTX and Ocwen UK, respectively, increased $24.7 million or 79% during the three months ended June 30, 1998 as compared to the same period in 1997 primarily as a result of (i) a $10.1 million increase in compensation and benefits, due to an 83% increase in the average number of employees, (ii) a $4.6 million increase in occupancy and equipment expense, and (iii) a $9.1 million increase in other operating expenses.

Distributions on the 10 7/8% Capital Securities issued in August 1997 amounted to $3.4 million for the second quarter of 1998 as compared to $0 for the same period in 1997.

Income tax benefit was recorded at a rate of 14.4% for the second quarter of 1998 as compared to income tax expense of 21.7% for the comparable period in the prior year. The Company estimates that its effective tax rate for 1998 will approximate 11.5% before the use of a net operating loss carry-forward which resulted in a $3.4 million increase in tax benefit for the first half of 1998.

RESULTS OF OPERATIONS: THREE AND SIX MONTHS ENDED JUNE 30, 1998 VERSUS THREE AND SIX MONTHS ENDED JUNE 30, 1997

NET INCOME SUMMARY BY BUSINESS ACTIVITY. The Company continues to engage in significant discount loan acquisition and resolution activities and a variety of other mortgage lending activities, which generally reflect the Company's desire to focus on business lines which leverage its core competency, the servicing and management of servicing intensive assets. The following table presents the estimated contribution by business activity to the Company's net income for the periods indicated.

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For the periods ended June 30, (Dollars in thousands)	Three Months 1998 Amount	%	Three Months 1997 Amount	%	Six Months 1998 Amount	%	Six Months 1997 Amount	%
Discount Loans:								
Single family residential loans	$ 5,524	23	$ 5,072	27	$ 22,519	48	$ 12,324	34
Large commercial real estate loans	10,434	43	6,813	36	13,297	29	9,804	27
Small commercial real estate loans	2,649	11	588	3	6,018	13	1,142	3
Investment in low-income housing tax credits..................................	535	2	2,161	12	5,285	11	3,760	11
Commercial real estate lending	5,661	23	1,466	8	5,318	11	2,068	6
Subprime single family residential lending(1)	1,092	4	(198)	(1)	2,364	5	744	2
Mortgage loan servicing (1)	2,600	11	38	--	4,128	9	1,108	3
Investment securities	(2,044)	(8)	1,761	9	(9,748)	(21)	3,405	10
OTX	(3,147)	(14)	--	--	(4,250)	(9)	--	--
Other	1,165	5	1,091	6	1,883	4	1,478	4
	24,469	100%	18,792	100%	46,814	100%	35,833	100%
Impairment loss on AAA-rated agency IOs	(62,368)		--		(62,368)		--	
	$(37,899)		$ 18,792		$(15,554)		$ 35,833	

(1) Includes net income from foreign operations derived from Ocwen UK of $7.1 million resulting from its subprime single family residential lending and mortgage loan servicing activities for the three and six months ended June 30, 1998.

The Company's discount loan activities include asset acquisition, servicing and resolution of single family residential, large commercial and small commercial loans and the related real estate owned. Investment in low-income housing tax credits includes the Company's investments, primarily through limited partnerships, in qualified low-income rental housing for the purpose of obtaining Federal income tax credits pursuant to Section 42 of the Internal Revenue Code ("Code"). Low-income housing tax credits and benefits of $4.3 million and $2.9 million for the quarters ended June 30, 1998 and 1997, respectively, and $9.0 million and $6.5 million for the six months ended June 30, 1998 and 1997, respectively, are included as credits against income tax expense. Commercial lending includes the Company's origination of multi-family and commercial real estate loans held for investment. Subprime single family lending includes the Company's acquisition and origination of single family residential loans to nonconforming borrowers which are recorded as available for sale and the Company's historical loan portfolio of single family residential loans held for investment. Mortgage loan servicing includes the Company's fee-for-services business of providing loan servicing, including asset management and resolution services, to third-party owners of nonperforming, underperforming and subprime assets. Investment securities includes the results of the securities portfolio, whether available for sale, trading or investment, other than REMIC residuals and subordinate interests related to the Company's securitization activities which have been included in the related business activity.

Interest income and expense have been allocated to each business segment for the investment of funds raised or funding of investments made at an interest rate based upon the Treasury swap yield curve taking into consideration the actual duration of such liabilities or assets. Allocations of non-interest expense generated by corporate support services were made to each business segment based upon management's estimate of time and effort spent in the respective activity. As such, the resulting net income amounts represent estimates of the contribution of each business activity to the Company.

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.

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

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,					
	1998			1997		
	Average Balance	Interest	Annualized Yield/Rate	Average Balance	Interest	Annualized Yield/Rate
	(Dollars in thousands)					
AVERAGE ASSETS:						
Federal funds sold and repurchase agreements	$ 127,444	$ 1,758	5.52%	$ 63,192	$ 795	5.03%
Securities available for sale (1)	589,879	4,565	3.10	308,267	6,509	8.45
Loans available for sale (2)	998,282	25,291	10.13	135,801	3,973	11.70
Investment securities and other	93,100	1,532	6.58	29,113	745	10.24
Loan portfolio (2)	285,609	11,655	16.32	447,591	10,674	9.54
Discount loan portfolio	1,307,021	42,281	12.94	1,350,151	44,246	13.11
Total interest-earning assets, interest income	3,401,335	87,082	10.24	2,334,115	66,942	11.47
Non-interest earning cash	25,264			12,204		
Allowance for loan losses	(24,143)			(21,441)		
Investments in low-income housing tax credit interests	113,851			100,779		
Investment in joint ventures	1,056			30,128		
Real estate owned, net	176,613			102,527		
Other assets	298,926			174,003		
Total assets	$ 3,992,902			$ 2,732,315		
AVERAGE LIABILITIES AND STOCKHOLDERS' EQUITY:						
Interest-bearing demand deposits	$ 26,884	$ 257	3.82	$ 42,600	$ 496	4.66
Savings deposits	1,743	10	2.29	2,037	12	2.36
Certificates of deposit	1,843,357	28,410	6.16	2,030,734	30,863	6.08
Total interest-bearing deposits	1,871,984	28,677	6.13	2,075,371	31,371	6.05
Notes, debentures and other	226,373	6,734	11.90	245,523	7,148	11.65
Obligations outstanding under lines of credit	924,218	15,103	6.54	--	--	--
Securities sold under agreements to repurchase	159,371	2,416	6.06	14,272	204	5.72
Federal Home Loan Bank advances	--	--	--	10,310	145	5.63
Total interest-bearing liabilities, interest expense	3,181,946	52,930	6.65	2,345,476	38,868	6.63
Non-interest bearing deposits	19,440			28,147		
Escrow deposits	142,986			72,006		
Other liabilities	213,932			53,928		
Total liabilities	3,558,304			2,499,557		
Stockholders' equity	434,598			232,758		
Total liabilities and stockholders' equity	$ 3,992,902			$ 2,732,315		
Net interest income before provision for loan losses		$ 34,152			$ 28,074	
Net interest rate spread			3.59%			4.84%
Net interest margin			4.02%			4.81%
Ratio of interest-earning assets to interest-bearing liabilities	107%			100%		

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	Six months ended June 30,					
	1998			1997		
	Average Balance	Interest	Annualized Yield/Rate	Average Balance	Interest	Annualized Yield/Rate
	(Dollars in thousands)					
AVERAGE ASSETS:						
Federal funds sold and repurchase agreements	$ 102,164	$ 2,437	4.77%	$ 97,765	$ 2,453	5.02%
Securities available for trading	--	--	--	6,589	248	7.53
Securities available for sale (1)	559,602	8,526	3.05	323,640	14,682	9.07
Loans available for sale (2)	668,838	34,794	10.40	127,823	6,824	10.68
Investment securities and other	58,796	2,017	6.86	26,306	1,426	10.84
Loan portfolio (2)	283,412	17,917	12.64	435,642	21,366	9.81
Discount loan portfolio	1,343,067	79,078	11.78	1,234,186	74,470	12.07
Total interest-earning assets, interest income	3,015,879	144,769	9.60	2,251,951	121,469	10.79
Non-interest earning cash	22,744			11,781		
Allowance for loan losses	(25,026)			(18,897)		
Investments in low-income housing tax credit interests	122,775			95,588		
Investment in joint ventures	1,056			46,882		
Real estate owned, net	174,283			107,377		
Other assets	311,765			176,624		
Total assets	$ 3,623,476			$ 2,671,306		
AVERAGE LIABILITIES AND STOCKHOLDERS' EQUITY:						
Interest-bearing demand deposits	$ 22,018	$ 613	5.57	$ 33,275	$ 723	4.35
Savings deposits	1,739	20	2.30	2,328	27	2.32
Certificates of deposit	1,804,089	55,889	6.20	1,997,377	60,514	6.06
Total interest-bearing deposits	1,827,846	56,522	6.18	2,032,980	61,264	6.03
Notes, debentures and other	226,626	13,486	11.90	235,547	13,863	11.77
Obligations outstanding under lines of credit	604,214	19,623	6.50	--	--	--
Securities sold under agreements to repurchase	131,130	3,701	5.64	17,603	477	5.42
Federal Home Loan Bank advances	3,740	100	5.35	15,916	428	5.38
Total interest-bearing liabilities, interest expense	2,793,556	93,432	6.69	2,302,046	76,032	6.61
Non-interest bearing deposits	21,022			20,765		
Escrow deposits	126,283			71,860		
Other liabilities	252,071			54,249		
Total liabilities	3,192,932			2,448,920		
Stockholders' equity	430,544			222,386		
Total liabilities and stockholders' equity	3,623,476			2,671,306		
Net interest income before Provision .. for loan losses		$ 51,337			$ 45,437	
Net interest rate spread			2.91%			4.18%
Net interest margin			3.40%			4.04%
Ratio of interest-earning assets to interest-bearing liabilities	108%			98%		

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

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The following table describes the extent to which changes in interest rates and changes in volume of interest-earning assets and interest-bearing liabilities have affected 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.

