UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended June 30, 2023

OR

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

For the transition period from: ____________________ to ____________________

Commission File No. 1-13219

OCWEN FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Florida	**65-0039856**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1661 Worthington Road, Suite 100 **West Palm Beach, Florida**	**33409**
(Address of principal executive office)	(Zip Code)

(561) 682-8000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 Par Value	OCN	New York Stock Exchange

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 o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act) Yes ☐ No x

Number of shares of common stock outstanding as of July 31, 2023: 7,677,008 shares

OCWEN FINANCIAL CORPORATION
FORM 10-Q
TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

This Quarterly Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical fact included in this report, including statements regarding our financial position, business strategy and other plans and objectives for our future operations, are forward-looking statements.

Forward-looking statements may be identified by a reference to a future period or by the use of forward-looking terminology. Forward-looking statements are typically identified by words such as “expect”, “believe”, “foresee”, “anticipate”, “intend”, “estimate”, “goal”, “strategy”, “plan”, “target” and “project” or conditional verbs such as “will”, “may”, “should”, “could” or “would” or the negative of these terms, although not all forward-looking statements contain these words. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. Readers should bear these factors in mind when considering forward-looking statements and should not place undue reliance on such statements. Forward-looking statements involve a number of assumptions, risks and uncertainties that could cause actual results to differ materially from those suggested by such statements. In the past, actual results have differed from those suggested by forward-looking statements and this may happen again. Important factors that could cause actual results to differ include, but are not limited to, the risks discussed under Part I, Item 1A, Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2022 and the following:

- the impact of the recent failures and re-organization of banking institutions and continued uncertainty in the banking industry;
- the potential for ongoing disruption in the financial markets and in commercial activity generally related to changes in monetary and fiscal policy, international events including the war in Ukraine and other sources of instability;
- the impacts of inflation, employment disruption, and other financial difficulties facing our borrowers;
- our ability to timely reduce operating costs or generate offsetting revenue in proportion to the recent industry-wide decrease in originations activity, and the impact of cost-reduction initiatives on our business, operations, and financial performance;
- the amount of common stock or senior debt that we may repurchase under any future stock or debt repurchase programs, the timing of such repurchases, and the long-term impact, if any, of repurchases on the trading price of our stock or our financial condition;
- the extent to which our mortgage servicing rights (MSR) joint venture with Oaktree Capital Management L.P. and its affiliates (Oaktree), other transactions and our enterprise sales initiatives will generate additional subservicing volume and result in increased profitability;
- our ability, and the ability of MSR Asset Vehicle LLC (MAV), to bid competitively for, and close acquisitions of, MSRs on terms that will enable us to achieve our growth objectives and a favorable return on our investment in MAV;
- our ability to identify, enter into and close additional strategic transactions, including the ability to obtain regulatory approvals, enter into definitive financing arrangements, and satisfy closing conditions, and the timing for doing so;
- the extent to which our ownership stake in MAV’s holding company may be diluted, resulting in a reduced ability for us to participate in certain routine management decisions;
- our ability to efficiently integrate the operations and assets of acquired businesses and to retain their employees and customers over time;
- the adequacy of our financial resources, including our sources of liquidity and ability to sell, fund and recover servicing advances, forward and reverse whole loans, and Home Equity Conversion Mortgage (HECM) and forward loan buyouts and put-backs, as well as repay, renew and extend borrowings, borrow additional amounts as and when required, meet our MSR or other asset investment objectives and comply with our debt agreements, including the financial and other covenants contained in them;
- increased servicing costs based on rising borrower delinquency levels or other factors, including an increase in severe weather events resulting in property damage and financial hardship to our borrowers;
- reduced collection of servicing fees and ancillary income and delayed collection of servicing revenue as a result of forbearance plans and moratoria on evictions and foreclosure proceedings;
- our ability to maintain and increase market share in our target markets, including in forward and reverse servicing;
- uncertainty related to our long-term relationship with Rithm Capital Corp. (Rithm), formerly New Residential Investment Corp. (NRZ), one of our largest subservicing clients as of June 30, 2023;
- uncertainty related to MAV, one our largest subservicing clients as of June 30, 2023, and MAV’s continued ownership of its MSR portfolio following the end of MAV’s investment commitment period, and any impact on our subservicing income as a result of the sale of MAV’s MSRs;
- adverse effects on our business related to past, present or future claims, litigation, cease and desist orders and investigations relating to our business practices, including those brought by private parties and state regulators, the

Consumer Financial Protection Bureau (CFPB), State Attorneys General, the Securities and Exchange Commission (SEC), the Department of Justice or the Department of Housing and Urban Development (HUD);

- scrutiny of our compliance with COVID-19-related rules and regulations, including requirements instituted by state governments, the Federal National Mortgage Association (Fannie Mae), and Federal Home Loan Mortgage Corporation (Freddie Mac) (together, the GSEs), the Government National Mortgage Association (Ginnie Mae) and regulators;
- the reactions of key counterparties, including lenders, the GSEs and Ginnie Mae, to our regulatory engagements and litigation matters;
- any adverse developments in existing legal proceedings or the initiation of new legal proceedings;
- our ability to efficiently manage our regulatory and contractual compliance obligations and fully comply with all applicable requirements, and the costs of doing so;
- uncertainty related to changes in legislation, regulations, government programs and policies, industry initiatives, best servicing and lending practices, and media scrutiny of our business and industry;
- the extent to which changes in the law as well as changes in the interpretation of law may require us to modify our business practices and expose us to increased expense and litigation risk;
- our ability to interpret correctly and comply with current or future liquidity, net worth and other financial and other requirements of regulators, the GSEs and Ginnie Mae, as well as those set forth in our debt and other agreements, including our ability to identify and implement a cost-effective response to Ginnie Mae's risk-based capital requirements that take effect in late 2024;
- our ability to comply with our servicing agreements, including our ability to comply with our agreements with the GSEs and Ginnie Mae and maintain our seller/servicer and other statuses with them;
- our servicer and credit ratings as well as other actions from various rating agencies, including the impact of prior or future downgrades of our servicer and credit ratings;
- failure of our, or our vendors', information technology or other security systems or breach of our, or our vendors', privacy protections, including any failure to protect customers' data;
- our reliance on our technology vendors to adequately maintain and support our systems, including our servicing systems, loan originations and financial reporting systems, and uncertainty relating to our ability to transition to alternative vendors, if necessary, without incurring significant cost or disruption to our operations;
- our ability to recruit and retain senior managers and key employees;
- increased compensation and benefits expense as a result of rising inflation and labor market trends;
- uncertainty related to the actions of loan owners and guarantors, including mortgage-backed securities investors, the GSEs, Ginnie Mae and trustees regarding loan put-backs, penalties and legal actions;
- uncertainty related to the GSEs substantially curtailing or ceasing to purchase our conforming loan originations or the Federal Housing Administration (FHA) of the HUD, Department of Veterans Affairs (VA) or United States Department of Agriculture (USDA) ceasing to provide insurance;
- uncertainty related to our ability to continue to collect certain expedited payment or convenience fees and potential liability for charging such fees;
- uncertainty related to our reserves, valuations, provisions and anticipated realization of assets;
- uncertainty related to the ability of third-party obligors and financing sources to fund servicing advances on a timely basis on loans serviced by us;
- the characteristics of our servicing portfolio, including prepayment speeds along with delinquency and advance rates;
- our ability to successfully modify delinquent loans, manage foreclosures and sell foreclosed properties;
- uncertainty related to the processes for judicial and non-judicial foreclosure proceedings, including potential additional costs or delays or moratoria in the future or claims pertaining to past practices;
- our ability to adequately manage and maintain real estate owned (REO) properties and vacant properties collateralizing loans that we service;
- our ability to realize anticipated future gains from future draws on existing loans in our reverse mortgage portfolio;
- our ability to effectively manage our exposure to interest rate changes and foreign exchange fluctuations;
- our ability to effectively transform our operations in response to changing business needs, including our ability to do so without unanticipated adverse tax consequences;
- increasingly frequent and costly disruptions to our operations as a result of severe weather events;
- uncertainty related to the political or economic stability of the United States (U.S.) and of the foreign countries in which we have operations; and
- our ability to maintain positive relationships with our large shareholders and obtain their support for management proposals requiring shareholder approval.

Further information on the risks specific to our business is detailed within this report and our other reports and filings with the SEC including our Annual Report on Form 10-K for the year ended December 31, 2022, our Quarterly Report on Form 10-Q and our Current Reports on Form 8-K since such date. Forward-looking statements speak only as of the date they were made and we disclaim any obligation to update or revise forward-looking statements whether because of new information, future events or otherwise.

PART I – FINANCIAL INFORMATION
ITEM 1. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED BALANCE SHEETS
(Dollars in millions, except per share data)

	June 30, 2023	December 31, 2022
Assets		
Cash and cash equivalents	$ 213.4	$ 208.0
Restricted cash ($67.2 and $17.6 related to variable interest entities (VIEs))	119.1	66.2
Mortgage servicing rights (MSRs), at fair value	2,675.7	2,665.2
Advances, net ($503.3 and $608.4 related to VIEs)	602.7	718.9
Loans held for sale ($1,352.9 and $617.8 carried at fair value) ($241.4 and $0.0 related to VIEs)	1,356.5	622.7
Loans held for investment, at fair value ($6.0 and $6.7 related to VIEs)	7,680.7	7,510.8
Receivables, net ($44.2 and $0.0 related to VIEs)	188.6	180.8
Investment in equity method investee	34.6	42.2
Premises and equipment, net	16.9	20.2
Other assets ($9.3 and $8.0 carried at fair value) ($13.7 and $3.2 related to VIEs)	327.6	364.2
Total assets	$ 13,216.0	$ 12,399.2
Liabilities and Equity		
Liabilities		
Home Equity Conversion Mortgage-Backed Securities (HMBS) related borrowings, at fair value	$ 7,486.4	$ 7,326.8
Other financing liabilities, at fair value ($319.7 and $329.8 due to related party) ($6.0 and $6.7 related to VIEs)	1,274.0	1,137.4
Advance match funded liabilities ($429.5 and $512.5 related to VIEs)	430.4	513.7
Mortgage loan financing facilities, net ($238.3 and $— related to VIEs)	1,515.0	702.7
MSR financing facilities, net	864.8	953.8
Senior notes, net ($234.9 and $230.2 due to related party)	605.0	599.6
Other liabilities ($13.4 and $15.8 carried at fair value)	606.6	708.5
Total liabilities	$ 12,782.2	11,942.5
Commitments and Contingencies (Notes 19 and 20)		
Stockholders' Equity		
Common stock, $.01 par value; 13,333,333 shares authorized; 7,677,008 and 7,526,117 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively	0.1	0.1
Additional paid-in capital	548.7	547.0
Accumulated deficit	(112.6)	(87.9)
Accumulated other comprehensive loss, net of income taxes	(2.4)	(2.5)
Total stockholders' equity	433.8	456.7
Total liabilities and stockholders' equity	$ 13,216.0	$ 12,399.2

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue				
Servicing and subservicing fees	$ 237.6	$ 215.1	$ 469.7	$ 427.8
Gain (loss) on reverse loans held for investment and HMBS-related borrowings, net	0.7	(2.6)	21.9	10.5
Gain (loss) on loans held for sale, net	25.3	0.9	28.1	(2.3)
Other revenue, net	8.5	8.7	14.1	17.7
Total revenue	272.0	222.2	533.9	453.7
MSR valuation adjustments, net	(48.9)	22.1	(117.9)	57.5
Operating expenses				
Compensation and benefits	57.7	83.9	115.7	151.9
Servicing and origination	17.6	19.1	33.3	33.3
Technology and communications	13.0	14.7	26.4	29.6
Professional services	(16.9)	8.7	(3.6)	20.9
Occupancy and equipment	7.7	9.7	16.5	19.7
Other expenses	5.1	8.4	10.1	16.1
Total operating expenses	84.3	144.4	198.4	271.4
Other income (expense)				
Interest income	20.3	9.7	34.4	16.9
Interest expense ($10.9, $10.5, $21.7 and $20.9 on amounts due to related party)	(68.3)	(37.9)	(130.5)	(75.7)
Pledged MSR liability expense ($13.2, $15.2, $27.3 and $29.5 on amounts due to related party)	(73.0)	(63.0)	(143.3)	(122.7)
Earnings of equity method investee	2.9	3.9	3.1	15.9
Other, net	(4.4)	(3.3)	(3.2)	(3.5)
Total other income (expense), net	(122.5)	(90.4)	(239.5)	(169.1)
Income (loss) before income taxes	16.3	9.5	(22.0)	70.8
Income tax expense (benefit)	0.9	(0.9)	2.7	2.3
Net income (loss)	$ 15.5	$ 10.4	$ (24.7)	68.4
Earnings (loss) per share				
Basic	$ 2.02	$ 1.12	$ (3.25)	$ 7.41
Diluted	$ 1.95	$ 1.11	$ (3.25)	$ 7.19
Weighted average common shares outstanding				
Basic	7,652,563	9,257,089	7,593,391	9,236,221
Diluted	7,919,587	9,366,606	7,593,391	9,514,202

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Net income (loss)	$ 15.5	$ 10.4	$ (24.7)	$ 68.4
Other comprehensive income (loss), net of income taxes:				
Change in unfunded pension plan obligation liability	—	0.1	—	0.2
Other	—	—	0.1	—
Comprehensive income (loss)	$ 15.5	$ 10.5	$ (24.6)	$ 68.6

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

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED JUNE 30, 2023 AND 2022
(Dollars in millions)

	Common Stock					
	Shares	Amount	Additional Paid-in Capital	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Income Taxes	Total
Balance at March 31, 2023	7,638,611	$ 0.1	$ 546.7	$ (128.1)	$ (2.4)	$ 416.3
Net income	—	—	—	15.5	—	15.5
Equity-based compensation and other	38,397	—	2.0	—	—	2.0
Other comprehensive income, net of income taxes	—	—	—	—	—	—
Balance at June 30, 2023	7,677,008	$ 0.1	$ 548.7	$ (112.6)	$ (2.4)	$ 433.8
Balance at March 31, 2022	9,243,658	$ 0.1	$ 591.8	$ (55.5)	$ (2.3)	$ 534.1
Net income	—	—	—	10.4	—	10.4
Repurchase of common stock	(84,087)	—	(2.3)	—	—	(2.3)
Equity-based compensation and other	29,434	—	1.6	—	—	1.6
Other comprehensive income, net of income taxes	—	—	—	—	0.1	0.1
Balance at June 30, 2022	9,189,005	$ 0.1	$ 591.1	$ (45.2)	$ (2.1)	$ 543.9

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

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022
(Dollars in millions)

	Common Stock		Additional Paid-in Capital	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Income Taxes	Total
	Shares	Amount				
Balance at December 31, 2022	7,526,117	$ 0.1	$ 547.0	$ (87.9)	$ (2.5)	$ 456.7
Net loss	—	—	—	(24.7)	—	(24.7)
Equity-based compensation and other	150,891	—	1.7	—	—	1.7
Other comprehensive income, net of income taxes	—	—	—	—	0.1	0.1
Balance at June 30, 2023	7,677,008	$ 0.1	$ 548.7	$ (112.6)	$ (2.4)	$ 433.8
Balance at December 31, 2021	9,208,312	$ 0.1	$ 592.6	$ (113.6)	$ (2.4)	$ 476.7
Net income	—	—	—	68.4	—	68.4
Repurchase of common stock	(84,087)	—	(2.3)	—	—	(2.3)
Equity-based compensation and other	64,780	—	0.8	—	—	0.8
Other comprehensive income, net of income taxes	—	—	—	—	0.2	0.2
Balance at June 30, 2022	9,189,005	$ 0.1	$ 591.1	$ (45.2)	$ (2.1)	$ 543.9