For the periods ended June 30, (Dollars in thousands)	Three months 1998 vs 1997 Increase (decrease) due to			Six months 1998 vs 1997 Increase (decrease) due to		
	Rate	Volume	Total	Rate	Volume	Total
Interest-Earning Assets:						
Federal funds sold and repurchase agreements	$ 83	$ 880	$ 963	$ (124)	$ 108	$ (16)
Securities held for trading	--	--	--	--	(248)	(248)
Securities available for sale	(5,666)	3,722	(1,944)	(13,140)	6,984	(6,156)
Loans available for sale	(602)	21,920	21,318	(179)	28,149	27,970
Loans	5,770	(4,789)	981	5,198	(8,647)	(3,449)
Discount loans	(565)	(1,400)	(1,965)	(1,837)	6,445	4,608
Investment securities and other	(348)	1,135	787	(672)	1,263	591
Total interest-earning assets	(1,328)	21,468	20,140	(10,754)	34,054	23,300
Interest-Bearing Liabilities:						
Interest-bearing demand deposits	(78)	(161)	(239)	172	(282)	(110)
Savings deposits	--	(2)	(2)	--	(7)	(7)
Certificate of deposit	430	(2,883)	(2,453)	1,338	(5,963)	(4,625)
Total interest-bearing deposits	352	(3,046)	(2,694)	1,510	(6,252)	(4,742)
Notes, debentures and other interest-bearing obligations	153	(567)	(414)	1,598	(1,975)	(377)
Securities sold under agreements to repurchase	13	2,199	2,212	21	3,203	3,224
Obligations outstanding under lines of credit	--	15,103	15,103	--	19,623	19,623
Federal Home Loan Bank advances	(73)	(72)	(145)	(2)	(326)	(328)
Total interest-bearing liabilities	445	13,617	14,062	3,127	14,273	17,400
Increase in net interest income	$ (1,773)	$ 7,851	$ 6,078	$(13,881)	$ 19,781	$ 5,900

The Company's net interest income of $34.2 million increased $6.1 million or 22% during the three months ended June 30, 1998 as compared to the comparable period in the prior year. Interest income increased $20.1 million or 30% due to a $1.07 billion or 46% increase in the Company's average interest-earning assets, offset by a 123 basis point decline in the weighted average yield earned. Of the $1.07 billion increase in average interest earning assets, $862.5 million and $281.6 million relate to increases in loans available for sale and securities available for sale, respectively, offset by a $162.0 million decrease in loan portfolio. Interest expense increased $14.1 million or 36% due to an $836.5 million or 36% increase in the Company's average interest-bearing liabilities. Of the $836.7 million net increase in the average balance of interest-bearing liabilities, $924.2 million and $145.1 million relate to increases in borrowings under lines of credit and securities sold under agreements to repurchase, respectively, offset by a $187.4 million decline in certificates of deposit.

The Company's net interest income of $51.3 million for the six months ended June 30, 1998, increased $5.9 million or 13% as compared to the same period in the prior year. The increase resulted from a $763.9 million increase in average interest earnings assets, offset by a 119 basis point decline in the weighted average yield earned and a $491,000 increase in average interest-bearing liabilities.

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INTEREST INCOME. Interest income on loans available for sale increased $21.3 million or 537% during the second quarter of 1998 as compared to the same period in 1997 primarily as a result of a $862.5 million increase in the average balance offset by a 157 basis point decrease in the weighted average yield earned. The $862.5 million increase in loans available for sale is primarily as a result of $292.8 million purchased from the U.S. operations of Cityscape and $421.3 million purchased in connection with the acquisition of the UK operations of Cityscape. For the first six months of 1998, interest income on loans available for sale increased $28.0 million or 410% as compared to 1997 due to an increase in the average balance of loans available for sale of $541.0 million or 423% which was offset in part by a 28 basis point decrease in the weighted average yield earned. The decrease of 123 and 119 basis points in weighted average yields for the three and six months ended June 30, 1998, respectively, as compared to comparable periods in 1997 is primarily due to an increase in nonperforming subprime single-family residential mortgage loans during the second quarter of 1998.

Interest income on the loan portfolio increased by $981,000 or 9% in the three months ended June 30, 1998 versus the three months ended June 30, 1997 primarily due to a 678 basis point increase in the weighted average yield earned offset by a $162 million or 36% decrease in the average balance of the loan portfolio. For the six months ended June 30, 1998, interest income on the loan portfolio decreased $3.4 million or 16% over that of the same period in 1997 as a result of a $152.2 million or a 35% decrease in the average balance of the loan portfolio which was offset in part by a 283 basis point increase in the weighted average yield earned on the portfolio. The increases in the average yield earned during 1998 are primarily due to $4.7 million of additional interest received during the second quarter of 1998 in connection with the payoff of nonresidential loans.

Interest income on the discount loan portfolio decreased by $2.0 million or 4% in the three months ended June 30, 1998 as compared to the same period in 1997 primarily as a result of a $43.1 million or 3% decrease in the average balance of the discount loan portfolio. For the six months ended June 30, 1998, and compared to the same period in 1997, interest income on the discount loan portfolio increased $4.6 million or 6% due to a $108.9 million or 9% increase in the average balance of the discount loan portfolio which was offset in part by a 29 basis point decrease in the weighted average yield earned. The yield on the overall discount loan portfolio may fluctuate from quarter to quarter as a result of the timing of resolutions, particularly the resolution of large multifamily and commercial loans and the mix of the overall portfolio between paying and non-paying loans.

Interest income on securities available for sale decreased by $1.9 million or 30% during the second quarter of 1998 as compared to the same period in 1997 primarily due to a 535 basis point decline in the weighted average yield earned, which was offset by a $281.6 million or 91% increase in the average balance. For the six months ended June 30, 1998 interest income on securities available for sale decreased $6.2 million as a result of a 602 basis point decline in the weighted average yield earned which was offset by a $236.0 million increase in the average balance. The decrease in the weighted average yield during 1998 as compared to 1997 is primarily related to IOs and subprime residual securities as a result of declining interest rates and the resulting increase in prepayment speeds, a $4.2 million write-down of cost basis of certain subprime residual securities during the second quarter of 1998, an $8.5 million write-down of cost basis of certain IOs during the first quarter of 1998 (which have been sold as part of the IO sale), net of the reversal of $4.5 million of reserves during the first quarter of 1998.

INTEREST EXPENSE. Interest expense of $52.9 million for the second quarter of 1998 increased by $14.1 million or 36% over the comparable period in the prior year as a result of an $836.5 million or 36% increase in the average balance of interest-bearing liabilities. Of the $836.5 million net increase in the average balance of interest-bearing liabilities, $924.2 million and $145.1 million related to increases in borrowings under lines of credit and securities sold under agreements to repurchase, respectively, offset by a $187.4 million decline in certificates of deposit. The increase in borrowing under lines of credit is primarily due to the Company's use of lines of credit at OFS and Ocwen UK to fund the subprime single-family residential loan growth. For the first six months of 1998, interest expense amounted to $93.4 million, a $17.4 million or 23% increase over the same period of the prior year.

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."

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PROVISION FOR LOAN LOSSES. Provision 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 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, (Dollars in thousands)	Three Months		Six Months	
	1998	1997	1998	1997
Discount loans	$ 9,562	$ 7,769	$ 11,485	$ 16,165
Loan portfolio	113	140	444	1,486
Total	$ 9,675	$ 7,909	$ 11,929	$ 17,651

The increase in loan loss provision for discount loans during the second quarter of 1998 as compared to the second quarter of 1997 is due primarily to an additional $2.1 million of general reserves established on discount loans. The decline in the loan loss provision for discount loans during the six months ended June 30, 1998 as compared to the same period in the prior year is due primarily to (1) the recapture during the first quarter of 1998 of previously established provisions in connection with the securitization of single family residential discount loans during the first quarter of 1998, offset by the additional $2.1 million of general reserves established during the second quarter of 1998 as discussed above, and (2) the inclusion in provision for the first quarter of 1997 of $2.0 million of additional reserves that were provided in connection with the unsecuritized discount loans remaining from the first quarter 1997 securitization. No similar charges were taken in 1998. The decline in the loan loss provision for the loan portfolio is primarily due to a one-time charge of $1.1 million in the second quarter of 1997 to reserve for losses on a specific loan.

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 1998. 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.

For the periods ended June 30, (Dollars in thousands)	Three Months		Six Months	
	1998	1997	1998	1997
Servicing fees and other charges	$ 13,488	$ 4,845	$ 23,260	$ 10,081
Gains on sales of interest-earning assets, net	33,828	23,365	62,565	40,143
Impairment loss on AAA-rated agency IOs	(77,645)	--	(77,645)	--
Gain on real estate owned, net	10,521	4,629	11,547	3,835
Other income	10,286	450	16,157	581
Total	$ (9,522)	$ 33,289	$ 35,884	$ 54,640

The $13.2 million increase in servicing fees and other charges during the first six months of 1998 was due to an increase in loan servicing and related fees as a result of the Company's increase in loans (primarily subprime and non-performing) serviced for others. The average unpaid principal balance of loans serviced for others amounted to $7.12 and $6.63 billion during the three and six months ended June 30, 1998, as compared to $2.50 and $2.27 billion during the three and six months ended June 30, 1997.

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The following table sets forth the Company's loans serviced for others at June 30, 1998 (dollars in thousands):

	Discount Loans		Subprime Loans		Other Loans		Total	
	Amount	No. of Loans	Amount	No. of Loans	Amount	No. of Loans	Amount	No. of Loans
Loans securitized (1).	$ 913,215	15,265	$1,746,595	43,464	$ --	--	$2,659,810	58,729
Loans serviced for third parties....	1,679,177	23,760	3,198,910	40,637	635,263	2,192	5,513,350	66,589
	$2,592,392	39,025	$4,945,505	84,101	$635,263	2,192	$8,173,160	125,318

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(1) Consists of loans securitized by the Company and now held by a third-party securitization entity (in which the Company retains a subordinate and/or residual interest).

Net gains on sales of interest-earning assets in the second quarter of 1998 were primarily comprised of $31.0 million of net gains recognized in connection with the securitization of single family discount and single family subprime residential mortgage loans, as presented in the table below, including a $9.1 million gain recognized in connection with the securitization of 14,179 UK subprime single family residential mortgage loans with an aggregate principal balance of (British pound)218.1 million ($363.8 million). Additionally the Company recognized a $2.8 million gain on the sale of small commercial discount loans. Net gains on sales of interest-earning assets in the second quarter of 1997 were primarily comprised of $21.0 million of net gains in connection with the securitization of single family discount and single family subprime residential mortgage loans, as presented in the table below, and additionally, the Company recorded a $2.6 million gain on the sale of mortgage-related securities to OAC.

Gains on sale of 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 (both for mortgages and securitizations) and economic conditions and government fiscal and monetary policies, prevailing interest and currency exchange rates and credit, prepayment, basis and asset/liability risks. 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 (dollars in thousands):

Loans Securitized			Book Value of Securities	
Type of Loans	Principal	No. of Loans	Retained	Net Gain
For the Three Months Ended June 30, 1998:				
Single family discount..................	$ 98,345	1,155	$ 4,831	$ 12,219
Single family subprime..................	746,517	18,701	61,250	18,808
	$ 844,862	19,856	$ 66,081	$ 31,027
For the Three Months Ended June 30, 1997:				
Single family discount..................	$ 170,641	1,783	$ 6,704	$ 17,200
Single family subprime..................	104,845	896	7,132	4,462
	$ 275,486	2,679	$ 13,836	$ 21,662

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Loans Securitized				
Type of Loans	Principal	No. of Loans	Book Value of Securities Retained	Net Gain
For the Six Months Ended June 30, 1998:				
Single family discount...................	$ 325,894	4,932	$ 20,205	$ 28,917
Single family subprime..................	907,917	20,140	71,112	26,740
	$ 1,233,811	25,072	$ 91,317	$ 55,657
For the Six Months Ended June 30, 1997:				
Single family discount...................	$ 215,396	2,664	$ 9,657	$ 26,700
Single family subprime..................	104,845	896	7,132	4,462
	$ 320,241	3,560	$ 16,789	$ 31,162

The Company's securitization activities also result in subordinated and/or residual securities which the Company retains, which have a carrying value of $207.8 million at June 30, 1998 and which are included in securities available for sale at fair value. See "Changes in Financial Condition - Securities Available for Sale."

Impairment loss on AAA-rated agency IOs amounted to $77.6 million, or $62.4 million after tax, for the second quarter and first six months of 1998. This charge resulted from the Company's decision to discontinue this activity and write-down the book value of the IO portfolio. On July 27, 1998 the Company sold the entire AAA-rated agency IO portfolio at book value.

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, (Dollars in thousands)	Three months 1998	Three months 1997	Six months 1998	Six months 1997
Gains on sales(1).........................	$ 14,619	$ 6,568	$ 23,382	$ 10,466
Provision for loss in fair value..........	(1,645)	90	(5,879)	(2,247)
Rental income (carrying costs), net.......	(2,453)	(2,029)	(5,956)	(4,384)
Gain (loss) on real estate owned, net..	$ 10,521	$ 4,629	$ 11,547	$ 3,835

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(1) The increase in gains on sales during 1998 is primarily the result of increased volume. The Company sold 779 and 1,389 properties during the three and six months ended June 30, 1998, respectively, as compared to 223 and 756 during the three and six months ended June 30, 1997, respectively.

For additional information relating to the Company's real estate owned, see "Changes in Financial Condition-Real Estate Owned."

Other income of $10.3 million for the first quarter of 1998 includes $2.9 million of gains on sales of investments in real estate, $2.7 million of brokerage commissions earned in connection with the origination of loans by Ocwen UK and $1.5 million of management fees received from OAC. Included in other income for the six months ended June 30, 1998 was a $4.7 million gain recognized in connection with the sale of investments in two low-income housing tax credit projects which occurred in the first quarter of 1998. See "Changes in Financial Condition-Investments in Low-Income Housing Tax Credit Interests."

NON-INTEREST EXPENSE. 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, (Dollars in thousands)	Three months 1998	Three months 1997	Six months 1998	Six months 1997
Compensation and employee benefits........	$ 29,766	$ 19,676	$ 51,247	$ 34,599
Occupancy and equipment...................	8,553	3,960	15,010	6,789
Net operating loss on investments in real estate and certain low-income housing tax credit interests...................	1,046	104	2,292	1,197
Other operating expense...................	16,406	7,340	21,275	11,192
Total..................................	$ 55,771	$ 31,080	$ 89,824	$ 53,777

Non-interest expense of $55.8 million for the second quarter of 1998 increased $24.7 million or 79% as compared to the second quarter of 1997 and includes $11.3 million and $3.5 million related to Ocwen UK and OTX, respectively.

The increase in compensation and employee benefits during the three and six months ended June 30, 1998 reflects an increase in the average number of employees from 664 and 638 during the three and six months ended June 30, 1997 to 1,510 and 1,329 during the three and six months ended June 30, 1998.

The increase in occupancy and equipment expenses during the three and six months ended June 30, 1998, as compared to the same period in the prior year was primarily due to increases in rent and other occupancy related expenses, data processing expenses and general office and equipment expenses, all largely attributable to the increase in leased corporate and loan production office space and the increase in employees discussed above.

The $9.1 million increase in other operating expenses during the three months ended June 30, 1998 as compared to the comparable period in the prior year is due primarily to a $5.8 million increase in loan expenses, a $2.2 million increase in professional fees and a $1.4 million increase in marketing expenses, primarily related to Ocwen UK.

DISTRIBUTIONS ON 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. Cash distributions on the Capital Securities are 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. For the three months ended June 30, 1998, the Company has recorded $3.4 million of distributions to holders of the Capital Securities.

EQUITY IN EARNINGS OF INVESTMENT IN JOINT VENTURES. On December 12, 1997, the LLC distributed all of its remaining assets to its partners. As a result, no equity in earnings of investment in joint venture was recorded during the six months ended June 30, 1998. During the second quarter of 1997, the Company recorded $1.3 million of income, which consisted primarily of net interest income, related to its investment in joint venture. The Company's 50% share of the income from the joint venture for the six months of 1997 amounted to $15.7 million and consisted primarily of $2.7 million of net interest income and a $9.2 million of net gain related to the securitization of single-family residential loans in the first quarter.

The Company's earnings from the LLC consist of 50% of the net income of the LLC before deduction of the Company's 50% share of loan servicing fees, which are paid 100% to the Company. See Note 3 to the Interim Consolidated Financial Statements included in Item 1 hereof.

INCOME TAX EXPENSE. Income tax benefit (expense) amounted to $6.4 million and $(5.1) million during the second quarter of 1998 and 1997, respectively, and $5.8 million and $(8.7) million for the first six months of 1998 and 1997, respectively. The Company's income taxes reflect an expected tax rate of 11.52% for 1998 and a $3.4 million tax benefit resulting from the use of prior year net operating loss carryforwards. This compares to an effective tax rate of 21.4% for 1997. The Company's expected tax rate is less than its statutory tax rate primarily due to tax credits of $4.3

million and $2.9 million for the second quarter of 1998 and 1997, respectively, and $9.0 million and $6.5 million for the first six months of 1998 and 1997, respectively, resulting from investments in low-income housing tax credit interests. No valuation allowance was required at June 30, 1998 because it is expected that losses and tax credits will be utilized to offset taxable income and tax expense. See "Changes in Financial Condition-Investments in Low Income Housing Tax Credit Interests".

MINORITY INTEREST. Minority interest in net loss of consolidated subsidiary represents the loss attributable to the 2.2% interest in OFS owned by the shareholders (and their spouses) of Admiral. See Note 1 to the Interim Consolidated Financial Statements included in Item 1 hereof.

CHANGES IN FINANCIAL CONDITION

GENERAL. From December 31, 1997 to June 30, 1998 total assets increased by $436.4 million or 14%. This increase was primarily due to a $161.3 million increase in the loans available for sale, a $112.5 million increase in securities available for sale, and a $74.1 million increase in investment securities. Total liabilities increased by $428.7 million from December 31, 1997 to June 30, 1998 primarily due to a $203.2 million increase in obligations outstanding under lines of credit, a $161.6 million increase in deposits and a $25.7 million increase in securities sold under agreements to repurchase.

SECURITIES AVAILABLE FOR SALE. At June 30, 1998, securities available for sale amounted to $589.3 million or 16.8% of the Company's total assets. Securities available for sale are carried at market 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, 1998 included an aggregate of $26.5 million of unrealized gains ($18.4 million unrealized gain net of deferred taxes) as compared to $11.7 million of unrealized losses ($5.0 million unrealized loss net of deferred taxes) at December 31, 1997.

The following table sets forth the carrying value (which represents market value) of the Company's securities available for sale at the dates indicated.