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

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

	For the Six Months Ended June 30,	
	2023	2022
Cash flows from operating activities		
Net income (loss)	$ (24.7)	$ 68.4
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
MSR valuation adjustments, net	162.9	(0.5)
Loss on sale of MSRs, net	0.3	0.2
Provision for bad debts (advances and receivables)	12.5	9.8
Provision for (reversal of) indemnification obligations	3.3	(2.0)
Depreciation	3.4	5.2
Amortization of debt issuance costs and discount	6.1	5.1
Amortization of intangibles	2.9	2.1
Equity-based compensation expense	4.1	1.3
Gain on extinguishment of debt	—	(0.9)
Net loss (gain) on valuation of loans held for investment and HMBS-related borrowings	(13.7)	16.2
Loss (gain) on loans held for sale, net	(28.1)	2.3
Earnings of equity method investee	(3.1)	(15.9)
Distribution of earnings from equity method investee	3.1	12.0
Origination and purchase of loans held for sale	(5,412.3)	(8,154.6)
Proceeds from sale and collections of loans held for sale	4,624.3	8,275.2
Changes in assets and liabilities:		
Decrease in advances, net	114.0	105.9
Decrease in receivables and other assets, net	12.5	32.1
Increase in derivatives, net	(49.7)	(7.9)
Decrease in other liabilities	(56.8)	(43.6)
Other, net	(9.6)	0.5
Net cash provided by (used in) operating activities	(648.7)	310.9
Cash flows from investing activities		
Origination of loans held for investment	(507.4)	(1,144.9)
Principal payments received on loans held for investment	528.0	995.7
Acquisition of loans held for investment, net	—	(3.6)
Acquisition of reverse mortgage subservicing agreements	—	(6.9)
Purchase of MSRs	(52.3)	(103.5)
Proceeds from sale of MSRs	0.3	134.5
Proceeds from sale of advances	5.1	0.8
Additions to premises and equipment	(1.8)	(2.2)
Purchase of real estate	(10.2)	(0.2)
Proceeds from sale of real estate	8.1	4.4
Proceeds from sale of premises and equipment	0.1	0.1
Distribution from (investment in) equity method investee, net	7.6	(11.6)
Net cash used in investing activities	(22.5)	(137.3)
Cash flows from financing activities		
Repayment of advance match funded liabilities, net	(83.2)	(35.3)
Proceeds from (repayment of) mortgage loan financing facilities, net	816.0	(305.8)
Proceeds from MSR financing facilities	443.4	277.7
Repayment of MSR financing facilities	(531.8)	(188.9)
Repurchase and repayment of Senior notes	—	(23.6)
Payment of debt issuance costs	(3.4)	(1.2)
Proceeds from other financing liabilities - Sale of MSRs accounted for as secured financing	88.3	66.2
Proceeds from other financing liabilities - Excess Servicing Spread (ESS) liability	68.7	—
Repayment of other financing liabilities	(45.7)	(57.6)
Proceeds from sale of Home Equity Conversion Mortgages (HECM, or reverse mortgages) accounted for as a financing (HMBS-related borrowings)	502.3	1,149.9
Repayment of HMBS-related borrowings	(525.1)	(993.5)
Repurchase of common stock	—	(2.3)
Net cash provided by (used in) financing activities	729.5	(114.4)
Net increase in cash, cash equivalents and restricted cash	58.3	59.1
Cash, cash equivalents and restricted cash at beginning of year	274.2	263.4
Cash, cash equivalents and restricted cash at end of period	$ 332.5	$ 322.6
Supplemental non-cash investing and financing activities:		
Recognition (derecognition) of gross right-of-use asset and lease liability:		
Right-of-use asset	$ (1.5)	$ 8.6
Lease liability	(1.5)	8.6
Transfers of loans held for sale to real estate owned (REO)	11.5	0.4
Loans held for investment acquired at fair value	$ —	$ 224.1
HMBS-related borrowings assumed at fair value	—	(219.5)
Purchase price holdback	—	(0.9)
Net cash paid to acquire loans held for investment	$ —	$ 3.6

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the unaudited consolidated balance sheets and the unaudited consolidated statements of cash flows:

	June 30, 2023	June 30, 2022
Cash and cash equivalents	$ 213.4	$ 255.9
Restricted cash and equivalents:		
Debt service accounts	71.2	13.6
Other restricted cash	47.9	53.1
Total cash, cash equivalents and restricted cash reported in the statements of cash flows	$ 332.5	$ 322.6

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

Note 1 - Organization and Basis of Presentation

Organization

Ocwen Financial Corporation (NYSE: OCN) (Ocwen, OFC, we, us and our) is a non-bank mortgage servicer and originator providing solutions to homeowners, clients, investors and others through its primary operating subsidiary, PHH Mortgage Corporation (PMC). We are headquartered in West Palm Beach, Florida with offices and operations in the United States (U.S.), the United States Virgin Islands (USVI), India and the Philippines. Ocwen is a Florida corporation organized in February 1988.

Ocwen directly or indirectly owns all of the outstanding common stock of its operating subsidiaries, including PMC since its acquisition on October 4, 2018, Ocwen Financial Solutions Private Limited (OFSPL) and Ocwen USVI Services, LLC (OVIS). Effective May 3, 2021, Ocwen holds a 15% equity interest in MAV Canopy HoldCo I, LLC (MAV Canopy) that invests in mortgage servicing assets through its licensed mortgage subsidiary MSR Asset Vehicle LLC (MAV). See Note 10 - Investment in Equity Method Investee and Related Party Transactions for additional information.

We perform servicing activities related to our own MSR portfolio (primary) and on behalf of other servicers (subservicing), the largest being Rithm Capital Corp. (Rithm), formerly known as New Residential Investment Corp. (NRZ), and investors (primary and master servicing), including the Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac) (collectively referred to as GSEs), the Government National Mortgage Association (Ginnie Mae, and together with the GSEs, the Agencies) and private-label securitizations (PLS, or non-Agency).

We source our servicing portfolio through multiple channels, including retail, wholesale, correspondent, flow MSR purchase agreements, the Agency Cash Window programs and bulk MSR purchases. We originate, sell and securitize conventional (conforming to the GSE underwriting standards) loans and government-insured (Federal Housing Administration (FHA), Department of Veterans Affairs (VA) or United States Department of Agriculture (USDA)) forward mortgage loans, generally with servicing retained. The GSEs or Ginnie Mae guarantee these mortgage securitizations. We originate and purchase Home Equity Conversion Mortgage (HECM) loans, or reverse mortgages, which are mostly insured by the FHA and we are an approved issuer of Home Equity Conversion Mortgage-Backed Securities (HMBS) that are guaranteed by Ginnie Mae.

We had a total of approximately 4,600 employees at June 30, 2023 of which approximately 3,100 were located in India and approximately 400 were based in the Philippines. Our operations in India and the Philippines provide internal support services to our loan servicing and originations businesses and our corporate functions.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in conformity with the instructions of the Securities and Exchange Commission (SEC) to Form 10-Q and SEC Regulation S-X, Article 10, Rule 10-01 for interim financial statements. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America (GAAP) for complete financial statements. In our opinion, the accompanying unaudited consolidated financial statements contain all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation. The results of operations and other data for the three and six months ended June 30, 2023 are not necessarily indicative of the results that may be expected for any other interim period or for the year ending December 31, 2023. The unaudited consolidated financial statements presented herein should be read in conjunction with the audited consolidated financial statements and related notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2022.

Change in Presentation

Effective in the fourth quarter of 2022, in our consolidated statements of operations we present all fair value gains and losses of Other financing liabilities, at fair value in MSR valuation adjustments, net (previously reported in Pledged MSR liability expense). In addition, effective December 31, 2022, we changed our accounting policy from the nature of the distribution approach to the cumulative earnings approach for classifying distributions from our equity method investee MAV Canopy between operating and investing cash flows. The consolidated statements of operations for the three and six months ended June 30, 2022, and the consolidated statements of cash flows for the six months ended June 30, 2022, have been recast to conform to the current presentation policy. For additional information, including the impact on previously reported periods, see the “Change in Presentation” section of Note 1 to our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions include, but are not limited to, those that relate to fair value measurements, income taxes and the provision for losses that may arise from contingencies including litigation proceedings. In developing estimates and assumptions, management uses all available information; however, actual results could materially differ from those estimates and assumptions.

Recently Adopted Accounting Standards

Business Combinations (ASC 805) - Accounting for Contract Assets and Contract Liabilities (ASU 2021-08)

The amendments in this Update apply to all entities that enter into a business combination within the scope of Subtopic 805-10, Business Combinations— Overall. The amendments in this ASU are issued to improve the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency related to the following: (1) recognition of an acquired contract liability and (2) payment terms and their effect on subsequent revenue recognized by the acquirer. The amendments in this ASU require that an entity (acquirer) recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC 606. At the acquisition date, an acquirer should account for the related revenue contracts in accordance with ASC 606 as if it had originated the contracts. To achieve this, an acquirer may assess how the acquiree applied ASC 606 to determine what to record for the acquired revenue contracts. Generally, this should result in an acquirer recognizing and measuring the acquired contract assets and contract liabilities consistent with how they were recognized and measured in the acquiree’s financial statements (if the acquiree prepared financial statements in accordance with GAAP).

Our adoption of this ASU on January 1, 2023 did not have a material impact on our consolidated financial statements.

Financial Instruments—Credit Losses (ASC 326) Troubled Debt Restructurings and Vintage Disclosures (ASU 2022-02)

The amendments in this ASU are related to 1) troubled debt restructurings (TDRs) and 2) vintage disclosures which affect all entities after they have adopted ASU 2016-13. The amendments eliminate the accounting guidance for TDRs by creditors in Subtopic 310-40 Receivables – Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancing and restructurings by creditors when a borrower is experiencing financial difficulty. Specifically, rather than applying the recognition and measurement guidance for TDRs, an entity must apply the loan refinancing and restructuring guidance in ASC 310-20-35-9 through 35-11 to determine whether a modification results in a new loan or a continuation of an existing loan. The amendments in this ASU also requires an entity to disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases with the scope of ASC 326 – Financial Instruments – Credit Losses – Measured at Amortized Cost.

Our adoption of this ASU on January 1, 2023 did not have a material impact on our consolidated financial statements.

Accounting Standards Issued but Not Yet Adopted

Leases (Topic 842) Common Control Arrangements (ASU 2023-01)

The amendments in this ASU affect 1) all lessees that are a party to a lease between entities under common control in which there are leasehold improvements, and apply to all entities and 2) require leasehold improvements associated with common control leases be a) amortized by the lessee over the useful life of the leasehold improvements to the common group (regardless of lease term) and b) accounted for as a transfer between two entities under common control through an adjustment to equity, if and when the lessee no longer controls the use of the underlying asset.

The amendments in this ASU are effective for us on January 1, 2024. We do not anticipate that the adoption of this standard will have a material impact on our consolidated financial statements.

Note 2 – Securitizations and Variable Interest Entities

We securitize, sell and service forward and reverse residential mortgage loans and regularly transfer financial assets in connection with asset-backed financing arrangements. We have aggregated these transfers of financial assets and asset-backed financing arrangements using special purpose entities (SPEs) or variable interest entities (VIEs) into the following groups: (1) securitizations of residential mortgage loans, (2) financings of advances and (3) MSR financings. Financing transactions that do not use SPEs or VIEs are disclosed in Note 12 – Borrowings.

Securitizations of Residential Mortgage Loans

Transfers of Forward Loans

We sell or securitize forward loans that we originate or purchase from third parties, generally in the form of mortgage-backed securities guaranteed by the GSEs or Ginnie Mae. Securitization typically occurs within 30 days of loan closing or purchase. We act only as a fiduciary and do not have a variable interest in the securitization trusts. As a result, we account for these transactions as sales upon transfer.

The following table presents a summary of cash flows received from and paid to securitization trusts related to transfers of loans accounted for as sales that were outstanding:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Proceeds received from securitizations	$ 2,298.1	$ 4,109.6	$ 4,614.9	$ 7,697.8
Servicing fees collected (1)	28.2	23.9	55.2	45.6
Purchases of previously transferred assets, net of claims reimbursed	(4.0)	(4.8)	(7.1)	(6.8)
	$ 2,322.4	$ 4,128.7	$ 4,663.0	$ 7,736.6

(1) We receive servicing fees based upon the securitized loan balances and certain ancillary fees, all of which are reported in Servicing and subservicing fees in the unaudited consolidated statements of operations.

In connection with these transfers, we retained MSRs of $31.5 million and $62.6 million during the three and six months ended June 30, 2023, respectively, and $60.2 million and $106.0 million during the three and six months ended June 30, 2022, respectively.

Certain obligations arise from the agreements associated with our transfers of loans. Under these agreements, we may be obligated to repurchase the loans, or otherwise indemnify or reimburse the investor or insurer for losses incurred due to material breach of contractual representations and warranties. We receive customary origination representations and warranties from our network of approved correspondent lenders. To the extent that we have recourse against a third-party originator, we may recover part or all of any loss we incur. Also refer to the Loan Put-Back and Related Contingencies section of Note 20 – Contingencies.

The following table presents the carrying amounts of our assets that relate to our continuing involvement with forward loans that we have transferred with servicing rights retained as well as an estimate of our maximum exposure to loss including the UPB of the transferred loans:

	June 30, 2023	December 31, 2022
Carrying value of assets		
MSRs, at fair value	$ 583.2	$ 524.3
Advances	62.0	75.9
UPB of loans transferred (1)	40,875.0	37,571.1
Maximum exposure to loss (2)	$ 41,520.2	$ 38,171.2

(1) Includes $8.0 billion and $6.8 billion of loans delivered to Ginnie Mae as of June 30, 2023 and December 31, 2022, respectively, and includes loan modifications repurchased and delivered through the Ginnie Mae Early Buyout Program (EBO).

(2) The maximum exposure to loss in the table above is primarily based on the remaining UPB of loans serviced and assumes all loans were deemed worthless as of the reporting date. It does not take into consideration the proceeds from the underlying collateral liquidation, recoveries or any other recourse available to us, including from mortgage insurance, guarantees or correspondent sellers. We do not believe the maximum exposure to loss from our involvement with these previously transferred loans is representative of the actual loss we are likely to incur based on our contractual rights and historical loss experience and projections. Also, refer to the Loan Put-Back and Related Contingencies section in Note 20 – Contingencies.

At June 30, 2023 and December 31, 2022, 2.2% and 2.5%, respectively, of the transferred residential loans that we service were 60 days or more past due, including 60 days or more past due loans under forbearance. This includes 7.1% and 8.3%, respectively, of loans delivered to Ginnie Mae that are 60 days or more past due.

Transfers of Reverse Mortgages

We pool HECM loans into HMBS that we sell into the secondary market with servicing rights retained. As the transfers of the HECM loans do not qualify for sale accounting, we account for these transfers as financings, with the HECM loans classified as Loans held for investment, at fair value, on our unaudited consolidated balance sheets.

Financing of Loans Held for Sale, Receivables and Other Assets using SPEs

In 2021, we consolidated an SPE (trust) in connection with a warehouse mortgage loan financing facility structured as a gestation repurchase facility whereby Agency mortgage loans are transferred by PMC to the trust for collateralization purposes. As of December 31, 2022, the certificates issued by the trust and pledged as collateral had been reduced to zero. As of June 30, 2023, $100.3 million loans held for sale were pledged as collateral for $100.0 million debt certificates issued by the trust.

In June 2023, we completed a private placement securitization of HECM loans that are insured by the FHA and REO properties, also referred to as reverse mortgage buyouts. The securitized assets include assets originated by PHH and assets acquired in April 2023. The securitization trust, Ocwen Loan Investment Trust 2023-HB1 (OLIT) issued senior and mezzanine class Notes to third party investors. We retain certain mezzanine class Notes and ownership interests and service the underlying assets. We determined we were the primary beneficiary, thus consolidate the securitization trust, OLIT and related depositor. Recourse for the Notes is limited to the assets of OLIT. Also refer to Note 12 – Borrowings**.**

The table below presents the carrying value and classification of the assets and liabilities reported on our consolidated balance sheet that are associated with the securitization reverse mortgage loans buyouts and financing liabilities:

	June 30, 2023
Mortgage loans (Loans held for sale, at fair value)	$ 141.1
Receivables, net	44.2
REO (Other Assets)	12.5
Debt service accounts (Restricted cash)	50.8
Outstanding borrowings (Mortgage loan financing facilities, net)	264.9
Unamortized discount and debt issuance costs (Mortgage loan financing facilities, net)	26.6
Prepaid interest - Interest Reserve Account (Other assets)	0.7

Financings of Advances using SPEs

Match funded advances, i.e., advances that are pledged as collateral to our advance facilities, result from our transfers of residential loan servicing advances to SPEs - that we include in our consolidate financial statements - in exchange for cash.

The table below presents the carrying value and classification of the assets and liabilities of the advance financing facilities:

	June 30, 2023	December 31, 2022
Match funded advances (Advances, net)	$ 503.3	$ 608.4
Debt service accounts (Restricted cash)	14.6	15.8
Unamortized deferred lender fees (Other assets)	0.5	2.3
Prepaid interest (Other assets)	0.7	0.9
Advance match funded liabilities	429.5	512.5

MSR Financings using SPEs

We consolidate two SPEs (PMC ESR Trusts) in connection with a third-party financing facility secured by certain of PMC’s Fannie Mae and Freddie Mac MSRs (Agency MSRs) and one SPE (PMC PLS ESR Issuer LLC) in connection with our PLS MSR financing facility (Ocwen Excess Spread-Collateralized Notes, Series 2022-PLS1 Class A).

The table below presents the carrying value and classification of the assets and liabilities of the Agency MSR financing facility and the PLS Notes facility:

	June 30, 2023	December 31, 2022
MSRs pledged (MSRs, at fair value)	$ 521.9	$ 696.9
Debt service account (Restricted cash)	1.8	1.8
Unamortized deferred lender fees (Other assets)	1.3	1.1
Outstanding borrowings (MSR financing facilities, net)	285.2	366.5
Unamortized debt issuance costs (MSR financing facilities, net)	0.6	0.8

Note 3 – Fair Value

Fair value is estimated based on a hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that reflect the assumptions that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy prioritizes the inputs to valuation techniques into three broad levels whereby the highest priority is given to Level 1 inputs and the lowest to Level 3 inputs.

The carrying amounts and the estimated fair values of our financial instruments and certain of our nonfinancial assets measured at fair value on a recurring or non-recurring basis or disclosed, but not measured, at fair value are as follows:

		June 30, 2023		December 31, 2022	
	Level	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets					
Loans held for sale					
Loans held for sale, at fair value (a) (f)	3, 2	$ 1,352.9	$ 1,352.9	$ 617.8	$ 617.8
Loans held for sale, at lower of cost or fair value (b)	3	3.7	3.7	4.9	4.9
Total Loans held for sale		$ 1,356.6	$ 1,356.6	$ 622.7	$ 622.7
Loans held for investment, at fair value					
Loans held for investment - Reverse mortgages (a)	3	$ 7,674.8	$ 7,674.8	$ 7,504.1	$ 7,504.1
Loans held for investment - Restricted for securitization investors (a)	3	6.0	6.0	6.7	6.7
Total Loans held for investment, at fair value		$ 7,680.7	$ 7,680.7	$ 7,510.8	$ 7,510.8
Advances, net (c)	3	$ 602.7	$ 602.7	$ 718.9	$ 718.9
Receivables, net (c)	3	188.6	188.6	180.8	180.8

	Level	June 30, 2023 Carrying Value	June 30, 2023 Fair Value	December 31, 2022 Carrying Value	December 31, 2022 Fair Value
Financial liabilities					
Advance match funded liabilities (c)	3	$ 430.4	$ 430.4	$ 513.7	$ 513.7
Financing liabilities, at fair value					
HMBS-related borrowings (a)	3	$ 7,486.4	$ 7,486.4	$ 7,326.8	$ 7,326.8
Other financing liabilities					
Financing liability - Pledged MSR liability (a)	3	$ 1,009.5	$ 1,009.5	$ 931.7	$ 931.7
Financing liability - Excess Servicing Spread (ESS) (a)	3	258.5	258.5	199.0	199.0
Financing liability - Owed to securitization investors (a)	3	6.0	6.0	6.7	6.7
Total Other financing liabilities		$ 1,274.0	$ 1,274.0	$ 1,137.4	$ 1,137.4
Mortgage loan financing facilities (c) (d)	3	1,515.0	1,515.0	702.7	702.7
MSR financing facilities (c) (e)	3	864.8	845.3	953.8	932.1
Senior notes:					
PMC Senior secured notes due 2026 (c) (e)	2	$ 370.1	$ 335.1	$ 369.4	$ 331.4
OFC Senior secured notes due 2027 (c) (e)	3	234.9	226.5	230.2	223.9
Total Senior notes		$ 605.0	$ 561.6	$ 599.6	$ 555.2
Derivative financial instrument assets (liabilities), net					
Interest rate lock commitments (IRLCs) (a)	3	$ 1.4	$ 1.4	$ (0.7)	$ (0.7)
Forward sales of loans (a)	1	—	—	0.5	0.5
TBA / Forward mortgage-backed securities (MBS) trades (a)	1	(0.7)	(0.7)	(0.7)	(0.7)
Interest rate swap futures (a)	1	(10.9)	(10.9)	(13.6)	(13.6)
TBA forward pipeline trades (a)	1	7.0	7.0	6.6	6.6
Option contracts (a)	1	(1.2)	(1.2)	—	—
Other (a)	3	(0.1)	(0.1)	(0.1)	(0.1)
MSRs (a)	3	$ 2,675.7	$ 2,675.7	$ 2,665.2	$ 2,665.2

(a) Measured at fair value on a recurring basis in our financial statements.
(b) Measured at fair value on a non-recurring basis in our financial statements.
(c) Disclosed, but not measured at fair value in our financial statements.
(d) As of June 30, 2023, the carrying value of the OLIT Notes approximated fair value as the notes were recently issued on June 21, 2023.
(e) The carrying values are net of unamortized debt issuance costs and discount. See Note 12 – Borrowings for additional information.
(f) Loans repurchased from Ginnie Mae securitizations with a fair value of $197.4 million (includes loans which were previously classified as Level 2) and $32.1 million at June 30, 2023 and December 31, 2022, respectively, are classified as Level 3. The remaining balance of loans held for sale at fair value is classified as Level 2.

The following tables present a reconciliation of the changes in fair value of Level 3 assets and liabilities that we measure at fair value on a recurring basis:

Three months ended June 30, 2023	Loans Held for Investment - Restricted for Securitization Investors	Financing Liability - Owed to Securitization Investors	Loans Held for Sale - Fair Value	ESS Financing Liability	IRLCs
Beginning balance	$ 6.2	$ (6.2)	$ 23.3	$ (263.1)	$ 4.8
Purchases, issuances, sales and settlements					
Purchases and other	—	—	240.4	—	—
Issuances (1)	—	—	—	—	4.4
Sales	—	—	(38.5)	—	—
Settlements (2)	(0.2)	0.2	(25.8)	8.1	—
Transfers:					
Loans held for investment, at fair value	—	—	1.5	—	—
Loans held for sale, at fair value (1)	—	—	—	—	(10.8)
REO (Other assets)	—	—	(7.1)	—	—
Receivables, net	—	—	(15.6)	—	—
Capitalization of advances on Ginnie Mae modifications	—	—	1.7	—	—
Other	—	—	2.8	—	—
Net addition (disposition/derecognition)	(0.2)	0.2	159.5	8.2	(6.5)
Included in earnings:					
Change in fair value (1)	—	—	11.7	(3.6)	3.0
Gain (loss) on sale of loans and other	—	—	2.9	—	—
	—	—	14.6	(3.6)	3.0
Ending balance	$ 6.0	$ (6.0)	$ 197.4	$ (258.5)	$ 1.4

Three months ended June 30, 2022	Loans Held for Investment - Restricted for Securitization Investors	Financing Liability - Owed to Securitization Investors	Loans Held for Sale - Fair Value	IRLCs
Beginning balance	$ 7.7	$ (7.7)	$ 230.4	$ 5.7
Purchases, issuances, sales and settlements				
Purchases and other	—	—	57.5	—
Issuances (1)	—	—	—	82.2
Sales	—	—	(243.8)	—
Settlements	(0.4)	0.4	—	—
Transfers:				
Loans held for sale, at fair value (1)	—	—	—	3.6
Receivables, net	—	—	(1.7)	—
Net addition (disposition/derecognition)	(0.4)	0.4	(187.9)	85.9
Change in fair value included in earnings (1)	—	—	(1.2)	(85.8)
Ending balance	$ 7.3	$ (7.3)	$ 41.4	$ 5.7

Six Months Ended June 30, 2023	Loans Held for Investment - Restricted for Securitization Investors	Financing Liability - Owed to Securitization Investors	Loans Held for Sale - Fair Value	ESS Financing Liability	IRLCs
Beginning balance	$ 6.7	$ (6.7)	$ 32.1	$ (199.0)	$ (0.7)
Purchases, issuances, sales and settlements					
Purchases and other	—	—	252.8		—
Issuances (1)	—	—	—	(68.7)	10.1
Sales	—	—	(58.7)	—	—
Settlements (2)	(0.7)	0.7	(25.8)	14.9	—
Transfers:					
Loans held for investment, at fair value	—	—	1.5	—	—
Loans held for sale, at fair value (1)	—	—	—	—	(31.2)
REO (Other assets)	—	—	(7.1)	—	—
Receivables, net	—	—	(16.1)	—	—
Capitalization of advances on Ginnie Mae modifications	—	—	1.7	—	—
Other	—	—	2.8	—	—
Net addition (disposition/derecognition)	(0.7)	0.7	151.3	(53.8)	(21.0)
Included in earnings:					
Change in fair value (1)	—	—	11.2	(5.6)	23.1
Gain (loss) on sale of loans and other	—	—	2.9	—	—
	—	—	14.0	(5.6)	23.1
Ending balance	$ 6.0	$ (6.0)	$ 197.4	$ (258.5)	$ 1.4

Six Months Ended June 30, 2022	Loans Held for Investment - Restricted for Securitization Investors	Financing Liability - Owed to Securitization Investors	Loans Held for Sale - Fair Value	IRLCs
Beginning balance	$ 7.9	$ (7.9)	$ 220.9	$ 18.1
Purchases, issuances, sales and settlements				
Purchases and other	—	—	118.2	—
Issuances (1)	—	—	—	161.9
Sales	—	—	(291.6)	—
Settlements	(0.6)	0.6	—	—
Transfers:				
Loans held for sale, at fair value (1)	—	—	—	(53.9)
Receivables, net	—	—	(1.8)	—
Net addition (disposition/derecognition)	(0.6)	0.6	(175.1)	108.0
Change in fair value included in earnings (1)	—	—	(4.4)	(120.3)
Ending balance	$ 7.3	$ (7.3)	$ 41.4	$ 5.7

(1) IRLC activity (issuances and transfers) represent changes in fair value included in earnings. This activity is presented on a gross basis in the table for disclosure purposes. Total net change in fair value included in earnings attributed to IRLCs is a gain (loss) of $(3.4) million and $2.1 million for the three and six months ended June 30, 2023, respectively, and $0.1 million and $(12.3) million for the three and six months ended June 30, 2022, respectively. See Note 14 – Derivative Financial Instruments and Hedging Activities

(2) Settlements related to the ESS financing liability are recorded in earnings as MSR valuation adjustments, net. See Note 7 – Mortgage Servicing

A reconciliation from the beginning balances to the ending balances of Loans Held for Investment and HMBS-related borrowings, MSRs and Pledged MSR liabilities that we measure at fair value on a recurring basis is disclosed in Note 5 - Reverse Mortgages, Note 7 – Mortgage Servicing and Note 8 — Other Financing Liabilities, at Fair Value, respectively.

The significant unobservable assumptions that we make to estimate the fair value of certain assets and liabilities classified as Level 3 and measured at fair value on a recurring basis are provided below.

Loans Held for Sale

The fair value of loans we purchased from Ginnie Mae guaranteed securitizations is estimated using both observable and unobservable inputs, including published forward and reverse Ginnie Mae prices or existing sale contracts, as well as estimated default, prepayment, and discount rates. The significant unobservable input in estimating fair value is the estimated default rate. Accordingly, these repurchased Ginnie Mae loans are classified as Level 3 within the valuation hierarchy.

Loans Held for Investment - Reverse Mortgages

Reverse mortgage loans held for investment are carried at fair value and classified as Level 3 within the valuation hierarchy. Significant unobservable assumptions include conditional prepayment rate and discount rate. The conditional prepayment rate assumption displayed in the table below is inclusive of voluntary (repayment or payoff) and involuntary (inactive/delinquent status and default) prepayments. The discount rate assumption is primarily based on an assessment of current market yields on reverse mortgage loan and tail securitizations, expected duration of the asset and current market interest rates.

Significant unobservable assumptions	June 30, 2023	December 31, 2022
Life in years		
Range	0.9 to 7.8	1.0 to 7.6
Weighted average	5.2	5.0
Conditional prepayment rate, including voluntary and involuntary prepayments		
Range	11.9% to 40.6%	13.2% to 45.0%
Weighted average	17.3 %	18.0 %
Discount rate	5.2 %	5.1 %

Significant increases or decreases in any of these assumptions in isolation could result in a significantly lower or higher fair value, respectively. The effects of changes in the assumptions used to value the securitized loans held for investment, excluding future draw commitments, are partially offset by the effects of changes in the assumptions used to value the HMBS-related borrowings that are associated with these loans.

MSRs

MSRs are carried at fair value and classified within Level 3 of the valuation hierarchy. The fair value is equal to the fair value mark provided by the third-party valuation experts, without adjustment, except in the event we have a potential or completed sale, including transactions where we have executed letters of intent, in which case the fair value of the MSRs is recorded at the estimated sale price.

We engage third-party valuation experts who generally utilize: (a) transactions involving instruments with similar collateral and risk profiles, adjusted as necessary based on specific characteristics of the asset or liability being valued; and/or (b) industry-standard modeling, such as a discounted cash flow model and prepayment model, in arriving at their estimate of fair value. The prices provided by the valuation experts reflect their observations and assumptions related to market activity, generally the bulk market, incorporating available industry survey results and client feedback, and including risk premiums and liquidity adjustments. While interest rates are a key value driver, MSR fair value may change for other market-driven factors, including but not limited to the supply and demand of the market or the required yield or perceived value by investors of such MSRs. While the models and related assumptions used by the valuation experts are proprietary to them, we understand the methodologies and assumptions used to develop the prices based on our ongoing due diligence, which includes regular discussions with the valuation experts. We believe that the procedures executed by the valuation experts, supported by our verification and analytical procedures, provide reasonable assurance that the prices used in our consolidated financial statements comply with the accounting guidance for fair value measurements and disclosures and reflect the assumptions that a market participant would use. We evaluate the reasonableness of our third-party experts' assumptions using historical experience adjusted for prevailing market conditions and benchmarks of assumptions and value estimates.

A change in the valuation inputs or assumptions may result in a significantly higher or lower fair value measurement. Changes in market interest rates predominantly impact the fair value of Agency MSRs via prepayment speeds by altering the borrower refinance incentive and the non-Agency MSRs due to the impact on advance funding costs. The significant unobservable assumptions used in the valuation of these MSRs include prepayment speeds, delinquency rates, cost to service and discount rates.

	June 30, 2023		December 31, 2022	
Significant unobservable assumptions	Agency	Non-Agency	Agency	Non-Agency
Weighted average prepayment speed	7.1 %	7.9 %	6.9 %	7.9 %
Weighted average lifetime delinquency rate	1.1 %	10.3 %	1.4 %	10.1 %
Weighted average discount rate	9.6 %	10.6 %	9.6 %	10.6 %
Weighted average cost to service (in dollars)	$ 71	$ 202	$ 72	$ 201

Because the mortgages underlying these MSRs permit the borrowers to prepay the loans, the value of the MSRs generally tends to diminish in periods of declining interest rates, an improving housing market or expanded product availability (as prepayments increase) and increase in periods of rising interest rates, a deteriorating housing market or reduced product availability (as prepayments decrease). The following table summarizes the estimated change in the value of the MSRs as of June 30, 2023 given hypothetical increases in lifetime prepayments and yield assumptions:

Adverse change in fair value	10%	20%
Change in weighted average prepayment speeds (in percentage points)	0.8	1.6
Change in fair value due to change in weighted average prepayment speeds	$ (63.0)	$ (123.4)
Change in weighted average discount rate (in percentage points)	1.0	1.9
Change in fair value due to change in weighted average discount rate	$ (72.5)	$ (139.3)

Financing Liabilities

HMBS-Related Borrowings

HMBS-related borrowings are carried at fair value and classified as Level 3 within the valuation hierarchy. These borrowings are not actively traded, and therefore, quoted market prices are not available. We determine fair value using a discounted cash flow approach, by discounting the projected recovery of principal and interest over the estimated life of the borrowing at a market rate commensurate with the risk of the estimated cash flows.

We engage third-party valuation experts to support our valuation and provide observations and assumptions related to market activities. The fair value is equal to the fair value mark provided by a third-party valuation expert. We evaluate the reasonableness of our fair value estimate and assumptions using historical experience, or cash flow backtesting, adjusted for prevailing market conditions and benchmarks of assumptions and value estimates.

Significant unobservable assumptions include yield spread and discount rate. The yield spread and discount rate assumption for these liabilities are primarily based on an assessment of current market yields for newly issued HMBS, expected duration and current market interest rates.

Significant unobservable assumptions	June 30, 2023	December 31, 2022
Life in years		
Range	0.9 to 7.8	1.0 to 7.6
Weighted average	5.2	5.0
Conditional prepayment rate		
Range	11.9% to 40.6%	13.2% to 45.0%
Weighted average	17.3 %	18.0 %
Discount rate	5.2 %	5.0 %

Significant increases or decreases in any of these assumptions in isolation could result in a significantly higher or lower fair value, respectively. The effects of changes in the assumptions used to value the HMBS-related borrowings are partially offset by the effects of changes in the assumptions used to value the associated pledged loans held for investment, excluding future draw commitments.

Pledged MSR Liabilities

Pledged MSR liabilities are carried at fair value and classified as Level 3 within the valuation hierarchy. We determine the fair value of the pledged MSR liability consistent with the prices provided by third-party valuation experts for the related MSR, considering contractually retained cash flows and expected life of subservicing agreements, when applicable.

Significant unobservable assumptions	June 30, 2023	December 31, 2022
Weighted average prepayment speed	7.2 %	7.6 %
Weighted average delinquency rate	6.7 %	7.1 %
Weighted average subservicing life (in years)	4.5	5.6
Weighted average discount rate	10.2 %	10.2 %
Weighted average cost to service (in dollars)	$ 166	$ 174

Significant increases or decreases in these assumptions in isolation would result in a significantly higher or lower fair value.