	June 30, 1998	December 31, 1997
	(Dollars in Thousands)	
Mortgage-related securities:		
Single family residential:		
CMOs (AAA-rated)	$ 174,662	$ 160,451
Interest-only:		
FHLMC	58,554	64,745
FNMA	82,372	59,715
GNMA	25,022	29,766
AAA-rated	10,223	13,863
Subordinates	180,023	67,830
REMIC residuals	13,035	15,693
Swap contracts	56	(94)
	543,947	411,969
Multi-family residential and commercial:		
Interest-only:		
AAA-rated	3,369	1,030
Non-investment grade		3,477
Subordinates	14,763	14,048
	18,132	18,555
Marketable equity securities:		
Common stocks	27,204	46,272
Total	$ 589,283	$ 476,796

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Common stocks are comprised primarily of the Company's investment in OAC. At June 30, 1998 and December 31, 1997, the Company, through IMI, owned 1,540,000 and 1,715,000 shares of the issued and outstanding shares of OAC, valued at $25.5 million and $35.2 million, respectively.

The Company's securities available for sale of $589.3 million at June 30, 1998 increased by $112.5 million or 24% from December 31, 1997 due primarily to $453.4 million of purchases which was offset by $91.2 million of sales, $148.6 million of maturities and principal repayments, $67.9 million of net premium amortization and $77.6 million of write-downs as a result of the impairment loss on AAA-rated agency IOs.

At June 30, 1998, the carrying value of the Company's investment in IOs amounted to $179.5 million or 31% of total securities available for sale and includes $38.4 million of zero coupon securities and $3.4 million of commercial IOs. IOs 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 mortgage collateral. Increased prepayments of the underlying mortgage collateral resulting from a decrease in market interest rates or other factors can result in a loss of all or part of the purchase price of such security. The book value of the portfolio of AAA-rated agency IOs at June 30, 1998 reflects a write-down of $77.6 million in the second quarter of 1998 as a result of the Company's decision to discontinue this investment activity. On July 27, 1998, the entire portfolio of AAA-rated agency IOs was sold at book value. At June 30, 1998, all of the Company's IO securities were either issued by FHLMC, GNMA, or FNMA or were rated AAA by national rating agencies. At June 30, 1998, unrealized gains on the Company's portfolio of IO securities amounted to $881,000, excluding deferred taxes.

At June 30, 1998 the carrying value of the Company's investment in subordinated and residual interests amounted to $194.8 million or 34% of total securities available for sale and supported senior classes of securities having an outstanding principal balance of $3.41 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 also 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, subordinated 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. Lastly, subordinated 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 securities and REMIC residual securities, which are certificated, related to its securitization of loans. Subordinate securities and REMIC residual securities retained represent the present value of the right to the excess cash flows generated by the securitized loans that represent the difference between (a) principal and interest at the stated rate paid by borrowers and (b) the sum of (i) principal and coupon interest paid to third-party investors who hold the more senior classes, (ii) trustee fees, (iii) third-party credit enhancement fees (if applicable), (iv) stipulated servicing fees and (v) estimated loan portfolio losses. The Company's right to receive this excess cash flow may begin after certain reserve requirements have been met, which are specific to each securitization and may be used as a means of credit enhancement. 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 are related to the anticipated average lives of the loans sold, the anticipated prepayment speeds and the anticipated credit losses related thereto. In order to determine the present value of this excess cash flow, the Company currently applies a discount rate of 18% to the projected cash flows.

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 REMIC residual securities retained. During the second quarter of 1998, the Company utilized proprietary prepayment curves generated by the Company (reaching an approximate maximum annual rate of 40%).

In its estimates of annual loss rates, the Company utilizes assumptions that it believes are reasonable. The Company estimates annual losses of between 0.225% and 1.52% of the underlying loans.

The Company periodically assesses the carrying value of its subordinate securities and REMIC 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 REMIC residual securities retained and servicing assets 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 REMIC 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 recognizes the disparity. Other factors may also result in a write-down of the Company's subordinate securities and REMIC residual securities retained in subsequent periods.

The Company does not intend to purchase subordinated or residual classes of mortgage-related securities created by unaffiliated parties. The Company is likely, however, to retain subordinated or residual classes resulting from the securitization of assets held by it directly, although it is intended that any such securities held by the Bank will be distributed to the Company as a dividend, subject to the Bank's ability to declare such dividends under applicable limitations. Five such securities with an aggregate book value of $40.6 million were distributed to the Company from the Bank in the form of a dividend during January 1998. At June 30, 1998, the Bank held two subordinate securities with a carrying value and book value of $22.6 million and $19.9 million, respectively.

LOANS AVAILABLE FOR SALE. The Company's loans available for sale at June 30, 1998, which are carried at the lower of cost or fair value, increased by $161.3 million or 91% from December 31, 1997 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, 1998 and December 31, 1997. 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, 1998	December 31, 1997
	(Dollars in thousands)	
Single family residential loans	$337,989	$176,554
Consumer loans	370	487
	$338,359	$177,041

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

For the periods ended June 30, (Dollars in thousands)	Three months 1998	Three months 1997	Six months 1998	Six months 1997
Balance at beginning of period............	$ 493,106	$ 88,511	$ 177,041	$ 126,366
Purchases (1):				
Single family residential.............	441,293	24,837	763,013	62,504
Originations (1):				
Single family residential.............	216,699	98,338	399,221	126,502
Sales (2)................................	(777,117)	(102,362)	(943,276)	(187,848)
Increase (decrease) in lower of cost or market reserve.........................	(752)	(600)	(1,079)	(442)
Loans transferred to loan portfolio.......	--	--	--	(13,694)
Principal repayments, net of capitalized interest..............................	(32,814)	(3,292)	(53,817)	(6,251)
Transfer to real estate owned............	(2,056)	(1,805)	(2,744)	(3,510)
Net increase (decrease) in loans.......	(154,747)	15,116	161,318	(22,739)
Balance at end of period.................	$ 338,359	$ 103,627	$ 338,359	$ 103,627

(1) During the first six months of 1998 and 1997 the Company purchased and originated $1.16 billion and $189.0 million, respectively, of single family residential loans to subprime borrowers. Purchases of single family residential loans during the three months ended June 30, 1998

include $421.3 million purchased in connection with the acquisition of the UK operations of Cityscape Financial Corp. The Company also securitized $746.5 million of subprime loans, including $363.8 million by Ocwen UK, during the three months ended June 30, 1998 for an aggregate gain of $18.8 million.

(2) Included in sales for the three months ended June 30, 1998 is the securitization of 4,522 subprime single family residential mortgage loans with an aggregate unpaid principal balance of $382.7 million. Also included in sales for the second quarter of 1998 is the securitization of 14,179 of UK subprime single family residential mortgage loans with an unpaid principal balance of $363.8 million ((British pound)218.1 million).

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, 1998	December 31, 1997
	(Dollars in thousands)	
Non-performing loans:		
Single family	$80,325	$13,509
Consumer	46	25
	$80,371	$13,534
Non-performing loans as a percentage of:		
Total loans available for sale	23.75%	7.64%
Total assets	2.29%	0.44%

Non-performing loans available for sale 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 of nonperforming loans will make its subprime borrower loan program successful.

INVESTMENT SECURITIES. Investment securities increased by $74.1 million from December 31, 1997 to June 30, 1998 primarily as a result of the Company's $45.8 million investment to acquire 36.07% of the outstanding common stock of Kensington Mortgage Company, a leading originator of nonconforming residential mortgages in the UK, and a $27.1 million additional investment in OPLP in exchange for an additional 1,648,733 limited partnership units. The additional investment in OPLP increases the Company's ownership to 1,808,733 units or 8.7%. See Note 1 to the Interim Consolidated Financial Statements included in Item 1 hereof and "Changes in Financial Condition - Securities Available for Sale."

DISCOUNT LOAN PORTFOLIO. At June 30, 1998, the Company's net discount loan portfolio amounted to $1.42 billion or 41% of the Company's total assets. The following table sets forth the composition of the Company's discount loan portfolio by type of loan at the dates indicated.

	June 30, 1998	December 31, 1997
	(Dollars in thousands)	
Single family residential loans	$ 735,838	$ 900,817
Multi-family residential loans	258,628	191,302
Commercial real estate loans (1)	758,518	701,035
Other loans	7,785	1,865
Total discount loans	1,760,768	1,795,019
Unaccreted discount (2)	(316,410)	(337,350)
Allowance for loan losses	(22,852)	(23,493)
Discount loans, net	$ 1,421,506	$ 1,434,176

(1) The balance at June 30, 1998 consisted of $352.3 million of loans secured by office buildings, $132.2 million of loans secured by hotels, $143.3 million of loans secured by retail properties or shopping centers and $130.7 million of loans secured by other properties. The balance at December 31, 1997 consisted of $363.7 million of loans secured by office buildings, $98.9 million of loans secured by hotels, $106.8 million of loans secured by retail properties or shopping centers and $131.6 million of loans secured by other properties.

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(2) The balance at June 30, 1998 consisted of $165.4 million on single family residential loans, $28.0 million on multi-family residential loans, $120.4 million on commercial real estate loans and $2.6 million on other loans. The balance at December 31, 1997 consisted of $170.7 million on single family residential loans, $46.0 million on multi-family residential loans, $120.5 million on commercial real estate loans and $0.2 million on other loans.