ESS Financing Liability

The Excess Servicing Spread (ESS) financing liability consists of the obligation to remit to a third party a specified percentage of future servicing fee collections on reference pools of mortgage loans, which we are entitled to as owner of the related MSRs. We have elected to carry the ESS financing liability at fair value and have classified it as Level 3 within the valuation hierarchy. The fair value represents the net present value of the expected servicing spread cash flows, consistent with the valuation model and behavioral projections of the underlying MSR, as applicable. The fair value of the ESS financing liability is determined using a third-party valuation expert. The significant unobservable assumptions used in the valuation of the ESS financing liability include prepayment speeds, delinquency rates, and discount rates. The discount rate is initially determined based on the expected cash flows and the proceeds from each issuance, and is subsequently updated, at each issuance level, based on the change in discount rate of the underlying MSR or other factors, as provided by third-party valuation expert. At June 30, 2023 and December 31, 2022, the weighted average discount rate of the ESS financing liability was 9.4% and 7.6%, respectively. Refer to MSRs above for a description of other significant unobservable assumptions. Also see Note 8 — Other Financing Liabilities, at Fair Value.

Derivative Financial Instruments

IRLCs are classified as Level 3 assets as fallout rates were determined to be significant unobservable assumptions.

Note 4 – Loans Held for Sale

	Three Months Ended June 30,		Six Months Ended June 30,	
Loans Held for Sale - Fair Value	**2023**	**2022**	**2023**	**2022**
Beginning balance	$ 845.2	$ 716.0	$ 617.8	$ 917.5
Originations and purchases	2,859.9	4,682.0	5,412.3	8,154.6
Proceeds from sales	(2,279.6)	(4,603.4)	(4,575.8)	(8,174.2)
Principal collections	(31.6)	(65.8)	(47.0)	(95.2)
Transfers from (to):				
Loans held for investment, at fair value	1.5	16.5	3.1	19.6
Receivables, net	(15.6)	32.9	(14.5)	32.2
REO (Other assets)	(7.1)	—	(11.2)	—
Capitalization of advances on Ginnie Mae modifications	1.7	5.8	3.7	13.1
Realized loss on sale of loans (1)	(28.4)	(114.3)	(50.4)	(186.6)
Fair value gain (loss) on loans held for sale	4.0	10.8	10.2	(1.4)
Other	2.8	2.5	4.5	3.6
Ending balance	$ 1,352.9	$ 683.1	$ 1,352.9	$ 683.1
UPB	$ 1,341.0	$ 685.1		
Premium (discount)	15.0	3.8		
Fair value adjustment	(3.1)	(5.7)		
Total	$ 1,352.9	$ 683.1		

(1) Excludes retained MSR and gain (loss) on economic hedge instruments.

The following table presents the fair value of Loans held for sale, at fair value by type:

	June 30, 2023	December 31, 2022
GSE loans	$ 790.0	$ 318.3
Government- Forward loans	365.5	150.2
Forward loans repurchased from Ginnie Mae guaranteed securitization (1)	20.0	32.1
Reverse loans (1) (2)	159.4	102.5
Other residential mortgage loans	18.0	14.8
Total	$ 1,352.9	$ 617.8

(1) Pursuant to Ginnie Mae servicing guidelines.
(2) Includes inactive reverse mortgage loans purchased from Ginnie Mae securitization pools that reached the 98% of maximum claim amount and are generally liquidated through foreclosure and subsequent sale of the REO properties.

	June 30,	
Loans Held for Sale - Lower of Cost or Fair Value	**2023**	**2022**
Carrying amount before valuation allowance	$ 7.4	$ 8.1
Valuation allowance	(3.7)	(3.8)
Ending balance, net	$ 3.7	$ 4.3

	Three Months Ended June 30,		Six Months Ended June 30,	
Gain (Loss) on Loans Held for Sale, Net	**2023**	**2022**	**2023**	**2022**
Gain (loss) on sales of loans, net				
MSRs retained on transfers of forward mortgage loans	$ 31.5	$ 60.2	$ 62.6	$ 106.0
Gain (loss) on sale of forward mortgage loans (1)	(28.1)	(90.3)	(50.2)	(162.6)
Gain (loss) on sale of repurchased Ginnie Mae loans (1) (2)	(0.1)	(10.3)	0.1	(9.7)
	3.3	(40.4)	12.4	(66.3)
Change in fair value of IRLCs	(3.2)	0.9	2.4	(11.2)
Change in fair value of loans held for sale (3)	4.3	12.0	9.1	0.4
Gain (loss) on economic hedge instruments (4)	21.2	29.1	4.8	76.2
Other	(0.3)	(0.7)	(0.6)	(1.4)
	$ 25.3	$ 0.9	$ 28.1	$ (2.3)

(1) Realized gain (loss) on sale of loans, excluding retained MSRs.
(2) Includes an $8.8 million loss during the three months ended June 30, 2022 on certain delinquent and aged loans repurchased (net of the associated Ginnie Mae MSR fair value adjustment) in connection with the Ginnie Mae EBO program with an aggregated UPB of $299.7 million, net of the associated MSR fair value adjustment.
(3) Includes a $10.9 million unrealized gain during the three months ended June 30, 2023 related to the revaluation of inactive HECM loan buyouts opportunistically acquired at a discount and securitized in a private placement transaction completed in June 2023. Also see Note 2 – Securitizations and Variable Interest Entities.
(4) Excludes gains of $0.1 million and $13.4 million during the three and six months ended June 30, 2022, respectively, on inter-segment economic hedge derivatives presented within MSR valuation adjustments, net. No such gains or losses were recognized during the three and six months ended June 30, 2023. Third-party derivatives are hedging the net exposure of MSR and pipeline, and the change in fair value of derivatives are reported within MSR valuation adjustments, net. Inter-segment derivatives are established to transfer risk and allocate hedging gains/losses to the pipeline separately from the MSR portfolio and are eliminated in the consolidated financial statements. Refer to Note 17 – Business Segment Reporting.

Note 5 - Reverse Mortgages

	Three Months Ended June 30,			
	2023		2022	
	Loans Held for Investment - Reverse Mortgages	HMBS - Related Borrowings	Loans Held for Investment - Reverse Mortgages	HMBS - Related Borrowings
Beginning balance	$ 7,662.9	$ (7,470.6)	$ 7,451.6	$ (7,118.8)
Originations	272.2	—	524.6	—
Securitization of HECM loans accounted for as a financing (including realized fair value changes)	—	(271.1)	—	(566.0)
Additional proceeds from securitization of HECM loans and tails	—	0.1	—	(10.1)
Repayments (principal payments received)	(291.8)	289.8	(476.3)	476.1
Transfers to:				
Loans held for sale, at fair value	(1.5)	—	(16.5)	—
Receivables, net	(1.0)	—	(36.9)	—
Change in fair value included in earnings (1)	34.1	(34.5)	(69.9)	63.6
Ending balance	$ 7,674.8	$ (7,486.4)	$ 7,376.5	$ (7,155.3)
Securitized loans (pledged to HMBS-related borrowings)	$ 7,553.7	$ (7,486.4)	$ 7,220.8	$ (7,155.3)
Unsecuritized loans	121.0		155.8	
Total	$ 7,674.8		$ 7,376.5	

	Six Months Ended June 30,			
	2023		2022	
	Loans Held for Investment - Reverse Mortgages	HMBS - Related Borrowings	Loans Held for Investment - Reverse Mortgages	HMBS - Related Borrowings
Beginning balance	$ 7,504.1	$ (7,326.8)	$ 7,199.8	$ (6,885.0)
Originations	507.4	—	1,144.9	—
Securitization of HECM loans accounted for as a financing (including realized fair value changes)	—	(502.3)	—	(1,149.9)
Additional proceeds from securitization of HECM loans and tails	—	(6.1)	—	(22.3)
Acquisition	—	—	211.3	(209.1)
Repayments (principal payments received)	(527.3)	525.1	(995.1)	993.5
Transfers to:				
Loans held for sale, at fair value	(3.1)	—	(19.6)	—
Receivables, net	(2.0)	—	(49.4)	—
REO (Other assets)	(0.1)	—	(0.1)	—
Change in fair value included in earnings (1)	195.7	(176.2)	(115.1)	117.5
Ending balance	$ 7,674.8	$ (7,486.4)	$ 7,376.5	$ (7,155.3)
Securitized loans (pledged to HMBS-related borrowings)	$ 7,553.7	$ (7,486.4)	$ 7,220.8	$ (7,155.3)
Unsecuritized loans	121.0		155.8	
Total	$ 7,674.8		$ 7,376.5	

(1) See further breakdown of the net gain (loss) in the table below.

Gain (Loss) on Reverse Loans Held for Investment and HMBS-related Borrowings, Net	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Gain on new originations (1)	$ 3.6	$ 12.7	$ 9.6	$ 33.3
Gain on tail securitizations (2)	2.5	2.8	6.1	6.7
Net interest income (servicing fee) (3)	5.8	5.4	11.7	10.7
Other change in fair value of securitized loans held for investment and HMBS-related borrowings, net	(12.4)	(27.3)	(7.9)	(48.3)
Fair value gains (losses) included in earnings (2)	(0.5)	(6.4)	19.5	2.5
Loan fees and other	1.2	3.7	2.4	8.0
	$ 0.7	$ (2.6)	$ 21.9	$ 10.5

(1) Includes the changes in fair value of newly originated loans held for investment in the period from interest rate lock commitment date through securitization date.
(2) Includes the cash realized gains upon securitization of tails (previously reported within Other change in fair value of securitized loans held for investment and HMBS-related borrowings, net in the table above).
(3) Includes the interest income on loans held for investment less the interest expense on HMBS-related borrowings (previously reported within Other change in fair value of securitized loans held for investment and HMBS-related borrowings, net in the table above). The net interest income includes the servicing fee Ocwen is contractually entitled to on securitized loans.

Note 6 – Advances

	June 30, 2023	December 31, 2022
Principal and interest	$ 202.6	$ 215.5
Taxes and insurance	271.4	367.5
Foreclosures, bankruptcy, REO and other	136.0	142.1
	610.0	725.1
Allowance for losses	(7.4)	(6.2)
Advances, net	$ 602.7	$ 718.9

The following table summarizes the activity in net advances:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Beginning balance - before Allowance for Losses	$ 663.1	$ 736.9	$ 725.1	$ 779.5
New advances	146.5	190.0	335.3	387.3
Transfer from Receivables	2.2 1.6	—	11.1	—
Sales of advances	(0.6)	(0.2)	(4.9)	(0.8)
Collections of advances and other	(201.1)	(272.9)	(456.6)	(512.1)
Ending balance - before Allowance for Losses	610.0	653.8	610.0	653.8
Beginning balance - Allowance for Losses	$ (6.2)	$ (6.9)	(6.2)	(7.0)
Provision expense	(2.8)	(2.1)	(4.6)	(3.9)
Net charge-offs and other	1.6	2.4	3.4	4.3
Ending balance - Allowance for Losses	(7.4)	(6.6)	(7.4)	(6.6)
Ending balance, net	$ 602.7	$ 647.2	$ 602.7	$ 647.2

Note 7 – Mortgage Servicing

MSRs – At Fair Value	Three Months Ended June 30,					
	2023			2022		
	Agency	Non-Agency	Total	Agency	Non-Agency	Total
Beginning balance	$ 1,896.4	$ 684.2	$ 2,580.6	$ 1,664.9	$ 658.4	$ 2,323.3
Sales	—	—	—	—	—	—
Additions:						
Recognized on the sale of residential mortgage loans	31.5	—	31.5	60.2	—	60.2
Purchases	19.1	—	19.1	36.9	—	36.9
Servicing transfers and adjustments (1)	(32.5)	—	(32.5)	11.8	2.9	14.7
Net additions (sales)	18.1	—	18.1	108.8	2.9	111.7
Changes in fair value recognized in earnings:						
Changes in valuation inputs or assumptions	103.5	33.3	136.8	86.0	32.3	118.3
Realization of expected cash flows	(50.6)	(9.1)	(59.7)	(43.0)	(24.6)	(67.6)
Fair value gains (losses) recognized in earnings	52.9	24.2	77.1	43.0	7.7	50.7
Ending balance	$ 1,967.4	$ 708.4	$ 2,675.7	$ 1,816.6	$ 669.1	$ 2,485.7

MSRs – At Fair Value	Six Months Ended June 30,					
	2023			2022		
	Agency	Non-Agency	Total	Agency	Non-Agency	Total
Beginning balance	$ 1,931.8	$ 733.5	$ 2,665.2	$ 1,571.8	$ 678.3	$ 2,250.1
Sales	—	—	—	(149.3)	—	(149.4)
Additions:						
Recognized on the sale of residential mortgage loans	62.6	—	62.6	106.0	—	106.0
Purchases	44.0	—	44.0	83.7	—	83.7
Servicing transfers and adjustments (1)	(32.5)	—	(32.5)	14.7	(0.8)	13.9
Net additions (sales)	74.1	—	74.1	55.1	(0.8)	54.2
Changes in fair value recognized in earnings:						
Changes in valuation inputs or assumptions	61.4	(8.2)	53.2	280.4	41.3	321.8
Realization of expected cash flows	(99.9)	(16.9)	(116.8)	(90.7)	(49.7)	(140.4)
Fair value gains (losses) recognized in earnings	(38.5)	(25.1)	(63.6)	189.7	(8.4)	181.4
Ending balance	$ 1,967.4	$ 708.4	$ 2,675.7	$ 1,816.6	$ 669.1	$ 2,485.7

(1) Servicing transfers and adjustments for the three months ended June 30, 2023 include a $32.5 million derecognition of Agency MSRs previously sold to MAV in a transaction which did not qualify for sale accounting treatment. We derecognized the MSRs with a UPB of $2.3 billion from our balance sheet together with the associated Pledged MSR liability upon the sale of the MSRs by MAV to a third party.

The following table summarizes delinquency status of the loans underlying our MSRs:

Delinquent loans	June 30, 2023			December 31, 2022		
	Agency	Non - Agency	Total	Agency	Non - Agency	Total
30 days	1.6 %	8.4 %	4.6 %	1.7 %	8.5 %	4.8 %
60 days	0.5	3.4	1.7	0.5	3.3	1.8
90 days or more	1.0	8.2	4.2	1.1	8.6	4.5
Total 30-60-90 days or more	3.1 %	20.0 %	10.5 %	3.3 %	20.4 %	11.1 %

MSR UPB and Fair Value

	June 30, 2023		December 31, 2022		June 30, 2022	
	Fair Value	UPB ($ billions)	Fair Value	UPB ($ billions)	Fair Value	UPB ($ billions)
Owned MSRs	$ 1,643.7	$ 121.1	$ 1,710.6	$ 126.2	$ 1,552.6	$ 116.3
Rithm and others transferred MSRs (1) (2)	702.0	$ 53.4	601.2	$ 47.3	550.8	$ 49.7
MAV transferred MSRs (1)	330.0	$ 22.9	353.4	$ 26.1	382.2	$ 28.5
Total MSRs	$ 2,675.7	$ 197.4	$ 2,665.2	$ 199.6	$ 2,485.7	$ 194.5

(1) MSRs subject to sale agreements that do not meet sale accounting criteria. See Note 8 — Other Financing Liabilities, at Fair Value.
(2) At June 30, 2023, the UPB of MSRs transferred to Rithm for which title is retained by Ocwen was $10.3 billion.

We purchased MSRs with a UPB of $3.8 billion and $7.3 billion from unrelated third-parties during the six months ended June 30, 2023 and 2022, respectively. We sold MSRs, servicing released, with a UPB of $31.3 million and $11.1 billion during the six months ended June 30, 2023 and 2022, respectively, to unrelated third parties.

Servicing Revenue

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Loan servicing and subservicing fees				
Servicing	$ 89.4	$ 80.9	$ 179.3	$ 169.4
Subservicing	18.4	20.4	38.0	35.0
MAV (1)	17.4	18.8	35.7	35.5
Rithm and others (1)	59.2	64.7	118.8	131.9
	184.4	184.8	371.8	371.8
Ancillary income				
Custodial accounts (float earnings)	26.2	1.8	46.4	2.8
Late charges	9.5	11.7	19.0	21.8
Reverse subservicing ancillary fees	9.8	6.3	18.0	9.4
Loan collection fees	2.3	2.9	4.9	5.8
Recording fees	1.3	2.6	2.5	5.9
Boarding and deboarding fees	0.9	1.9	1.8	3.6
GSE forbearance fees	0.3	0.2	0.5	0.4
Other, net	2.9	3.0	4.8	6.3
	53.2	30.3	97.9	56.0
Total Servicing and subservicing fees	$ 237.6	$ 215.1	$ 469.7	$ 427.8

(1) Includes servicing fees related to transferred MSRs and subservicing fees. See Note 8 — Other Financing Liabilities, at Fair Value.