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

	Three months ended June 30,			
	1998		1997	
	Balance	No. of Loans	Balance	No. of Loans
	(Dollars in thousands)			
Balance at beginning of period	$ 1,504,878	8,571	$ 1,562,385	12,202
Acquisitions(1)	585,755	4,138	399,473	1,543
Resolutions and repayments(2)	(130,265)	(590)	(134,224)	(532)
Loans transferred to real estate owned	(84,404)	(636)	(68,912)	(352)
Sales(3)	(115,196)	(1,168)	(168,295)	(1,751)
Balance at end of period	$ 1,760,768	10,315	$ 1,590,427	11,110

	Six months ended June 30,			
	1998		1997	
	Balance	No. of Loans	Balance	No. of Loans
	(Dollars in thousands)			
Balance at beginning of period	$ 1,795,020	12,980	$ 1,314,399	5,460
Acquisitions(1)	676,305	4,710	842,351	9,754
Resolutions and repayments(2)	(205,791)	(1,087)	(197,777)	(726)
Loans transferred to real estate owned	(149,207)	(1,323)	(120,498)	(744)
Sales(3)	(355,559)	(4,965)	(248,048)	(2,634)
Balance at end of period	$ 1,760,768	10,315	$ 1,590,427	11,110

(1) During the three months ended June 30, 1998, acquisitions consisted of $293.9 million of single family residential loans, $145.5 million of multi-family residential loans and $146.3 million of commercial real estate and land loans. During the first six months of 1998, acquisitions consisted of $335.3 million of single family residential loans, $148.5 million of multi-family residential loans and $192.5 million of commercial real estate and land loans. Included in acquisitions for the first six months of 1997 are the Bank's approximate one-half allocated share of 13,781 single family residential loans acquired by the Company and its co-investor at an auction by HUD during the first quarter with an aggregate unpaid principal balance of $855.7 million for a purchase price of $757.4 million.

(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, 1998 is the securitization of 1,155 discount single family residential mortgage loans with an aggregate unpaid principal balance of $98.3 million.

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

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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, 1998		December 31, 1997	
	Principal Amount	% of Loans	Principal Amount	% of Loans
Loans without Forbearance Agreements:				
Current......................................	$ 825,438	46.88%	$ 670,115	37.33%
Past due 31 to 89 days........................	53,295	3.02	21,098	1.18
Past due 90 days or more......................	566,413	32.17	638,319	35.56
Acquired and servicing not yet transferred....	80,647	4.58	28,053	1.56
Subtotal....................................	1,525,793	86.65	1,357,585	75.63
Loans with Forbearance Agreements:				
Current......................................	1,908	0.11	3,140	0.18
Past due 31 to 89 days........................	1,740	0.10	1,688	0.09
Past due 90 days or more (1)..................	231,327	13.14	432,606	24.10
Subtotal....................................	234,975	13.35	437,434	24.37
Total..	$1,760,768	100.00%	$1,795,019	100.00%

(1) Includes $219.9 million of loans which were less than 90 days past due under the terms of the forbearance agreements at June 30, 1998, of which $200.0 million were current and $19.9 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.

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, 1998	December 31, 1997
	(Dollars in thousands)	
Single family residential loans	$ 37,638	$ 46,226
Multi-family residential loans	71,330	71,382
Commercial real estate and land loans:		
Hotel	60,088	89,362
Office buildings	113,816	68,759
Land	2,541	2,858
Other	10,739	16,094
Total	187,184	177,073
Consumer	209	244
Total loans	296,361	294,925
Undisbursed loan funds	(8,671)	(22,210)
Unaccreted discount	(2,600)	(2,721)
Allowance for loan losses	(4,139)	(3,695)
Loans, net	$ 280,951	$ 266,299

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

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

	Three months		Six months	
	1998	1997	1998	1997
Balance at beginning of period	$ 305,072	$ 512,494	$ 294,925	$ 501,114
Originations:				
Single family residential loans	--	--	--	1,769
Multi-family residential loans	8,500	57	22,271	12,737
Commercial real estate loans and land loans	40,945	47,200	59,930	47,200
Commercial non-mortgage and consumer loans	--	--	--	1,134
Total loans originated	49,445	47,257	82,201	62,840
Purchases	--	78	--	78
Sales	--	(2,346)	--	(2,346)
Loans transferred from available for sale	--	--	--	13,802
Principal repayments, net of capitalized interest	(58,156)	(50,183)	(80,765)	(67,835)
Transfer to real estate owned	--	--	--	(353)
Net (decrease) increase in loans	(8,711)	(5,194)	1,436	6,186
Balance at end of period (1)	$ 296,361	$ 507,300	$ 296,361	$ 507,300

(1) The decline in the balance of the gross loan portfolio at June 30, 1998 as compared to June 30, 1997, is primarily due to significant payoffs of commercial real estate loans secured by hotel and office buildings during the latter part of 1997 and the second quarter of 1998.

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, 1998	December 31, 1997
	(Dollars in Thousands)	
Nonperforming loans (1):		
Single family residential loans	$ 1,358	$ 1,575
Multi-family residential loans	7,583	7,583
	$ 8,941	$ 9,158
Nonperforming loans as a percentage of:		
Total loans (2)	3.18%	3.36%
Total assets	0.25%	0.30%
Allowance for loan losses as a percentage of:		
Total loans (2)	1.45%	1.37%
Nonperforming loans	46.29%	40.35%

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

(2) Total loans is net of undisbursed loan proceeds.

ALLOWANCES FOR LOSSES. The Company uses an internal asset review system to identify problem assets. The Company's asset classification process, in accordance with applicable regulations, provides for the classification of assets into the categories of satisfactory, special mention, substandard, doubtful or loss. 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 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, 1998			December 31, 1997		
	Allowance	Gross Loan Balance	Percent	Allowance	Gross Loan Balance	Percent
Loan portfolio:						
Single family................	$ 422	$ 37,638	12.7%	$ 512	$ 46,226	15.7%
Multi-family.................	1,814	71,330	24.1%	2,163	71,382	24.2%
Commercial real estate.......	1,892	187,184	63.1%	1,009	177,073	60.0%
Consumer.....................	11	209	0.1%	11	244	0.1%
	$ 4,139	$ 296,361	100%	$ 3,695	$ 294,925	100.0%
Discount loan portfolio:						
Single family................	$ 11,373	$ 727,840	41.3%	$ 15,017	$ 900,817	50.2%
Multi-family.................	2,664	258,628	14.7%	2,616	191,302	10.7%
Commercial real estate.......	8,676	766,515	43.5%	5,860	701,035	39.0%
Other........................	139	7,785	0.5%	--	1,865	0.1%
	$ 22,852	$1,760,768	100%	$ 23,493	$1,795,019	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, 1998.

	Balance December 31, 1997	Additions	Charge-offs	Recoveries	Balance June 30, 1998
Loan portfolio:					
Single family	$ 512	$ (90)	$ --	$ --	$ 422
Multi-family	2,163	(349)	--	--	1,814
Commercial real estate	1,009	883	--	--	1,892
Consumer	11	--	--	--	11
	$ 3,695	$ 444	$ --	$ --	$ 4,139
Discount loans:					
Single family	$ 15,017	$ 4,478	$ (8,261)	$ 139	$ 11,373
Multi-family	2,616	1,862	(1,814)	--	2,664
Commercial real estate	5,860	5,005	(2,188)	--	8,676
Other	--	140	(1)	--	139
	$ 23,493	$ 11,485	$ (12,264)	$ 139	$ 22,852

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 Code by a state tax credit allocating agency. At June 30, 1998 the Company had $132.9 million of investments in low-income housing tax credit interests as compared to $128.6 million at December 31, 1997. On March 31, 1998, the Company completed the sale of its investment in two low-income housing tax credit projects which had a carrying value of $17.2 million for a gain of $4.7 million.

Investments by the Company in low-income housing tax credit interests made on or after May 18, 1995 in which the Company invests solely as a limited partner, which amounted to $42.4 million at June 30, 1998, are accounted for using the equity method in accordance with the consensus of the Emerging Issues Task Force through Issue Number 94-1. Limited partnership investments made prior to May 18, 1995, which amounted to $30.0 million at June 30, 1998, 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 as both a limited and, through a subsidiary, general partner amounted to $60.5 million at June 30, 1998 and are presented on a consolidated basis.

INVESTMENT IN JOINT VENTURES. From time to time the Company and a co-investor acquire discount loans by means of a co-owned joint venture. At June 30, 1998 and December 31, 1997, the Company's $1.1 million investment in joint venture, net consisted of a 10% interest in BCFL, a limited liability Company which was formed by the Bank and BlackRock in January 1997 to acquire discount multi-family residential loans from HUD. In December 1997, the LLC, the Company's 50% owned joint venture, distributed its assets to the Company and its other 50% investor, BlackRock. Simultaneous with the distribution, the Company acquired BlackRock's portion of the distributed assets.

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.

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

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

	June 30, 1998	December 31, 1997
	(Dollars in thousands)	
Discount loan portfolio:		
Single family residential	$ 82,162	$ 76,409
Multi-family residential	23,599	16,741
Commercial real estate	44,266	71,339
Total	150,027	164,489
Loan portfolio	317	357
Loans available for sale portfolio	1,263	2,419
	$ 151,607	$ 167,265

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

For the period ended June 30, (Dollars in thousands)	Three months 1998	Three months 1997	Six months 1998	Six months 1997
Balance at beginning of period	$ 13,242	$ 7,591	$ 12,346	$ 11,493
Provision for loss in fair value	1,644	(90)	5,878	2,246
Charge-offs and sales	(3,682)	(1,868)	(7,020)	(8,106)
Balance at end of period	$ 11,204	$ 5,633	$ 11,204	$ 5,633

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

	Three months ended June 30,			
	1998		1997	
	Amount	No. of Properties	Amount	No. of Properties
Balance at beginning of period	$ 172,693	1,642	$ 98,466	702
Properties acquired through foreclosure or deed-in-lieu thereof	62,326	649	52,605	370
Acquired in connection with acquisitions of discount loans	8,137	135	1,070	17
Sales	(93,586)	(779)	(36,396)	(223)
Change in allowance	2,037	--	1,958	--
Balance at end of period(1)	$ 151,607	1,647	$ 117,703	866

	Six months ended June 30,			
	1998		1997	
	Amount	No. of Properties	Amount	No. of Properties
Balance at beginning of period	$ 167,265	1,505	$ 103,704	825
Properties acquired through foreclosure or deed-in-lieu thereof	106,029	1,343	90,258	777
Acquired in connection with acquisitions of discount loans	11,052	188	1,140	20
Sales	(133,880)	(1,389)	(83,259)	(756)
Change in allowance	1,141	--	5,860	--
Balance at end of period(1)	$ 151,607	1,647	$ 117,703	866

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(1) The increase in the balance of real estate owned at June 30, 1998 as compared to June 30, 1997 is primarily the result of single family and multi-family 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, 1998	December 31, 1997
	(Dollars in thousands)	
One to two months......................	$ 55,576	$ 83,144
Three to four months....................	20,430	28,912
Five to six months......................	15,476	20,929
Seven to twelve months..................	43,627	23,621
Over twelve months......................	16,498	10,659
	$ 151,607	$ 167,265

INVESTMENT IN REAL ESTATE. The Company's investments in real estate amounted to $22.5 million at June 30, 1998 as compared to $66.0 million at December 31, 1997, a decrease of $43.5 million.