Float balances, on which we earn interest referred to as float earnings (balances in custodial accounts, which represent collections of principal and interest that we receive from borrowers on behalf of investors) are held in escrow by unaffiliated banks and are excluded from our unaudited consolidated balance sheets. Float balances amounted to $2.2 billion, $1.5 billion and $1.8 billion at June 30, 2023, December 31, 2022 and June 30, 2022, respectively.

The following table presents the components of MSR valuation adjustments, net:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
MSR fair value changes due to rates and assumptions	$ 136.8	$ 118.3	$ 53.2	$ 321.8
MSR realization of expected cash flows	(59.6)	(67.6)	(116.6)	(140.4)
Total MSR fair value gains (losses) (1)	77.2	50.7	(63.3)	181.4
Pledged MSR liability fair value changes due to rates and assumptions	(81.0)	(40.4)	(42.8)	(97.2)
Pledged MSR liability realization of expected cash flows	15.6	28.8	30.1	57.0
Total Pledged MSR liability fair value gains (losses) (2)	(65.4)	(11.7)	(12.7)	(40.2)
ESS financing liability fair value changes due to rates and assumptions	(3.6)	—	(5.6)	—
ESS financing liability realization of expected cash flows	8.1	—	14.9	—
Total ESS financing liability fair value gains (losses) (2)	4.6	—	9.3	—
Derivative fair value gain (loss) (MSR economic hedges)	(65.2)	(16.9)	(51.1)	(83.7)
MSR valuation adjustments, net	$ (48.9)	$ 22.1	$ (117.9)	$ 57.5

(1) Includes $0.1 million and $0.3 million for the three and six months ended June 30, 2023, respectively, and $0 and $0 during the three and six months ended June 30, 2022, respectively, of fair value changes on the reverse MSR liability and other.
(2) Also refer to Note 8 — Other Financing Liabilities, at Fair Value for additional information related to the ESS financing liability and Pledged MSR liability, including a tabular presentation of activity of the Pledged MSR liability for the reported periods.

Note 8 — Other Financing Liabilities, at Fair Value

The following tables presents financing liabilities carried at fair value which include pledged MSR liabilities recorded in connection with MSR transfers, subservicing retained, that do not qualify for sale accounting, liabilities of consolidated mortgage-backed securitization trusts and MSR excess servicing spread (ESS) financing liability carried at fair value (see Note 12 – Borrowings for ESS financing liability carried at amortized cost).

			Outstanding Balance	
Borrowing Type	Collateral	Maturity	June 30, 2023	December 31, 2022
MSR transfers not qualifying for sale accounting (1):				
Original Rights to MSRs Agreements, at fair value - Rithm	MSRs	(1)	$ 577.1	$ 601.2
Pledged MSR liability, at fair value - MAV	MSRs	(1)	319.7	329.8
Pledged MSR liability, at fair value - Others	MSRs	(1)	112.7	0.7
			1,009.5	931.7
Financing liability - Owed to securitization investors, at fair value: Residential Asset Securitization Trust 2003-A11 (RAST 2003-A11) (2)	Loans held for investment	October 2033	6.0	6.7
ESS financing liability, at fair value (3)	MSRs (3)	(3)	258.5	199.0
Total Other financing liabilities, at fair value			$ 1,274.0	$ 1,137.4

(1) MSRs transferred, subservicing retained, or sold in transactions which do not qualify for sale accounting treatment are accounted for as secured financings.
(2) Consists of securitization debt certificates due to third parties that represent beneficial interests in trusts that are consolidated.
(3) Consists of the obligation to remit to a third party a specified percentage of future servicing fee collections (servicing spread) on reference pools of MSRs, which we are entitled to as owner of the related MSRs.

The following tables present the activity of the pledged MSR liability recorded in connection with the MSR transfer agreements with Rithm and MAV that do not qualify for sale accounting.

	Three Months Ended June 30,					
	2023			2022		
Pledged MSR Liability	**Rithm and Others**	**MAV (1)**	**Total**	**Rithm and Others**	**MAV (1)**	**Total**
Beginning Balance	$ 564.5	$ 318.7	$ 883.3	$ 545.3	$ 319.0	$ 864.3
MSR transfers	93.3	0.1	93.4	—	30.3	30.3
Derecognition of financing liability (2)	—	(32.5)	(32.5)	—	—	—
Fair value gain (loss)						
Changes in fair value due to inputs and assumptions	39.3	41.8	81.0	24.7	15.7	40.4
Realization of expected cash flows	(7.2)	(8.4)	(15.6)	(19.2)	(9.5)	(28.8)
Total fair value (gain) loss	32.1	33.4	65.4	5.5	6.2	11.7
Ending Balance	$ 689.9	$ 319.7	$ 1,009.5	$ 550.8	$ 355.5	$ 906.3

	Six Months Ended June 30,					
	2023			2022		
Pledged MSR Liability	**Rithm and Others**	**MAV Agreements (1)**	**Total**	**Original Rights to MSRs Agreements - Rithm**	**MAV Agreements (1)**	**Total**
Beginning Balance	$ 601.9	$ 329.8	$ 931.7	$ 558.9	$ 238.1	$ 797.1
MSR transfers	97.6	0.2	97.8	—	69.6	69.6
Derecognition of financing liability (2)	—	(32.5)	(32.5)	—	—	—
Calls	—	—	—	(0.6)	—	(0.6)
Fair value gain (loss)						
Changes in fair value due to inputs and assumptions	3.5	39.2	42.7	31.5	65.6	97.2
Realization of expected cash flows	(13.1)	(17.0)	(30.1)	(39.1)	(17.9)	(57.0)
Total fair value (gain) loss (3)	(9.6)	22.2	12.6	(7.6)	47.7	40.2
Ending Balance	$ 689.9	$ 319.7	$ 1,009.5	$ 550.8	$ 355.5	$ 906.3

(1) The fair value of the Pledged MSR liability differs from the fair value of the associated transferred MSR asset mostly due to the portion of ancillary income that is contractually retained by PMC (shared between PMC and MAV) and other contractual cash flows during the expected life of the subservicing agreement.

(2) During the three months ended June 30, 2023, we derecognized a portion of the MAV Pledged MSR liability upon sale of the related MSRs by MAV to a third party with a UPB of $2.3 billion.

(3) The changes in fair value of the MAV Pledged MSR liability includes a $14.1 million loss associated with the amendment to the MAV Subservicing Agreement in March 2022, resulting in lower contractual ancillary income retained by PMC.

The following table presents the Pledged MSR liability expense recorded in connection with the MSR sale agreements with MAV, Rithm and others that do not qualify for sale accounting and the ESS financing liabilities.

	Three Months Ended June 30, 2023			Three Months Ended June 30, 2022		
	Rithm and Others	MAV	Total	Rithm and Others	MAV	Total
Servicing fees collected on behalf of Rithm, MAV and others	$ 59.2	$ 15.5	$ 74.7	$ 64.7	$ 17.5	$ 82.2
Less: Subservicing fee retained by Ocwen	(16.9)	(2.1)	(19.1)	(18.8)	(2.3)	(21.0)
Ancillary fee/income and other settlement (including expense reimbursement)	3.6	(0.2)	3.5	1.8	—	1.8
Transferred MSR net servicing fee remittance	$ 45.9	$ 13.2	59.1	$ 47.7	$ 15.2	63.0
ESS servicing spread remittance			13.9			—
Pledged MSR liability expense			$ 73.0			$ 63.0

	Six Months Ended June 30, 2023			Six Months Ended June 30, 2022		
	Rithm and Others	MAV	Total	Rithm and Others	MAV	Total
Servicing fees collected on behalf of Rithm, MAV and others	$ 118.8	$ 31.9	$ 150.7	$ 131.9	$ 33.2	$ 165.1
Less: Subservicing fee retained by Ocwen	(34.2)	(4.4)	(38.6)	(38.1)	(4.4)	(42.5)
Ancillary fee/income and other settlement (including expense reimbursement)	6.9	(0.2)	6.7	(0.5)	0.6	0.1
Transferred MSR net servicing fee remittance	$ 91.5	$ 27.3	118.8	$ 93.2	$ 29.5	122.7
ESS servicing spread remittance			24.5			—
Pledged MSR liability expense			$ 143.3			$ 122.7

On May 2, 2022, Ocwen entered into amendments to its servicing agreements with Rithm to extend their terms to December 31, 2023 and provide for subsequent, automatic one-year renewals, unless Ocwen provides six months' advance notice of termination (by July 1), or Rithm provides three months' advance notice of termination (by October 1), among other changes. Ocwen did not provide notice of termination on July 1, 2023.

As of June 30, 2023, the UPB of MSRs subject to the servicing agreements with Rithm subsidiaries is $47.0 billion, including $1.8 billion for which Ocwen or Rithm is subservicer for another entity as servicer of record and $10.3 billion for which title has not transferred to Rithm. We describe Rithm's rights and obligations with respect to such non-transferred MSRs as "Rights to MSRs". As the third-party consents required for title to the MSRs to transfer were not obtained, the $10.3 billion Rights to MSRs may (i) be acquired by Ocwen at a price determined in accordance with the terms of the previously disclosed agreements entered into in January 2018 (the New RMSR Agreements), at the option of Ocwen, or (ii) be sold, together with Ocwen's title to those MSRs, to a third party, subject to an additional Ocwen option to acquire at a price based on the winning third-party bid rather than selling to the third party. If the Rights to MSRs are not transferred pursuant to these alternatives, then the Rights to MSRs will remain subject to the subservicing agreement.

As stated above, Rithm has the right to terminate the $10.3 billion Rights to MSRs for convenience, in whole but not in part, subject to three months' advance notice of termination. If Rithm exercises this termination right, Rithm has the option of seeking (i) the transfer of the MSRs through a sale to a third party of its Rights to MSRs (together with a transfer of Ocwen's title to those MSRs) or (ii) a substitute RMSR arrangement that substantially replicates the Rights to MSRs structure under which we would transfer title to the MSRs to a successor servicer and Rithm would continue to own the economic rights and obligations related to the MSRs. In the case of option (i), we have a purchase option, as described above. If Rithm is not able to sell the Rights to MSRs or establish a substitute RMSR arrangement with another servicer, Rithm has the right to revoke its termination notice and re-instate the applicable servicing addendum or to establish a subservicing arrangement whereby the MSRs remaining subject to the New RMSR Agreements would be transferred to up to three subservicers who would subservice under Ocwen's oversight. If such a subservicing arrangement were established, Ocwen would receive an oversight fee and reimbursement of expenses. We may also agree on alternative arrangements that are not contemplated under our existing agreements or that are variations of those contemplated under our existing agreements.

Note 9 – Receivables

	June 30, 2023	December 31, 2022
Servicing-related receivables:		
Government-insured loan claims - Forward	$ 50.6	$ 65.0
Government-insured loan claims - Reverse	89.0	73.8
Subservicing fees and reimbursable expenses	13.5	11.7
Due from custodial accounts	11.6	16.3
Receivable from sale of MSRs (holdback)	10.5	1.5
Subservicing fees and reimbursable expenses - Due from Rithm	1.8	3.0
Subservicing fees, reimbursable expenses and other - Due from MAV	1.7	1.0
Other	0.7	3.2
	179.4	175.5
Income taxes receivable	27.3	34.4
Other receivables	9.3	5.2
	216.0	215.1
Allowance for losses	(27.4)	(34.3)
	$ 188.6	$ 180.8

At June 30, 2023 and December 31, 2022, the allowance for losses primarily related to receivables of our Servicing business. The allowance for losses related to FHA-, VA- or USDA insured loans repurchased from Ginnie Mae guaranteed securitizations (government-insured claims) was $27.0 million and $33.8 million at June 30, 2023 and December 31, 2022, respectively.

	Three Months Ended June 30,		Six Months Ended June 30,	
Allowance for Losses - Government-Insured Loan Claims	**2023**	**2022**	**2023**	**2022**
Beginning balance	$ 29.1	$ 40.8	$ 33.8	$ 41.5
Provision	3.9	3.3	8.0	5.5
Charge-offs and other, net	(6.0)	(4.3)	(14.8)	(7.2)
Ending balance	$ 27.0	$ 39.8	$ 27.0	$ 39.8

Note 10 - Investment in Equity Method Investee and Related Party Transactions

We account for our 15% investment in MAV Canopy under the equity method.

As of June 30, 2023, PMC subserviced a total $46.6 billion UPB on behalf of MAV under the Subservicing Agreement, of which $22.9 billion MSR was previously sold by PMC to MAV and remains reported on the consolidated balance sheet of PMC.

During the six months ended June 30, 2023 and 2022, PMC transferred UPB of $17.9 million and $191.4 million under a flow MSR sale agreement (Recapture Agreement), respectively. During the six months ended June 30, 2023 and 2022, PMC transferred MSRs with UPB of nil and $5.7 billion to MAV under various MSR purchase and sale agreements, respectively. These MSR sale transactions between PMC and MAV do not qualify for sale accounting primarily due to the termination restrictions of the subservicing agreement, and are accounted for as secured borrowings. See Note 8 — Other Financing Liabilities, at Fair Value.

MAV Canopy, MAV and Oaktree are deemed related parties to Ocwen. In addition to the transactions described above, Ocwen issued common stock, warrants and senior secured notes to Oaktree in 2021. See also Note 12 – Borrowings and Note 15 – Interest Expense.

Note 11 – Other Assets

	June 30, 2023	December 31, 2022
Contingent loan repurchase asset	$ 247.1	$ 289.9
REO	18.0	9.8
Prepaid expenses	17.4	19.8
Derivatives, at fair value	8.9	7.7
Intangible assets, net (net of accumulated amortization of $8.0 million and $5.0 million)	8.3	14.7
Prepaid lender fees, net	7.0	7.7
Derivative margin deposit	6.8	1.5
Prepaid representation, warranty and indemnification claims - Agency MSR sale	5.0	5.0
Deferred tax asset, net	2.5	2.6
Security deposits	0.8	0.8
Other	5.8	4.7
	$ 327.6	$ 364.2

Note 12 – Borrowings

Advance Match Funded Liabilities

			Borrowing Capacity		Outstanding Balance	
Borrowing Type	Maturity	Amort. Date (1)	Total	Available (2)	June 30, 2023	Dec. 31, 2022
Ocwen Master Advance Receivables Trust (OMART) - Advance Receivables Backed Notes - Series 2015-VF5	Aug. 2053	Aug. 2023	$ 450.0	$ 67.8	$ 382.2	$ 422.5
Ocwen GSE Advance Funding (OGAF) - Advance Receivables Backed Notes, Series 2015-VF1	Aug. 2053	Aug. 2023	90.0	42.7	47.3	90.0
EBO Advance facility (3)	May 2026	NA	14.4	13.5	0.9	1.2
			$ 554.4	$ 124.0	$ 430.4	$ 513.7
Weighted average interest rate (4)					8.15 %	7.09 %

(1) The amortization date of our facilities is the date on which the revolving period ends under each advance facility note and repayment of the outstanding balance must begin if the note is not renewed or extended. In all of our advance facilities, there are multiple notes outstanding. After the amortization date for each note, all collections that represent the repayment of advances pledged to the facility must be applied ratably to each outstanding amortizing note to reduce the balance and, as such, the collection of advances allocated to the amortizing note may not be used to fund new advances.

(2) The committed borrowing capacity under the OMART and OGAF facilities is available to us provided that we have sufficient eligible collateral to pledge. At June 30, 2023, none of the available borrowing capacity of the OMART and OGAF advance financing notes could be used based on the amount of eligible collateral.

(3) We entered into a loan and security agreement to finance the acquisition of advances in connection with the early buyout of certain fixed-rate, fully-amortizing FHA-insured residential mortgage loans. At June 30, 2023, none of the available borrowing capacity of the facility could be used based on the amount of eligible collateral.

(4) The weighted average interest rate, excluding the effect of the amortization of prepaid lender fees. At June 30, 2023 and December 31, 2022, the balance of unamortized prepaid lender fees was $0.5 million and $2.3 million, respectively, and are included in Other assets in our consolidated balance sheets.