In conjunction with its multi-family and commercial real estate lending business activities, the Company has made certain acquisition, development and construction loans in which the Company participates in the expected residual profits of the underlying real estate and the borrower has not made an equity contribution substantial to the overall project. As such, the Company accounts for these loans under the equity method of accounting as though it has made an investment in a real estate limited partnership. The Company's investment in such loans decreased to $13.3 million at June 30, 1998, as compared to $64.3 million at December 31, 1997, primarily as a result of principal repayments.

DEFERRED TAX ASSET. At June 30, 1998 the deferred tax asset, net of deferred tax liabilities, amounted to $63.9 million, an increase of $18.7 million from the $45.1 million deferred tax asset at December 31, 1997. At June 30, 1998, the gross deferred tax asset amounted to $76.0 million and consisted primarily of $3.6 million of mark-to-market adjustments and reserves on real estate owned, $7.7 million of deferred interest expense on the discount loan portfolio, $12.4 million of loan loss reserves, $3.2 million of profit sharing expense, $4.6 million related to tax residuals, $5.6 million of gains on loan foreclosures, $35.6 million of reserves on securities available for sale and $1.0 million of contingency reserves. The gross deferred tax liability amounted to $12.1 million and consisted primarily of $ 2.3 million of deferred interest income on the discount loan portfolio, $8.0 million mark-to market on securities available for sale and $1.1 million of income from foreign investment. At December 31, 1997, the gross deferred tax asset amounted to $49.5 million and consisted primarily of $3.5 million related to tax residuals, $5.6 million of gains on loan foreclosures, $3.2 million of mark-to-market adjustments and reserves on real estate owned, $9.8 million of loan loss reserves, $4.0 million of reserves on securities available for sale, $2.0 million of contingency reserves, $3.2 million of accrued profit sharing expense, $7.7 million of deferred interest expense on the discount loan portfolio and $6.7 million mark-to-market on securities available for sale. The gross deferred tax liability amounted to $4.4 million and consisted primarily of $2.3 million of deferred interest income on the discount loan portfolio.

As a result of the Company's earnings history, current tax position and taxable income projections, management believes that the Company will generate sufficient taxable income in future years to realize the deferred tax asset which existed at June 30, 1998. In evaluating the expectation of sufficient future taxable income, management considered future reversals of temporary differences and available tax planning strategies that could be implemented, if required. A valuation allowance was not required at June 30, 1998 because it was management's assessment that, based on available information, it is more likely than not that all of the deferred tax asset will be realized. A valuation allowance will be established in the future to the extent of a change in management's assessment of the amount of the net deferred tax asset that is expected to be realized.

EXCESS OF PURCHASE PRICE OVER NET ASSETS ACQUIRED. During 1997, the Company consolidated its domestic subprime single family lending operations within OFS in connection with its acquisition of substantially all of the assets

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of Admiral in May 1997. The excess of purchase price over net assets acquired related to this transaction amounted to $10.4 million at June 30, 1998 and is being amortized on a straight-line basis over a period of 15 years.

As part of its plan to market its advanced loan resolution technology to third parties in the mortgage industry through software licenses, the Company recently acquired two software technology companies. On November 6, 1997, the Company acquired AMOS, Inc., a Connecticut based company engaged primarily in the development of mortgage loan servicing software for an aggregate purchase price of $9.7 million, including $4.9 million which is contingent on AMOS, Inc. meeting certain software development performance criteria. Subsequently, on January 20, 1998, the Company acquired DTS Communications, Inc. ("DTS"), a real estate technology company located in San Diego, California, for a purchase price of $13.0 million in cash, common stock of the Company and repayment of certain indebtedness. DTS has developed technology tools to automate real estate transactions over the Internet and has been recognized by Microsoft Corporation for the Microsoft (R) component-based architecture to facilitate electronic data interchange. The common stock of the Company issued in the acquisition was acquired from affiliates of the Company at the same price per share as was used to calculate the number of shares issued in the acquisition. The aggregate excess of purchase price over net assets acquired related to these transactions amounted to $12.6 million, net of accumulated amortization at June 30, 1998 and is being amortized on a straight-line basis over a period of 15 years.

On April 24, 1998, the Company, through its wholly-owned subsidiary Ocwen UK, acquired substantially all the assets, and certain liabilities, of Cityscape UK. As consummated, the Company acquired Cityscape UK's mortgage loan portfolio and it's residential subprime mortgage loan origination and servicing businesses for $421.3 million ((British pound)249.6 million) and assumed $34.3 million ((British pound)20.3 million) of Cityscape UK's liabilities. The excess of purchase price transaction, which amounted to $13.4 million net of accumulated amortization at June 30, 1998, is being amortized on a straight-line basis over a period of 15 years.

DEPOSITS. Deposits increased $161.6 million or 8% from December 31, 1997 to June 30, 1998. The increase in deposits during the six months ended June 30, 1998 was primarily the result of a $133.3 million increase in brokered deposits obtained through national investment banking firms which solicit deposits from their customers, and a $72.8 million increase in escrow deposits, offset by a $15.2 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 $28.9 million decrease in checking and money funds. Brokered deposits obtained through national investment banking firms amounted to $1.48 billion at June 30, 1998, as compared to $1.34 billion at December 31,1997. Deposits obtained through direct solicitation and marketing amounted to $414.6 million at June 30, 1998, as compared to $429.8 million at December 31, 1997. At June 30, 1998 the Company had $176.1 million of certificates of deposit in amounts of $100,000 or more, including $75.7 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.

SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE. Securities sold under agreements to repurchase increased $25.7 million to $134.0 million from December 31, 1997 to June 30, 1998. From time to time, the Company utilizes such collateralized borrowings as additional sources of liquidity.

NOTES, DEBENTURES AND OTHER INTEREST-BEARING OBLIGATIONS. Notes, debentures and other interest-bearing obligations of $225.5 million at June 30, 1998 decreased $1.5 million during the six months ended June 30, 1998 primarily as a result of repayments of short-term notes payable. Notes, debentures and other interest-bearing obligations consist of $100.0 million of 12% debentures issued by the Bank in June 1995 and due June 2005, $125.0 million of 11.875% Notes issued by the Company in September 1996 and due September 2003 and $469,000 of short-term notes payable.

OBLIGATIONS OUTSTANDING UNDER LINES OF CREDIT. Obligations outstanding under lines of credit increased by $203.2 million to $321.5 million from December 31, 1997 to June 30, 1998 primarily as a result of new borrowings to fund the acquisition and origination of subprime single family loans at OFS and Ocwen UK. Borrowings under lines of credit have a one-year term and interest rates which float in accordance with a designated prime rate. During that one-year period, Ocwen would anticipate securitizing the underlying subprime single family loans (or refinancing any remaining loans) and then repaying the corresponding lines of credit. For additional information regarding lines of credit, see "Liquidity, Commitments and Off-Balance Sheet Risks."

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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.

Through June 30, 1998, the Company had recorded $6.8 million 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 increased $7.6 million or 2% during the six months ended June 30, 1998. The increase in stockholders' equity during this period was primarily attributable to an increase of $23.5 million in the unrealized gain on securities available for sale and $1.2 million related to the exercise of stock options, offset by a net loss for the period of $15.6 million and foreign currency translation adjustment of $1.5 million. See the Consolidated Statements of Changes in Stockholders' Equity and Note 6 in the Interim Consolidated Financial Statements included in Item 1 hereof.

ASSET AND LIABILITY MANAGEMENT

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

The Asset/Liability Committee is authorized to utilize a wide variety of off-balance sheet financial techniques to assist it in the management of interest rate risk. These techniques include interest rate exchange agreements, pursuant to which the parties exchange the difference between fixed-rate and floating-rate interest payments on a specified principal amount (referred to as the "notional amount") for a specified period without the exchange of the underlying principal amount. Interest rate exchange agreements are utilized by the Company to protect against the decrease in value of a fixed-rate asset or the increase in borrowing cost from a short-term, fixed-rate liability, such as reverse repurchase agreements, in an increasing interest-rate environment. At June 30, 1998, the Company had entered into interest rate exchange agreements with an aggregate notional amount of $32.7 million. Interest rate exchange agreements had the effect of decreasing the Company's net interest income by $32,000 and $41,000 during the three months ended June 30, 1998 and 1997, respectively and $70,000 and $115,000 during the six months ended June 30, 1998 and 1997, respectively.

On February 25, 1998, the Company entered into a foreign currency swap with a AAA-rated counterparty to hedge it's 36.07% equity investment in Kensington Mortgage Company, a leading originator of nonconforming residential mortgages in the UK. Under the terms of the agreement, the Company will swap (British pound)27.5 million for $43.5 million in five years based on the exchange rate on the date the contract became effective. See Note 6 to the Interim Consolidated Financial Statements included in Item 1 hereof.

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. At June 30, 1998, the Company had entered

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into U.S. Treasury futures (short) contracts with an aggregate notional amount of $90.1 million. The Company had no outstanding Eurodollar futures contracts at June 30, 1998. Futures contracts had the effect of decreasing the Company's net interest income by $0 and $895,000 during the three months ended June 30, 1998 and 1997, respectively and $49,000 and $1.1 million during the six months ended June 30, 1998 and 1997, respectively. See Note 6 to the Interim Consolidated Financial Statements included in Item 1 hereof.

On April 22, 1998, the Company sold short foreign currency futures to hedge its foreign currency exposure related to its equity investment in Ocwen UK. Under the terms of the currency futures, the Company has the right to receive $66.7 million and pay (British pound)40 million. The value of the currency futures is based on quoted market prices. See Note 6 to the Interim Consolidated Financial Statements 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.

The following table sets forth the estimated maturity or repricing of the Company's interest-earning assets and interest-bearing liabilities at June 30, 1998. 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 $180.3 million at June 30, 1998, 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, 1998				
	Within 3 Months	4 to 12 Months	More than 1 Year to 3 Years	3 Years and Over	Total
Rate-Sensitive Assets:					
Interest-earning cash, federal funds sold and repurchase agreements	$ 157,870	$ --	$ --	$ --	$ 157,870
Securities available for sale	80,488	157,396	149,934	201,465	589,283
Loans available for sale (1)	41,036	217,173	40,121	40,029	338,359
Investment securities, net	--	--	--	87,378	87,378
Loan portfolio, net (1)	90,698	69,550	91,888	28,815	280,951
Discount loan portfolio, net	104,066	420,111	356,809	540,520	1,421,506
Total rate-sensitive assets	474,158	864,230	638,752	898,207	2,875,347
Rate-Sensitive Liabilities:					
NOW and money market checking deposits	6,932	2,211	4,396	8,097	21,636
Savings deposits	81	217	428	789	1,515
Certificates of deposit	228,083	814,311	613,518	285,012	1,940,924
Total interest-bearing deposits	235,096	816,739	618,342	293,898	1,964,075
Securities sold under agreements to repurchase	133,970	--	--	--	133,970
Obligations outstanding under lines of credit	321,457	--	--	--	321,457
Notes, debentures and other interest bearing obligations	469	--	--	225,000	225,469
Total rate-sensitive liabilities	690,992	816,739	618,342	518,898	2,644,971
Interest rate sensitivity gap before off-balance sheet financial instruments	(216,834)	47,491	20,410	379,309	230,376
Off-Balance Sheet Financial Instruments:					
Futures contracts and interest rate swap	91,073	(33,782)	(19,061)	(38,230)	--
Interest rate sensitivity gap	(125,761)	13,709	1,349	341,079	$ 230,376
Cumulative interest rate sensitivity gap	$ (125,761)	$ (112,052)	$ (110,703)	$ 230,376	
Cumulative interest rate sensitivity gap as a percentage of total rate-sensitive assets	(4.37)%	(3.90)%	(3.85)%	8.01%	

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

Although interest rate sensitivity gap is a useful measurement and contributes toward effective asset and liability management, it is difficult to predict the effect of changing interest rates based solely on that measure. As a result, and as required by OTS regulations, the Asset/Liability Committee also regularly reviews interest rate risk by forecasting the impact of alternative interest rate environments on net interest income and market value of portfolio equity ("MVPE"), which is defined as the net present value of an institution's existing assets, liabilities and off-balance sheet instruments, and evaluating such impacts against the maximum potential changes in net interest income and MVPE that is authorized by the Board of Directors of the Bank.

The following table sets forth at June 30, 1998 the estimated percentage change in the Company's net interest income over a four-quarter period and MVPE based upon the indicated changes in interest rates, assuming an instantaneous and sustained uniform change in interest rates at all maturities.

Change (in Basis Points) in Interest Rates	Estimated Change in Net Interest Income	Estimated Change in MVPE
+400	2.07%	(38.77)%
+300	3.02	(27.40)
+200	3.40	(15.69)
+100	1.87	(4.23)
0	--	--
-100	(2.87)	(3.31)
-200	(7.05)	0.42
-300	(8.62)	7.95
-400	(10.47)	15.88

The negative estimated changes in MVPE for a -100 changes in interest rates is attributable to the Company's sensitivity to decreases in interest rates. Such sensitivity stems primarily from the Company's historical investments in IOs. IOs exhibit considerably more price volatility than mortgage 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. In the case of IOs, increased prepayments of the underlying mortgages as a result of a decrease in market interest rates or other factors can result in a loss of all or part of the purchase price of such security. Similar interest rate sensitivity also applies to the subordinate and residual securities which the Company retains from its securitizations.

As discussed herein, on July 27, 1998 the Company sold its portfolio of IOs. The following table sets forth at June 30, 1998 the estimated percentage change in the Company's net interest income over a four-quarter period and MVPE based upon the indicated changes in interest rates, assuming the IOs were sold and funds from the sale held as interest-bearing cash, and assuming an instantaneous and sustained uniform change in interest rates at all maturities.

Change (in Basis Points) in Interest Rates	Estimated Change in Net Interest Income	Estimated Change in MVPE
+400	6.91%	(24.28)%
+300	5.95	(18.52)
+200	4.44	(12.62)
+100	2.44	(6.19)
0	--	--
-100	(2.82)	5.40
-200	(5.98)	11.24
-300	(9.46)	17.61
-400	(13.21)	24.45

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See "Results of Operations-Interest Income", and "Changes in Financial Condition-Securities Available for Sale."

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

LIQUIDITY, COMMITMENTS AND OFF-BALANCE SHEET RISKS

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

Sources of liquidity include certificates of deposit obtained primarily from wholesale sources. At June 30, 1998 the Company had $1.94 billion of certificates of deposit, including $1.48 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, 1999 and 2000 and thereafter amounted to $1.04 billion, $353.7 million and $544.8 million, respectively. Brokered and other wholesale deposits generally are more responsive to changes in interest rates than core deposits and, thus, are more likely to be withdrawn from the Company upon maturity as changes in interest rates and other factors are perceived by investors to make other investments more attractive. Management of the Company believes that it can adjust the rates paid on certificates of deposit to retain deposits in changing interest rate environments, 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, 1998, the Company was eligible to borrow up to an aggregate of $658.7 million from the FHLB of New York (subject to the availability of acceptable collateral) and had $75.7 million of single family residential loans, $10.3 million of multi-family residential loans and $2.8 million of loans secured by hotel properties which could be pledged as security for such advances. At the same date, the Company had contractual relationships with 12 brokerage firms and the FHLB of New York pursuant to which it could obtain funds from reverse repurchase agreements and had $232.2 million of unencumbered mortgage-related securities which could be used to secure such borrowings. At present, the Company has no outstanding FHLB advances due to the availability of other less costly sources of funding, a circumstance which the Company evaluates on a regular basis.

The liquidity of the Company at June 30, 1998 includes lines of credit obtained by OFS subsequent to its assumption of the subprime lending activities of the Bank and of the acquisition of substantially all of the assets of Admiral, as follows: (i) a $200 million secured line of credit from Morgan Stanley Mortgage Capital Inc., of which $100 million was committed, (ii) a $50 million secured line of credit from Texas Commerce Bank National Association, (iii) a $200 million secured line of credit from Merrill Lynch, of which $100 million was committed, and (iv) a $350 million secured line of credit from Lehman Commercial Paper, Inc., of which $100 million was committed. An aggregate of $224.2 million was outstanding to OFS under these lines of credit at June 30, 1998, which have interest rates which float in accordance with a designated prime rate. In addition, the company has provided a $30.0 million unsecured, subordinated credit facility to OFS, of which $30 million was outstanding at June 30, 1998. At present OFS intends to continue to seek appropriate leverage with respect to its underlying business, and thus, will seek additional lines of credit as its assets warrant.

In connection with the Company's acquisition of substantially all of the assets of Cityscape UK, Ocwen UK entered into a Loan Facility Agreement with Greenwich International Ltd. ("Greenwich") under which Greenwich

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provided a short term facility to finance the acquisition of Cityscape UK's mortgage loan portfolio (the "Term Loan") and to finance Ocwen UK's further originations and purchase of subprime mortgage loans (the "Revolving Facility"), (collectively the "Greenwich Facility"). The Greenwich Facility is secured by Ocwen UK's loans available for sale. The Revolving Facility is set at a maximum of $166.8 million ((British pound)100 million) of which $26.9 million ((British pound)16.1 million) was funded as of June 30, 1998 to finance subprime mortgage loan originations and bears interest at a rate of the 1-month LIBOR plus 1.50%. In April 1998, the Term Loan amounting to $380.3 million ((British pound)225.3 million) bearing interest at a rate of LIBOR plus 1.50% was obtained to finance the Cityscape UK acquisition. During the quarter ended June 30, 1998, $343.4 million ((British pound)205.9 million) of the Term Loan was repaid and $32.6 million ((British pound)19.4 million) remains outstanding at June 30, 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 used cash flows of $120.2 million and provided cash flows of $128.4 million during the six months ended June 30, 1998 and 1997, respectively. During the foregoing periods cash flows from operating activities were provided primarily by net income, the sale of securities held for trading and proceeds from sales of loans available for sale, and cash resources were used primarily to purchase and originate loans available for sale.

The Company's investing activities used cash flows totaling $248.2 million and $220.1 million during the six months ended June 30, 1998 and 1997, 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 and proceeds from sales of securities available for sale and real estate owned. Cash flows from investing activities were primarily utilized to purchase and originate discount loans and loans held for investment and purchase securities available for sale.

The Company's financing activities provided $390.2 million and $266.2 million during the six months ended June 30, 1998 and 1997, respectively. During the foregoing periods, cash flows from financing activities were provided primarily by proceeds from the issuance of obligations under lines of credit and changes in the Company's deposits and reverse repurchase agreements.