Mortgage Loan Financing Facilities, net Borrowing Type	Collateral	Maturity	Available Borrowing Capacity Un-committed	Committed (1)	Outstanding Balance June 30, 2023	Dec. 31, 2022
$175 million Master repurchase agreement	Loans held for sale (LHFS), Receivables and REO	Aug. 2023	$ 125.0	$ 39.3	$ 10.7	$ 142.2
Master repurchase agreement (2)	LHFS and Loans Held for Investment (LHFI)	N/A	—	—	—	100.3
$50 million Mortgage warehouse agreement (3)	LHFS	N/A	50.0	—	—	—
$400 million Participation agreement (4)	LHFS	November 2023	91.9	—	308.1	64.3
$173 million Master repurchase agreement (5)	LHFS, LHFI and Receivables	August 2023	—	1.3	171.7	26.1
Master repurchase agreement (6)	LHFS	June 2024	—	1.0	—	—
$50 million Mortgage warehouse agreement (7)	LHFI	October 2023	—	36.0	14.0	7.8
$204 million Mortgage warehouse agreement (8)	LHFS and LHFI	March 2024	137.1	—	66.9	44.2
$230 million Mortgage warehouse agreement (9)	LHFS and Receivables	(9)	216.0	—	14.0	21.9
Master repurchase agreement (10)	LHFS	(10)	—	—	100.4	—
$50 million Loan and security agreement (11)	LHFS and Receivables	March 2024	—	42.5	7.5	7.2
$700 million Master repurchase agreement (12)	LHFS and LHFI	April 2024	116.6	—	583.4	288.8
$200 million Master repurchase agreement (13)	LHFS, Receivables and REO	April 2024	200.0	—	—	—
OLIT Asset-Backed Notes (14)	Reverse LHFS, Receivables and REO	June 2036	—	—	264.9	—
Total Mortgage Loan Financing Facilities, net			$ 936.5	$ 120.1	$ 1,541.6	$ 702.7
Unamortized discount and debt issuance costs - OLIT Notes					$ (26.6)	$ —
Total Mortgage Loan Financing Facilities, net					$ 1,515.0	$ 702.7
Weighted average interest rate (15)					6.03 %	5.74 %

(1) Of the borrowing capacity on mortgage loan financing facilities extended on a committed basis, $1.7 million of the available borrowing capacity could be used at June 30, 2023 based on the amount of eligible collateral that could be pledged.
(2) On February 9, 2023, we voluntarily allowed the facility to mature.
(3) This agreement has no stated maturity date.
(4) In June 2023, the maturity date of this facility was extended to July 22, 2023 and the uncommitted borrowing capacity was increased to $400.0 million. In July 2023, the maturity date was further extended to November 30, 2023 and the uncommitted borrowing capacity was increased to $650.0 million.
(5) In June 2023, the maturity date of this facility was extended to July 22, 2023 and further extended to August 22, 2023 in July 2023.
(6) In June 2023, the maturity date of this facility was extended to June 22, 2024.
(7) In June 2023, the maturity date of this facility was extended to July 14, 2023. In July 2023, the maturity date was further extended to October 12, 2023 and the committed borrowing capacity was reduced to $40.0 million.
(8) In May 2023, the maturity date of this facility was extended to March 31, 2024 and the interest rate margin was revised.
(9) The agreement has no stated maturity date, however each transaction has a maximum duration of four years.
(10) This repurchase agreement provides borrowing at our discretion up to a certain maximum amount of capacity on a rolling 30-day committed basis. This facility is structured as a gestation repurchase facility whereby dry Agency mortgage loans are transferred to a trust which issues a trust certificate that is pledged as the collateral for the borrowings. Each certificate is renewed monthly and the interest rate for this facility is 1 month Term Secured Overnight Financing Rate (SOFR) plus applicable margin. See Note 2 – Securitizations and Variable Interest Entities for additional information.

(11) This revolving facility agreement provides committed borrowing capacity secured by eligible HECM loans that are active buyouts, as defined in the agreement. In April 2023, the maturity date of this facility was extended to March 31, 2024.
(12) In April 2023, the maturity date of this facility was extended to April 6, 2024.
(13) On April 3, 2023, we entered into a master repurchase agreement with a total uncommitted borrowing capacity of $200.0 million to finance the purchase of reverse mortgage loans held for sale, claim receivables from HUD and REOs at an interest rate of 1M Term SOFR plus applicable margin.
(14) In June 2023, OLIT issued different classes of Asset-Backed Notes at a discount, with a stated interest rate of 3.0% and a mandatory call date of June 2026. Payments of interest and principal are made from available funds from a pool of reverse mortgage buyout loans and REOs in accordance with the indenture priority of payments. Also see Note 2 – Securitizations and Variable Interest Entities.
(15) The weighted average interest rate excludes the effect of the amortization of prepaid lender fees. At June 30, 2023 and December 31, 2022, unamortized prepaid lender fees were $1.5 million and $0.5 million, respectively, and are included in Other assets in our consolidated balance sheets.

MSR Financing Facilities, net			**Available Borrowing Capacity**		**Outstanding Balance**	
Borrowing Type	**Collateral**	**Maturity**	**Un-committed**	**Committed (1)**	**June 30, 2023**	**Dec. 31, 2022**
$265 million Agency MSR financing facility (2)	MSRs	June 2024	$ —	$ 27.2	$ 237.8	$ 309.8
$200 million Ginnie Mae MSR financing facility (3)	MSRs, Advances	April 2024	38.2	—	161.8	157.9
Ocwen Excess Spread-Collateralized Notes, Series 2022-PLS1 (4)	MSRs	Feb. 2025	—	—	47.4	56.7
Secured Notes, Ocwen Asset Servicing Income Series Notes, Series 2014-1 (5)	MSRs	Feb. 2028	—	—	30.9	33.4
$400 million Agency MSR financing facility - revolving loan (6)	MSRs	Dec. 2025	—	12.6	387.4	396.8
Total MSR financing facilities			$ 38.2	$ 39.7	865.3	954.6
Unamortized debt issuance costs - PLS Notes (7)					(0.6)	(0.8)
Total MSR financing facilities, net					$ 864.8	$ 953.8
Weighted average interest rate (8)					7.88%	7.31%

(1) Of the borrowing capacity on MSR financing facilities extended on a committed basis, $18.1 million of the available borrowing capacity could be used at June 30, 2023 based on the amount of eligible collateral that could be pledged.
(2) PMC's obligations under this facility are secured by a lien on the related MSRs. Ocwen guarantees the obligations of PMC under this facility. See Note 2 – Securitizations and Variable Interest Entities for additional information. We are subject to daily margining requirements under the terms of the facility. In June 2023, the maturity date of this facility was extended to June 28, 2024, the committed borrowing capacity was reduced by $185.0 million to $265.0 million, and the interest rate margin was revised.
(3) In connection with this facility, PMC entered into a repurchase agreement pursuant to which PMC has sold a participation certificate representing certain economic interests in the Ginnie Mae MSRs and servicing advances and has agreed to repurchase such participation certificate at a future date at the repurchase price set forth in the repurchase agreement. PMC's obligations under this facility are secured by a lien on the related Ginnie Mae MSRs and servicing advances. Ocwen guarantees the obligations of PMC under the facility. See (2) above regarding daily margining requirements. In April 2023, the maturity date of this facility was extended to April 26, 2024.
(4) The single class PLS Notes are an amortizing debt instrument with an original principal amount of $75.0 million and a fixed interest rate of 5.114%. The PLS Notes are issued by a trust (PLS Issuer) that is included in our consolidated financial statements, and PLS Issuer's obligations under the facility are secured by a lien on the related PLS MSRs. Ocwen guarantees the obligations of PLS Issuer under the facility. The principal balance amortizes in accordance with a predetermined schedule subject to modification under certain events, with a final payment due in February 2025. See Note 2 – Securitizations and Variable Interest Entities for additional information.
(5) OASIS noteholders are entitled to receive a monthly payment equal to the sum of: (a) 21 basis points of the UPB of the reference pool of Freddie Mac mortgages; (b) any termination payment amounts; (c) any excess refinance amounts; and (d) the note redemption amounts, each as defined in the indenture supplement for the notes. Monthly amortization of the liability is estimated using the proportion of monthly projected service fees on the underlying MSRs as a percentage of lifetime projected fees, adjusted for the term of the notes.
(6) This facility includes a revolving loan secured by a lien on certain of PMC's Agency MSRs and is subject to daily margining requirements. Any outstanding borrowings on the revolving loan will convert into a term loan in November 2024.
(7) At June 30, 2023 and December 31, 2022, unamortized prepaid lender fees related to revolving type MSR financing facilities were $5.0 million and $4.9 million, respectively, and are included in Other assets in our consolidated balance sheets.
(8) Weighted average interest rate excluding the effect of the amortization of debt issuance costs and prepaid lender fees.

Senior Notes	Interest Rate (1)	Maturity	Outstanding Balance June 30, 2023	Outstanding Balance December 31, 2022
PMC Senior Secured Notes (2)	7.875%	March 2026	$ 375.0	$ 375.0
OFC Senior Secured Notes (due to related parties) (3)	12% paid in cash or 13.25% paid-in-kind (see below)	March 2027	285.0	285.0
Principal balance			660.0	660.0
Discount				
PMC Senior Secured Notes			(1.1)	(1.3)
OFC Senior Secured Notes			(43.3)	(47.3)
			(44.4)	(48.6)
Unamortized debt issuance costs				
PMC Senior Secured Notes			(3.7)	(4.3)
OFC Senior Secured Notes			(6.9)	(7.5)
			(10.6)	(11.8)
			$ 605.0	$ 599.6

(1) Excluding the effect of the amortization of debt issuance costs and discount.

(2) Redeemable at 103.938% and 101.969% before March 15, 2024 and March 15, 2025, respectively, at par thereafter. The Indenture contains customary covenants that limit the ability of PHH Corporation (PHH) and its restricted subsidiaries (including PMC) to, among other things, (i) incur or guarantee additional indebtedness, (ii) incur liens, (iii) pay dividends on or make distributions in respect of PHH's capital stock or make other restricted payments, (iv) make investments, (v) consolidate, merge, sell or otherwise dispose of certain assets, and (vi) enter into transactions with Ocwen's affiliates.

(3) Redeemable at par plus a make-whole premium prior to March 4, 2026, at par thereafter. The make-whole premium represents the present value of all scheduled interest payments due through March 4, 2026. The Notes are solely the obligation of Ocwen and are secured by a pledge of substantially all of the assets of Ocwen, including its directly held subsidiaries.

Credit Ratings

Credit ratings are intended to be an indicator of the creditworthiness of a company's debt obligations. On January 24, 2023, S&P affirmed the issuer credit rating for Ocwen of "B-" and the "B" rating of the PMC Senior Secured Notes. On August 15, 2022, Moody's affirmed PMC's long-term corporate family ratings of Caa1 and revised their outlook to Positive from Stable. It is possible that additional actions by credit rating agencies could have a material adverse impact on our liquidity and funding position, including materially changing the terms on which we may be able to borrow money.

Covenants

Under the terms of our debt agreements, we are subject to various affirmative and negative covenants. Collectively, these covenants include:

- Financial covenants, including, but not limited to, specified levels of net worth, liquidity and leverage;
- Covenants to operate in material compliance with applicable laws;
- Restrictions on our ability to engage in various activities, including but not limited to incurring or guarantying additional forms of debt, paying dividends or making distributions on or purchasing equity interests of Ocwen and its subsidiaries, repurchasing or redeeming capital stock or junior capital, repurchasing or redeeming subordinated debt prior to maturity, issuing preferred stock, selling or transferring assets or making loans or investments or other restricted payments, entering into mergers or consolidations or sales of all or substantially all of the assets of Ocwen and its subsidiaries or of PHH or PMC and their respective subsidiaries, creating liens on assets to secure debt, and entering into transactions with affiliates;
- Monitoring and reporting of various specified transactions or events, including specific reporting on defined events affecting collateral underlying certain debt agreements; and
- Requirements to provide audited financial statements within specified timeframes, including requirements that Ocwen's financial statements and the related audit report be unqualified as to going concern.

The most restrictive consolidated net worth requirement contained in our debt agreements with borrowings outstanding at June 30, 2023 is a minimum of $300.0 million tangible net worth for both Ocwen and PMC, as defined in certain of our mortgage warehouse, MSR financing and advance financing facilities agreements. The most restrictive liquidity requirement under our debt agreements with borrowings outstanding at June 30, 2023 is for a minimum of $75.0 million for both Ocwen and

PMC consolidated liquidity, as defined, under certain of our MSR financing facilities and mortgage warehouse agreements. The minimum tangible net worth and liquidity requirements at PMC are also subject to the minimum requirement set forth by the Agencies. See also Note 18 – Regulatory Requirements.

We believe we were in compliance with all of the covenants in our debt agreements as of the date of these unaudited consolidated financial statements.

Collateral

Our assets held as collateral for secured borrowings and other unencumbered assets which may be subject to a lien under various collateralized borrowings are as follows at June 30, 2023:

	Assets	Pledged Assets	Collateralized Borrowings	Unencumbered Assets (1)
Cash	$ 213.4	$ —	$ —	$ 213.4
Restricted cash	119.1	119.1	50.8	—
Loans held for sale	1,356.5	1,320.9	1,309.0	35.6
Loans held for investment - securitized (2)	7,553.7	7,553.7	7,486.4	—
Loans held for investment - unsecuritized	121.0	86.6	79.7	34.5
MSRs (3)	1,643.8	1,654.4	1,094.7	0.3
Advances, net	602.7	552.9	459.6	49.8
Receivables, net	188.6	83.7	87.7	104.9
REO	18.0	13.6	14.5	4.4
Total (4)	$ 11,816.8	$ 11,384.8	$ 10,582.3	$ 443.0

(1) Certain assets are pledged as collateral to the PMC Senior Secured Notes and OFC Senior Secured (second lien) Notes.
(2) Reverse mortgage loans and real estate owned are pledged as collateral to the HMBS beneficial interest holders, and are not available to satisfy the claims of our creditors. Ginnie Mae, as guarantor of the HMBS, is obligated to the holders of the HMBS in an instance of PMC's default on its servicing obligations, or if the proceeds realized on HECMs are insufficient to repay all outstanding HMBS related obligations. Ginnie Mae has recourse to PMC in connection with certain claims relating to the performance and obligations of PMC as both issuer of HMBS and servicer of HECMs underlying HMBS.
(3) Excludes MSRs transferred to MAV, Rithm and others, and associated Pledged MSR liability recorded as sale accounting criteria are not met. Pledged assets exceed the MSR asset balance due to the netting of certain PLS MSR portfolios with negative and positive fair values as eligible collateral.
(4) The total of selected assets disclosed in the above table does not represent the total consolidated assets of Ocwen. For example, the total excludes premises and equipment and certain other assets.

The OFC Senior Secured Notes due 2027 have a second lien priority on specified security interests, as defined under the OFC Senior Secured Note Agreement and listed in the table below, and have a priority lien on the following assets: investments by OFC in subsidiaries not guaranteeing the PMC Senior Secured Notes, including PHH and MAV; cash and investment accounts at OFC; and certain other assets, including receivables.

	June 30, 2023
Specified net servicing advances	$ 191.3
Specified deferred servicing fee	4.0
Specified MSR value less borrowings	644.6
Specified unrestricted cash balances	118.5
Specified advance facility reserves	14.6
Specified loan value	83.2
Specified residual value	—
Total	$ 1,056.2

Note 13 – Other Liabilities

	June 30, 2023	December 31, 2022
Contingent loan repurchase liability	$ 247.1	$ 289.9
Due to Rithm - Advance collections, servicing fees and other	61.6	64.4
Other accrued expenses	52.6	75.9
Checks held for escheat	50.9	48.1
Liability for indemnification obligations	41.6	43.8
Servicing-related obligations	41.6	40.1
Accrued interest payable	17.6	13.7
Lease liability	14.2	16.6
Derivatives, at fair value	13.2	15.7
Liability for uncertain tax positions	11.5	10.9
Accrued legal fees and settlements	10.2	42.2
Liability for unfunded pension obligation and India gratuity plan	9.2	9.3
Derivative related payables	9.0	6.0
Income taxes payable	6.8	6.2
MSR purchase price holdback	5.6	13.9
Mortgage insurance premium payable	5.3	5.0
Excess servicing fee spread payable	3.8	3.4
Other	4.7	3.4
	$ 606.6	$ 708.5

Note 14 – Derivative Financial Instruments and Hedging Activities

The table below summarizes the fair value, notional and maturity of our derivative instruments. The notional amount of our contracts does not represent our exposure to credit loss. None of the derivatives were designated as a hedge for accounting purposes as of or during the six months ended June 30, 2023 and 2022.

	June 30, 2023			December 31, 2022		
	Maturities	Notional	Fair value	Maturities	Notional	Fair value
Derivative Assets (Other assets)						
Forward sales of Reverse loans	July 2023	$ 30.0	$ 0.1	Jan. 2023	$ 20.0	$ 0.1
Forward loans IRLCs	July - Nov. 2023	1,136.7	1.1	N/A	—	—
Reverse loans IRLCs	Aug. 2023	16.4	0.3	Jan. 2023	13.8	0.6
TBA forward MBS trades	July - Sep. 2023	1,620.0	7.4	Jan. - Mar. 2023	804.0	6.6
Forward sales of Forward loans		—	—	Jan. 2023	100.0	0.4
Total		$ 2,803.1	$ 8.9		$ 937.8	$ 7.7
Derivative Liabilities (Other liabilities)						
Forward loans IRLCs	N/A	$ —	$ —	Jan. - Apr. 2023	$ 540.1	$ (1.3)
Forward sales of Reverse loans	July 2023	20.0	—	Jan. 2023	20.0	(0.1)
TBA forward MBS trades	July - Sep. 2023	381.0	(1.1)	Jan. - Feb. 2023	85.0	(0.7)
Interest rate swap futures	Sep. 2023	1,570.0	(10.9)	Jan. 2023	670.0	(13.6)
Interest rate option contracts	Aug. 2023	620.0	(1.2)	N/A	—	—
Other		77.6	(0.1)	N/A	56.4	(0.1)
Total		$ 2,668.6	$ (13.2)		$ 1,371.4	$ (15.7)

The table below summarizes the net gains and losses of our derivative instruments recognized in our consolidated statement of operations.

	Three Months Ended June 30,				Six Months Ended June 30,				
Gain (loss)	**2023**		**2022**		**2023**		**2022**		**Financial Statement Line**
Derivative Instruments									
Forward loans IRLCs	$	(3.2)	$	0.6	$	2.4	$	(11.5)	Gain on loans held for sale, net
Reverse loans IRLCs		(0.2)		(0.8)		(0.3)		(1.2)	Gain on reverse loans held for investment and HMBS-related borrowings, net
Reverse loans IRLCs (Equity IQ loans)		—		0.3		—		0.3	Gain on loans held for sale, net
TBA trades (economically hedging forward pipeline trades and EBO pipeline)		21.2		29.1		4.8		76.2	Gain on loans held for sale, net (Economic hedge)
TBA trades (economically hedging reverse pipeline trades)		—		(0.1)		—		(0.1)	Gain on reverse loans held for investment and HMBS-related borrowings, net
Interest rate swap futures, TBA trades and interest rate option contracts		(65.2)		(16.9)		(51.1)		(83.7)	MSR valuation adjustments, net
Forward sales of Reverse loans		—		0.6		—		0.2	Gain on reverse loans held for investment and HMBS-related borrowings, net
Other		—		0.5		0.3		0.9	Other, net
Total	$	(47.4)	$	13.3	$	(44.0)	$	(18.7)	

Interest Rate Risk

MSR Hedging

Under our MSR hedging strategy, the interest-rate sensitive MSR portfolio exposure to be hedged is defined as follows:

- Agency MSR portfolio,
- expected Agency MSR bulk transactions subject to letters of intent (LOI),
- less the Agency MSRs subject to our sale agreements with MAV, Rithm and others (See Note 8 — Other Financing Liabilities, at Fair Value),
- less the asset value for securitized HECM loans, net of the corresponding HMBS-related borrowings.

The objective of our MSR policy is to provide partial hedge coverage of interest-rate sensitive MSR portfolio exposure, considering market and liquidity conditions. The hedge coverage ratio, defined as the ratio of hedge and asset rate sensitivity (referred to as DV01) is subject to lower and upper thresholds, as modeled. Since September 2022, our hedge policy establishes a minimum 25% and 30% hedge coverage ratio required for interest rate declines less than, and more than 50 basis points, respectively. We periodically evaluate the hedge coverage ratio at the intended shock interval to determine if it is relevant or warrants adjustment based on market conditions, symmetry of interest rate risk exposure, and liquidity impacts of both the hedge and asset profile under shock scenarios. As the market dictates, management may choose to maintain hedge coverage ratio levels at or beyond the above thresholds, with approval of the Market Risk Committee, in order to preserve liquidity and/or optimize asset returns. During the second quarter of 2023, management raised its minimum hedge coverage ratio to 60%. With a partial hedge coverage ratio, the changes in fair value of our hedging instruments may not fully offset the changes in fair value of our net MSR portfolio exposure attributable to interest rate changes. In addition, while DV01 measures may remain within the range of our hedging strategy's objective, actual changes in fair value of the derivatives and MSR portfolio may not offset to the same extent, due to non-parallel changes in the interest rate curve and the basis risk inherent in the MSR profile and hedging instruments, among other factors. We continuously evaluate the use of hedging instruments with the objective of enhancing the effectiveness of our interest rate hedging strategy.

Our derivative instruments include forward trades of MBS or Agency TBAs with different banking counterparties, exchange-traded interest rate swap futures and interest rate options. These derivative instruments are not designated as accounting hedges. TBAs, or To-Be-Announced securities, are actively traded, forward contracts to purchase or sell Agency MBS on a specific future date. From time-to-time, we enter into exchange-traded options contracts with purchased put options financed by written call options. We report changes in fair value of these derivative instruments in MSR valuation adjustments, net in our consolidated statements of operations, within the Servicing segment. We may, from time to time, establish inter-segment derivative instruments between the MSR and pipeline hedging strategies to minimize the use of third-party derivatives. The fair value gains and losses of such inter-segment derivatives effectively reclassify certain derivative gains and losses between MSR valuation adjustments, net within the Servicing segment and Gain on loans held for sale, net within the Originations segment to reflect the performance of these economic hedging strategies in the appropriate segments (see Note 17 – Business Segment Reporting for the amount of such reclassification). Such inter-segment derivatives are eliminated in our consolidated financial statements.

The derivative instruments are subject to margin requirements, posted as either initial or variation margin. Ocwen may be required to post or may be entitled to receive cash collateral with its counterparties through margin calls, based on daily value changes of the instruments. Changes in market factors, including interest rates, and our credit rating may require us to post additional cash collateral and could have a material adverse impact on our financial condition and liquidity.

Pipeline Hedging - Interest Rate Lock Commitments and Loans Held for Sale, at Fair Value

In our Originations business, we are exposed to interest rate risk and related price risk during the period from the date of the interest rate lock commitment through (i) the lock commitment cancellation or expiration date or (ii) through the date of sale or securitization of the resulting loan into the secondary mortgage market. Loan commitments for forward loans generally range from 5 to 90 days, with the majority of our commitments to borrowers for 40 to 60 days and our commitments to correspondent sellers for 5 to 15 days. Loans held for sale are generally funded and sold within 5 to 30 days. This interest rate exposure of loans and IRLCs is economically hedged with derivative instruments, including forward sales of Agency TBAs. The objective of our pipeline hedging strategy is to reduce the volatility of the fair value of IRLCs and loans due to market interest rates, thus to preserve the initial gain on sale margin at lock date. We report changes in fair value of these derivative instruments as gain or loss on economic hedge instruments within either Gain on loans held for sale, net or Gain on reverse loans held for investment and HMBS-related borrowings, net in our consolidated statements of operations, respectively. See above description of inter-segment derivatives.

EBO and Loan Modification Hedging – Loans Held for Sale, at fair value

Effective February 2022, management started hedging certain Ginnie Mae EBO loans as well as loans in process of modification pending redelivery/re-securitization to manage interest rate risk. Such interest rate exposure on these loans held for sale accounted for at fair value is economically hedged using forward trades of TBAs. Changes in fair value of these derivative instruments are reported as gain or loss on economic hedge instruments within Gain on loans held for sale, net in our consolidated statements of operations. Beginning June 2022, management started hedging the in-process GNMA modification pipeline as well.

Note 15 – Interest Expense

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
MSR financing facilities	$ 17.8	$ 8.6	$ 35.3	$ 16.4
Mortgage loan financing facilities	19.8	6.7	33.4	13.8
OFC Senior Secured Notes (1)	10.9	10.5	21.7	20.9
Advance match funded liabilities	10.4	2.8	21.1	5.5
PMC Senior Secured Notes	7.8	8.1	15.5	16.3
Escrow	1.6	1.2	3.5	2.9
	$ 68.3	$ 37.9	$ 130.5	$ 75.7

(1) Notes issued to Oaktree affiliates, inclusive of amortization of debt issuance costs and discount of $2.4 million and $4.7 million during the three and six months ended June 30, 2023, respectively, and $2.0 million and $3.9 million for the three and six months ended June 30, 2022, respectively.

Note 16 – Basic and Diluted Earnings per Share

Basic earnings or loss per share excludes common stock equivalents and is calculated by dividing net income or loss attributable to Ocwen common stockholders by the weighted average number of common shares outstanding during the period. We calculate diluted earnings or loss per share by dividing net income or loss attributable to Ocwen by the weighted average number of common shares outstanding including the potential dilutive common shares related to outstanding restricted stock awards, stock options and warrants as determined using the treasury stock method. For the six months ended June 30, 2023, we have excluded the effect of all stock options, common stock awards and warrants from the computation of diluted loss per share because of the anti-dilutive effect of our reported net loss.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Basic earnings (loss) per share				
Net income (loss)	$ 15.5	$ 10.4	$ (24.7)	$ 68.4
Weighted average shares of common stock	7,652,563	9,257,089	7,593,391	9,236,221
Basic earnings (loss) per share	$ 2.02	$ 1.12	$ (3.25)	$ 7.41
Diluted earnings (loss) per share				
Net income (loss)	$ 15.5	$ 10.4	$ (24.7)	$ 68.4
Weighted average shares of common stock	7,652,563	9,257,089	7,593,391	9,236,221
Effect of dilutive elements				
Common stock warrants	115,977	—	—	139,160
Stock option awards	—	—	—	37
Common stock awards	151,047	109,517	—	138,784
Dilutive weighted average shares of common stock	7,919,587	9,366,606	7,593,391	9,514,202
Diluted earnings (loss) per share	$ 1.95	$ 1.11	$ (3.25)	$ 7.19
Stock options and common stock awards excluded from the computation of diluted earnings per share				
Anti-dilutive (1)	84,748	460,512	59,703	279,516
Market-based (2)	61,354	76,534	61,354	76,534

(1) Includes stock options and stock awards that are anti-dilutive based on the application of the treasury stock method.
(2) Shares that are issuable upon the achievement of certain market-based performance criteria related to Ocwen’s stock price.

Note 17 – Business Segment Reporting

Our business segments reflect the internal reporting that we use to evaluate our operating and financial performance and to assess the allocation of our resources. Our reportable business segments consist of Servicing, Originations, and Corporate Items and Other. During the six months ended June 30, 2023, there have been no changes to our business segments as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022.

Financial information for our segments is as follows:

	Three Months Ended June 30, 2023				
Results of Operations	**Servicing**	**Originations**	**Corporate Items and Other**	**Corporate Eliminations (1)**	**Business Segments Consolidated**
Servicing and subservicing fees	$ 237.2	$ 0.4	$ —	$ —	$ 237.6
Gain (loss) on reverse loans held for investment and HMBS-related borrowings, net	(4.1)	4.8	—	—	0.7
Gain on loans held for sale, net (1)	15.1	10.2	—	—	25.3
Other revenue, net	0.3	4.0	4.2	—	8.5
Revenue	248.5	19.3	4.2	—	272.0
MSR valuation adjustments, net (1)	(50.5)	1.6	—	—	(48.9)
Operating expenses	79.6	21.1	(16.4)	—	84.3
Other income (expense):					
Interest income	5.9	13.1	1.2	—	20.3
Interest expense	(43.3)	(14.1)	(10.9)	—	(68.3)
Pledged MSR liability expense	(73.1)	—	—	—	(73.0)
Earnings of equity method investee	2.9	—	—	—	2.9
Other	(3.7)	(0.2)	(0.5)	—	(4.4)
Other expense, net	(111.2)	(1.2)	(10.1)	—	(122.5)
Income (loss) before income taxes	$ 7.1	$ (1.3)	$ 10.5	$ —	$ 16.3

Results of Operations	Three Months Ended June 30, 2022				
	Servicing	Originations	Corporate Items and Other	Corporate Eliminations (1)	Business Segments Consolidated
Servicing and subservicing fees	$ 214.5	$ 0.6	$ —	$ —	215.1
Gain (loss) on reverse loans held for investment and HMBS-related borrowings, net	(19.0)	16.4	—	—	(2.6)
Gain (loss) on loans held for sale, net (1)	(11.5)	12.5	—	(0.1)	0.9
Other revenue, net	0.4	6.7	1.6	—	8.7
Revenue	184.4	36.3	1.6	(0.1)	222.2
MSR valuation adjustments, net (1)	19.3	2.6	—	0.1	22.1
Operating expenses	82.5	42.5	19.4	—	144.4
Other income (expense):					
Interest income	3.0	6.6	0.1	—	9.7
Interest expense	(22.3)	(5.1)	(10.4)	—	(37.9)
Pledged MSR liability expense	(63.0)	—	—	—	(63.0)
Earnings of equity method investee	3.9	—	—	—	3.9
Other	(4.3)	0.3	0.7	—	(3.3)
Other expense, net	(82.6)	1.8	(9.6)	—	(90.4)
Income (loss) before income taxes	$ 38.6	$ (1.8)	$ (27.3)	$ —	$ 9.4

Results of Operations	Six Months Ended June 30, 2023				
	Servicing	Originations	Corporate Items and Other	Corporate Eliminations (1)	Business Segments Consolidated
Servicing and subservicing fees	$ 469.0	$ 0.8	$ —	$ —	$ 469.7
Gain on reverse loans held for investment and HMBS-related borrowings, net	9.9	12.0	—	—	21.9
Gain on loans held for sale, net (1)	13.8	14.3	—	—	28.1
Other revenue, net	0.8	7.1	6.2	—	14.1
Revenue	493.5	34.1	6.2	—	533.9
MSR valuation adjustments, net (1)	(121.4)	3.5	—	—	(117.9)
Operating expenses (2)	159.4	39.8	(0.7)	—	198.4
Other (expense) income:					
Interest income	10.1	22.1	2.2	—	34.4
Interest expense	(84.8)	(24.0)	(21.7)	—	(130.5)
Pledged MSR liability expense	(143.4)	—	0.1	—	(143.3)
Earnings of equity method investee	3.1	—	—	—	3.1
Other	(3.4)	—	0.2	—	(3.2)
Other expense, net	(218.5)	(1.9)	(19.1)	—	(239.5)
Income (loss) before income taxes	$ (5.8)	$ (4.0)	$ (12.2)	$ —	$ (22.0)

Results of Operations	Six months ended June 30, 2022				
	Servicing	Originations	Corporate Items and Other	Corporate Eliminations (1)	Business Segments Consolidated
Servicing and subservicing fees	$ 426.7	$ 1.1	$ —	$ —	$ 427.8
Gain (loss) on reverse loans held for investment and HMBS-related borrowings, net	(30.9)	41.4	—	—	10.5
Gain (loss) on loans held for sale, net (1)	(14.2)	25.3	—	(13.4)	(2.3)
Other revenue, net	0.8	13.5	3.4	—	17.7
Revenue	382.4	81.3	3.4	(13.4)	453.7
MSR valuation adjustments, net (1)	40.4	3.7	—	13.4	57.5
Operating expenses	156.8	88.7	25.9	—	271.4
Other (expense) income:					
Interest income	7.1	9.6	0.2	—	16.9
Interest expense	(45.4)	(9.4)	(21.0)	—	(75.7)
Pledged MSR liability expense	(122.7)	—	—	—	(122.7)
Earnings of equity method investee	15.9	—	—	—	15.9
Other	(3.6)	(1.1)	1.2	—	(3.5)
Other expense, net	(148.7)	(0.9)	(19.5)	—	(169.1)
Income (loss) before income taxes	$ 117.4	$ (4.7)	$ (41.9)	$ —	$ 70.8

(1) Corporate Eliminations includes inter-segment derivatives eliminations of $0.1 million and $13.4 million for the three and six months ended June 30, 2022, respectively, reported as Gain on loans held for sale, net in Originations with a corresponding offset in MSR valuation adjustments, net in Servicing. No such derivatives eliminations were recognized during the three and six months ended June 30, 2023.

Total Assets	Servicing	Originations	Corporate Items and Other	Business Segments Consolidated
June 30, 2023	$ 11,682.1	$ 1,249.9	$ 284.0	$ 13,216.0
December 31, 2022	$ 11,535.0	$ 570.5	$ 293.7	$ 12,399.2
June 30, 2022	$ 11,053.6	$ 694.1	$ 360.0	$ 12,107.7

Depreciation and Amortization Expense	Servicing	Originations	Corporate Items and Other	Business Segments Consolidated
Three months ended June 30, 2023				
Depreciation expense	$ 0.2	$ 0.1	$ 1.3	$ 1.6
Amortization of debt issuance costs and discount	0.5	—	2.7	3.3
Amortization of intangibles	1.5	—	—	1.5
Three months ended June 30, 2022				
Depreciation expense	$ 0.3	$ 0.1	$ 2.2	$ 2.6
Amortization of debt issuance costs and discount	0.2	—	2.3	2.5
Amortization of intangibles	1.5	—	—	1.5
Six months ended June 30, 2023				
Depreciation expense	$ 0.4	$ 0.2	$ 2.9	$ 3.4
Amortization of debt issuance costs and discount	0.7	—	5.5	6.1
Amortization of intangibles	2.9	—	—	2.9
Six months ended June 30, 2022				
Depreciation expense	$ 0.4	$ 0.2	$ 4.5	$ 5.2
Amortization of debt issuance costs and discount	0.4	—	4.7	5.1
Amortization of intangibles	2.1	—	—	2.1

Note 18 – Regulatory Requirements

Our business is subject to extensive regulation and supervision by federal, state, local and foreign governmental authorities, including the Consumer Financial Protection Bureau (CFPB), HUD, the SEC and various state agencies that license our servicing and lending activities. Accordingly, we are regularly subject to examinations, inquiries and requests, including civil investigative demands and subpoenas. The GSEs and their conservator, the Federal Housing Finance Agency (FHFA), Ginnie Mae, the United States Treasury Department, various investors, non-Agency securitization trustees and others also subject us to periodic reviews and audits.