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, averaged 6.30% during the six months ended June 30, 1998.

Management of the Company believes that 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 $22.6 million at June 30, 1998, the Bank may be limited in its ability to pay cash dividends to the Company. See "Regulatory Capital Requirements" below.

At June 30, 1998, the Company had $143.6 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 1998. See Note 9 to the Interim Consolidated Financial Statements included in Item 1 hereof.

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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 risks. See "Asset and Liability Management" above and Note 6 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.

In connection with an examination of the Bank in late 1996 and early 1997, the staff of the OTS expressed concern about many of the Bank's non-traditional operations, which generally are deemed by the OTS to involve higher risk, certain of the Bank's accounting policies and the adequacy of the Bank's capital in light of the Bank's lending and investment strategies. The activities which were of concern to the OTS included the Bank's subprime single family residential lending activities, the Bank's origination of acquisition, development and construction loans with terms which provide for shared participation in the results of the underlying real estate, the Bank's discount loan activities, which involve significantly higher investment in nonperforming and classified assets than the majority of the savings and loan industry, and the Bank's investment in subordinated classes of mortgage-related securities issued in connection with the Bank's asset securitization activities and otherwise.

Following the above-referenced examination, 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 8 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.

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 included in Item 1 hereof.

YEAR 2000 DATE CONVERSION

The Company is in the process of coordinating the further identification, evaluation, and implementation of changes to computer systems and applications necessary to achieve a year 2000 date conversion with no effect on customers or disruption to business operations. These actions are necessary to ensure that the systems and applications will recognize and process the year 2000 and beyond. Major areas of potential business impact have been identified and dimensioned, and initial conversion efforts are underway. The Company also is communicating with customers, financial institutions and others with which it does business to identify and coordinate year 2000 conversion issues. The Company expects its year 2000 conversion will be completed on a timely basis. The cost of achieving year 2000 compliance, which will be largely incurred through 1998, is estimated to be approximately $1.5 million, and will be charged to expense as incurred.

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 "SEC"), 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," "INTEND," "MAY," "PLAN," "PRESENT," "PROPOSE," "PROSPECT," "WILL," 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, 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, GOVERNMENT REGULATIONS AFFECTING FINANCIAL INSTITUTIONS OR REAL ESTATE INVESTMENT TRUSTS (INCLUDING REGULATORY FEES, CAPITAL REQUIREMENTS AND TAXATION), COMPETITIVE PRODUCTS AND PRICING, CREDIT, PREPAYMENT, BASIS AND ASSET/LIABILITY RISKS, LOAN SERVICING EFFECTIVENESS, THE COURSE OF NEGOTIATIONS AND THE ABILITY TO REACH AGREEMENT WITH RESPECT TO THE MATERIAL TERMS OF ANY PARTICULAR TRANSACTION, SATISFACTORY DUE DILIGENCE RESULTS, SATISFACTION OR FULFILLMENT OF AGREED UPON TERMS AND CONDITIONS OF CLOSING OR PERFORMANCE, THE TIMING OF TRANSACTION CLOSINGS, ACQUISITIONS AND THE INTEGRATION OF ACQUIRED BUSINESSES, SOFTWARE INTEGRATION, DEVELOPMENT AND LICENSING, THE FINANCIAL AND SECURITIES MARKETS, THE AVAILABILITY OF AND COSTS ASSOCIATED WITH OBTAINING ADEQUATE AND TIMELY SOURCES OF LIQUIDITY, DEPENDENCE ON EXISTING SOURCES OF FUNDING, AVAILABILITY OF DISCOUNT LOANS FOR PURCHASE, THE SIZE AND NATURE OF THE SECONDARY MARKET FOR MORTGAGE LOANS AND THE MARKET FOR SECURITIZATIONS, GEOGRAPHIC CONCENTRATIONS OF ASSETS (TEMPORARY OR OTHERWISE), OTHER FACTORS GENERALLY UNDERSTOOD TO AFFECT THE REAL ESTATE ACQUISITION, MORTGAGE AND LEASING MARKETS AND SECURITIES INVESTMENTS, AND OTHER RISKS DETAILED FROM TIME TO TIME IN THE COMPANY'S REPORTS AND FILINGS WITH THE SEC, INCLUDING ITS REGISTRATION STATEMENTS ON FORM S-1 AND PERIODIC REPORTS ON FORMS 10-Q, 8-K AND 10-K. THE COMPANY DOES NOT UNDERTAKE, AND SPECIFICALLY DISCLAIMS ANY OBLIGATION, TO PUBLICLY RELEASE THE RESULT(S) OF ANY REVISIONS WHICH 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Information required by this Item appears under the caption "Asset and Liability Management" included in Item 2 hereof and Note 6 to the Interim Consolidated Financial Statements included in Item 1 hereof, and is incorporated herein by reference.

PART II OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

At the Company's Annual Meeting of Shareholders held on May 13, 1998, the following individuals were elected to the Board of Directors:

	Votes for	Votes Withheld
William C. Erbey......................	44,996,962	37,879
Thomas F. Lewis.......................	44,968,192	66,649
W. C. Martin..........................	45,002,966	31,875
Howard H. Simon.......................	45,001,966	32,875
Barry N. Wish.........................	45,001,656	33,185

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

	Votes for	Votes Against	Broker Abstentions	Non-Votes
To adopt the Ocwen Financial Corporation 1998 Annual Incentive Plan..	39,333,233	268,385	514,071	4,919,152
To adopt the Ocwen Financial Corporation long-term Incentive Plan..	38,515,938	569,322	1,030,429	4,919,152
To ratify the appointment by the Board of Directors of Price Waterhouse LLP as the independent auditors of the Company for the fiscal year ending December 31, 1998....	44,990,745	2,506	41,590	--

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

3.1 Amended and Restated Articles of Incorporation (1)
3.2 Bylaws (1)
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 Bank and The Bank of New York as Trustee
4.10 Form of Subordinated Debentures due 2005 (5)
10.1 Ocwen Financial Corporation 1991 Non-Qualified Stock Option Plan, as amended (1)
10.2 Ocwen Financial Corporation 1996 Stock Plan for Directors, as amended (2)
10.3 Ocwen Financial Corporation 1998 Annual Incentive Plan (6)
10.4 Ocwen Financial Corporation Long-Term Incentive Plan (6)
10.5 Agreement for the Sale and Purchase of the Business of City Mortgage Corporation Limited and its Subsidiaries and the Entire Issued Share Capital of City Mortgage Receivables 7 PLC (7)
10.6 Loan Facility Agreement between Ocwen Limited, Greenwich International, LTD, and Ocwen Financial Corporation (8)
10.7 Form of Master Repurchase Agreement Governing Purchases and Sales of Mortgage Loans between Lehman Commercial Paper, Inc., and Ocwen Financial Services, Inc. (8)
27.1 Financial Data Schedule for the three months ended June 30, 1998

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(1) Incorporated by reference to the similarly described exhibit filed in connection with the Company's Registration Statement on Form S-1 File No. 333-5153, as amended, declared effective by the Securities and Exchange Commission ("Commission") on September 25, 1996.

(2) Incorporated by reference to the similarly described exhibit filed with the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996.

(3) Incorporated by reference to the similarly identified 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 filed with the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997.

(5) Incorporated by reference to the similarly described exhibit filed by the Bank 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 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.

(7) Incorporated by reference to the similarly described exhibit filed with Cityscape Financial Corporation's Form 8-K, as filed with the Commission on April 4, 1998.

(8) Incorporated by reference to the similarly described exhibit filed with the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998.

(b) Reports on Form 8-K.

(1) A Form 8-K was filed by the Company on April 7, 1998 which contained a news release announcing an agreement to acquire substantially all of the assets of Cityscape UK.

(2) A Form 8-K was filed by the Company on May 12, 1998 which contained a news release announcing its financial results for the three months ended March 31, 1998.

(3) A Form 8-K was filed by the Company on July 2, 1998 which contained a news release announcing the completion of its first securitization of UK subprime loans.

(4) A Form 8-K was filed by the Company on July 30, 1998 which contained a news release announcing its second quarter 1998 results, the write-down and sale of its IO portfolio and its decision to explore strategic alliance.

(5) A Form 8-K was filed by the Company on July 31, 1998 which contained a news release expanding on its strategic alliance rationale.

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 14, 1998

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.

0000873860
OCWEN FINANCIAL CORPORATION
1,000
USD

6-MOS
DEC-31-1998
JAN-01-1998
JUN-30-1998
1
16,160
19,870
138,000
0
589,283
87,378
87,378
2,040,816
26,991
3,505,579
2,144,377
455,427
126,873
225,649
0
0
608
426,691
3,505,579
131,789
10,543
2,437
144,769
56,522
93,432
51,337
11,929
(21,988)
96,621
(21,329)
(21,329)
0
0
(15,554)
(0.26)
(0.25)
9.60
729,425
0
0
0
27,188
12,264
139
26,991
26,991
0
0

Tag 18 includes Loans Available for Sale of $338,359, Loan Portfolio of $280,951, and Discount Loan Portfolio of $1,421,506.

Tag 19 includes Allowance for Loan Losses on Loan Portfolio of $4,139, and on Discount Loan Portfolio of $22,852.

Tag 22 includes Securities sold under agreements to repurchase of $133,970, and Obligations outstanding under lines of credit of $321,457.

Tag 30 includes Interest Income on Loans Available for Sale of $34,794, Loans of $17,917, and Discount Loans of $79,078.

Tag 38 includes Gains on sale of securities of $55,657 and an impairment loss on AAA-rated agency IQs of $77,645.

Tag 39 includes Non-interest expense of $89,824 and Distributions on Company-obligated Mandatorily Redeemable Securities of Subsidiary Trust Holding Solely Junior Subordinated Debentures of the Company of $6,797.