We must comply with a large number of federal, state and local consumer protection and other laws and regulations, including, among others, the CARES Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), the Telephone Consumer Protection Act (TCPA), the Gramm-Leach-Bliley Act, the Fair Debt Collection Practices Act (FDCPA), the Real Estate Settlement Procedures Act (RESPA), the Truth in Lending Act (TILA), the Servicemembers Civil Relief Act, the Homeowners Protection Act, the Federal Trade Commission Act, the Fair Credit Reporting Act, the Equal Credit Opportunity Act, as well as individual state and local laws, and federal and local bankruptcy rules. These laws and regulations apply to all facets of our business, including, but not limited to, licensing, loan originations, consumer disclosures, default servicing and collections, foreclosure, filing of claims, registration of vacant or foreclosed properties, handling of escrow accounts, payment application, interest rate adjustments, assessment of fees, loss mitigation, use of credit reports, handling of unclaimed property, safeguarding of non-public personally identifiable information about our customers, and the ability of our employees to work remotely. These complex requirements can and do change as laws and regulations are enacted, promulgated, amended, interpreted and enforced. The general trend among federal, state and local legislative bodies and regulatory agencies as well as state attorneys general has been toward increasing laws, regulations, investigative proceedings and enforcement actions with regard to residential real estate lenders and servicers, which could increase the possibility of adverse regulatory action against us.

In addition, a number of foreign laws and regulations apply to our operations outside of the U.S., including laws and regulations that govern licensing, privacy, employment, safety, payroll and other taxes and insurance and laws and regulations that govern the creation, continuation and the winding up of companies as well as the relationships between shareholders, our corporate entities, the public and the government in these countries. Our foreign subsidiaries are subject to inquiries and examinations from foreign governmental regulators in the countries in which we operate outside of the U.S.

Our licensed entities are required to renew their licenses, typically on an annual basis, and to do so they must satisfy the license renewal requirements of each jurisdiction, which generally include financial requirements such as providing audited financial statements and satisfying minimum net worth requirements and non-financial requirements such as satisfactory completion of examinations relating to the licensee's compliance with applicable laws and regulations.

We are also subject to seller/servicer obligations under agreements with the GSEs, HUD, FHA, VA and Ginnie Mae, including capital requirements related to tangible net worth, as defined by the applicable agency, an obligation to provide audited financial statements within 90 days of the applicable entity's fiscal year end as well as extensive requirements regarding servicing, selling and other matters. We believe our licensed entities were in compliance with all of their minimum net worth requirements at June 30, 2023. Our non-Agency servicing agreements also contain requirements regarding servicing practices and other matters, and a failure to comply with these requirements could have a material adverse impact on our business.

The most restrictive of the various net worth requirements for licensing and seller/servicer obligations referenced above is based on the UPB of assets serviced by PMC. Under the applicable formula, the required minimum net worth was $359.4 million at June 30, 2023. PMC's adjusted net worth was $565.3 million at June 30, 2023. The most restrictive of the various liquidity requirements for licensing and seller/servicer obligations referenced above pertains to PMC and the required minimum liquidity was $40.0 million at June 30, 2023. PMC's liquid assets were $190.0 million at June 30, 2023.

In 2022, the FHFA, the GSEs and Ginnie Mae announced updated minimum financial eligibility requirements for GSE seller/servicers and Ginnie Mae issuers. The updated minimum financial eligibility requirements modify the definitions of tangible net worth and eligible liquidity, modify their minimum standard measurement and include a new risk-based capital ratio, among other changes. The majority of the updated requirements are effective on September 30, 2023, with Ginnie Mae's risk-based capital requirements effective on December 31, 2024. We believe PMC would be in compliance with the updated requirements if the updated requirements were in effect as of June 30, 2023, except for the new risk-based capital requirement. We are currently evaluating the potential impacts of these updated requirements, the costs and benefits of achieving compliance, and possible courses of action involving external investor solutions, structural solutions or exiting Ginnie Mae forward originations and owned servicing activities. If we are unable to identify and execute a cost-effective solution that allows us to continue these businesses and are unable to replace the lost income from these activities, or if we misjudge the magnitude of the costs and benefits and their impacts on our business, our financial results could be negatively impacted. As of June 30, 2023, our forward owned servicing portfolio included government-insured loans with a UPB of $14.4 billion, 7% of our total forward owned MSRs or 5% of our total UPB serviced and subserviced.

New York Department of Financial Services (NY DFS). We operate pursuant to certain regulatory requirements with the NY DFS, including obligations arising under a consent order entered into in March 2017 (the NY Consent Order) and the terms of the NY DFS' conditional approval in September 2018 of our acquisition of PHH. The conditional approval includes reporting obligations and record retention and other requirements relating to the transfer of loans collateralized by New York property (New York loans) onto our servicing system, the Black Knight Financial Services, Inc. (Black Knight) LoanSphere MSP® servicing system (Black Knight MSP), and certain requirements with respect to the evaluation and supervision of management of both Ocwen and PMC. In addition, we were prohibited from boarding any additional loans onto the REALServicing system and we were required to transfer all New York loans off the REALServicing system by April 30, 2020. The conditional approval also restricts our ability to acquire MSRs with respect to New York loans, so that Ocwen may not increase its aggregate portfolio of New York loans serviced or subserviced by Ocwen by more than 2% per year. This restriction will remain in place until the NY DFS determines that all loans serviced on the REALServicing system have been successfully migrated to Black Knight MSP and that Ocwen has developed a satisfactory infrastructure to board sizable portfolios of MSRs. We transferred all loans onto Black Knight MSP in 2019 and no longer service any loans on the REALServicing system. We believe we have complied with all terms of the PHH acquisition conditional approval to date. We continue to work with the NY DFS to address matters they raise with us as well as to fulfill our commitments under the NY Consent Order and PHH acquisition conditional approval.

California Department of Financial Protection and Innovation (CA DFPI). In January 2015 and February 2017, Ocwen Loan Servicing, LLC (OLS) entered into consent orders with the CA DFPI (formerly known as the California Department of Business Oversight) relating to our alleged failure to produce certain information and documents during a routine licensing examination and relating to alleged servicing practices. We have completed all of our obligations under each of these consent orders. We also entered into a consent order in February 2023 to resolve a legacy OLS matter with the CA DFPI primarily addressing OLS's post-boarding process related to loan payment terms. The Consent Order provides for a $2.5 million settlement with the CA DFPI with the waiver of certain late fees, a loss mitigation campaign, and other reliefs. The settlement was fully accrued at December 31, 2022 and paid in March 2023.

Note 19 — Commitments

Unfunded Lending Commitments

We have originated floating-rate reverse mortgage loans under which the borrowers have additional borrowing capacity of $1.8 billion at June 30, 2023. This additional borrowing capacity is available on a scheduled or unscheduled payment basis. During the six months ended June 30, 2023, we funded $135.9 million out of the $1.8 billion borrowing capacity as of December 31, 2022. We also had short-term commitments to lend $1.1 billion and $16.4 million in connection with our forward and reverse mortgage loan IRLCs, respectively, outstanding at June 30, 2023. We finance originated and purchased forward and reverse mortgage loans with repurchase and participation agreements, referred to as warehouse lines.

HMBS Issuer Obligations

As an HMBS issuer, we assume certain obligations related to each security issued. The most significant obligation is the requirement to purchase loans out of the Ginnie Mae securitization pools once the outstanding principal balance of a reverse mortgage loan is equal to or greater than 98% of the maximum claim amount (MCA repurchases). The table below provides the breakdown of the portfolio UPB with respect to the percentage of the MCA at June 30, 2023.

	June 30, 2023
Securitized HECM loans at less than 92% MCA	$ 6,998.9
Securitized HECM loans at equal to or greater than 92% and less than 95% MCA	194.1
Securitized HECM loans at equal to or greater than 95% MCA and less than 98% MCA	175.6
Total Securitized HECM loans UPB	$ 7,368.7

For the six months ended June 30, 2023 and 2022, we repurchased loans in the amount of $181.3 million and $96.6 million, respectively. Activity with regard to HMBS repurchases is as follows:

	Six Months Ended June 30, 2023		
	Active	Inactive	Total
Beginning balance	$ 70.7	$ 107.7	$ 178.4
Additions	133.7	47.6	181.3
Recoveries, net (1)	(137.9)	(26.9)	(164.8)
Transfers	(0.6)	0.6	—
Changes in value	0.1	(2.2)	(2.2)
Ending balance	$ 66.0	$ 126.9	$ 192.8

(1) Includes amounts received upon assignment of loan to HUD, loan payoff, REO liquidation and claim proceeds less any amounts charged off as unrecoverable.

Our subservicing clients bear the financial obligation and risks associated with purchasing loans out of securitization pools within the portfolio we subservice.

Client Concentration

Our Servicing segment has exposure to concentration risk and client retention risk.

As of June 30, 2023, our servicing portfolio included a significant client relationship with Rithm which represented 16% and 27% of our total servicing portfolio UPB and loan count, respectively, and approximately 68% of all delinquent loans that Ocwen services. Our Subservicing Agreements and Servicing Addendum with Rithm are in their second terms that end December 31, 2023, but they provide for automatic one-year renewals, unless Ocwen (by July 1, 2023) or Rithm (by October 1, 2023) provide advance notice of termination. Ocwen did not provide notice of termination on July 1, 2023. At the end of the second term, if notice for termination is given by the appropriate time, Rithm has the right to terminate the Subservicing Agreements and Servicing Addendum for convenience. If Rithm exercises its right to terminate all or some of the agreements for convenience at the end of the Second Term on December 31, 2023, we might need to right-size certain aspects of our servicing business as well as the related corporate support functions. The impacts to our consolidated statements of operations in connection with our Rithm agreements are disclosed in Note 8 — Other Financing Liabilities, at Fair Value. Receivables and Other liabilities recorded on our consolidated balance sheets are disclosed in Note 9 – Receivables and Note 13 – Other Liabilities, respectively.

In addition, as of June 30, 2023, our servicing portfolio also included a significant client relationship with MAV which represented 16% and 12% of our total servicing portfolio UPB and loan count, respectively. While our servicing agreement with MAV is non-cancellable and provides us with exclusivity, MAV is permitted to sell the underlying MSR without Ocwen's consent after May 3, 2024. See Note 10 - Investment in Equity Method Investee and Related Party Transactions and Note 8 — Other Financing Liabilities, at Fair Value.

Note 20 – Contingencies

When we become aware of a matter involving uncertainty for which we may incur a loss, we assess the likelihood of any loss. If a loss contingency is probable and the amount of the loss can be reasonably estimated, we record an accrual for the loss. In such cases, there may be an exposure to potential loss in excess of the amount accrued. Where a loss is not probable but is reasonably possible or where a loss in excess of the amount accrued is reasonably possible, we disclose an estimate of the amount of the loss or range of possible losses for the claim if a reasonable estimate can be made, unless the amount of such reasonably possible loss is not material to our financial position, results of operations or cash flows. If a reasonable estimate of loss cannot be made, we do not accrue for any loss or disclose any estimate of exposure to potential loss even if the potential loss could be material and adverse to our business, reputation, financial condition and results of operations. An assessment regarding the ultimate outcome of any such matter involves judgments about future events, actions and circumstances that are inherently uncertain. The actual outcome could differ materially. Where we have retained external legal counsel or other professional advisers, such advisers assist us in making such assessments.

Litigation

In the ordinary course of business, we are a defendant in, or a party or potential party to, many threatened and pending legal proceedings, including proceedings brought by borrowers, regulatory agencies (discussed further under "Regulatory" below), current or former employees, those brought on behalf of various classes of claimants, and those brought derivatively on behalf of Ocwen against certain current or former officers and directors or others, and those brought under the False Claims Act by private citizens on behalf of the U.S. In addition, we may be a party or potential party to threatened or pending legal proceedings brought by fair-housing advocates, current and former commercial counterparties and market competitors, including, among others, claims related to the sale or purchase of loans, MSRs or other assets, and breach of contract actions, parties on whose behalf we service or serviced mortgage loans, parties who provide ancillary services including property preservation and other post-foreclosure related services, and parties who provide or provided consulting, subservicing, or other services to Ocwen.

The majority of these proceedings are based on alleged violations of federal, state and local laws and regulations governing our mortgage servicing and lending activities, including, among others, the Dodd-Frank Act, the Gramm-Leach-Bliley Act, the FDCPA, the RESPA, the TILA, the Fair Credit Reporting Act, the Servicemembers Civil Relief Act, the Homeowners Protection Act, the Federal Trade Commission Act, the TCPA, the Equal Credit Opportunity Act, as well as individual state licensing and foreclosure laws, federal and local bankruptcy rules, federal and local tax regulations, and state deceptive trade practices laws. Such proceedings include wrongful foreclosure and eviction actions, bankruptcy violation actions, payment misapplication actions, allegations of wrongdoing in connection with lender-placed insurance and mortgage reinsurance arrangements, claims relating to our property preservation activities, claims related to REO management, claims relating to our written and telephonic communications with our borrowers such as claims under the TCPA and individual state laws, claims related to our payment, escrow and other processing operations, claims relating to fees imposed on borrowers relating to inspection fees, foreclosure attorneys' fees, reinstatement fees, foreclosure registration fees, payment processing, payment facilitation or payment convenience fees, claims related to ancillary products marketed and sold to borrowers, claims related to loan modifications and loan assumptions, claims related to call recordings, claims regarding certifications of our legal compliance related to our participation in certain government programs, claims related to improper occupancy inspections, and claims related to untimely recording of mortgage satisfactions. In some of these proceedings, claims for substantial monetary damages are asserted against us. For example, we are currently a defendant in various matters alleging that (1) certain fees imposed on borrowers relating to payment processing, payment facilitation or payment convenience violate the FDCPA and similar state laws, (2) certain fees we assess on borrowers are improperly assessed and/or marked up improperly in violation of applicable state and federal law, (3) we breached fiduciary duties we purportedly owe to benefit plans due to the discretion we exercise in servicing certain securitized mortgage loans, (4) certain legacy mortgage reinsurance arrangements violated RESPA, and (5) we failed to subservice loans appropriately pursuant to subservicing and other agreements. In the future, we are likely to become subject to other private legal proceedings alleging failures to comply with applicable laws and regulations, including putative class actions, in the ordinary course of our business.

In view of the inherent difficulty of predicting the outcome of any threatened or pending legal proceedings, particularly where the claimants seek very large or indeterminate damages, including punitive damages, or where the matters present novel legal theories or involve a large number of parties, we generally cannot predict what the eventual outcome of such proceedings will be, what the timing of the ultimate resolution will be, or what the eventual loss, if any, will be. Any material adverse resolution could materially and adversely affect our business, reputation, financial condition, liquidity and results of operations.

Where we determine that a loss contingency is probable in connection with a pending or threatened legal proceeding and the amount of our loss can be reasonably estimated, we record an accrual for the loss. We have accrued for losses relating to threatened and pending litigation that we believe are probable and reasonably estimable based on current information regarding these matters. Where we determine that a loss is not probable but is reasonably possible or where a loss in excess of the amount accrued is reasonably possible, we disclose an estimate of the amount of the loss or range of possible losses for the claim if a reasonable estimate can be made, unless the amount of such reasonably possible loss is not material to our financial position, results of operations or cash flows. It is possible that we will incur losses relating to threatened and pending litigation that materially exceed the amount accrued. Our accrual for probable and estimable legal and regulatory matters, including accrued legal fees, was $10.2 million at June 30, 2023. We cannot currently estimate the amount, if any, of reasonably possible losses above amounts that have been recorded at June 30, 2023.

As previously disclosed, we are subject to individual lawsuits relating to our FDCPA compliance and putative state law class actions based on the FDCPA and similar state statutes. We are currently defending class actions challenging, under state and federal law, our practice of charging borrowers a fee to use certain optional payment methods, including: *Morris v. PHH Mortg. Corp., et al.* (S.D. FL), *Torliatt v. PHH Mortg. Corp., et al.* (N.D. Ca), *Thacker v. PHH Mortg. Corp., et al.* (N.D. WV), *Forest v. PHH Mortg. Corp., et al.* (D. RI), *Williams v. PHH Mortg. Corp., et al.* (S.D. TX) and *Jones v. PHH Mortg. Corp., et al.* (D. N.J.). We have reached settlements in five of these class actions. In the *Thacker* and *Torliatt* cases, the parties executed settlement agreements which were granted final approval by the Court in November 2022. In the *Morris* class action, the parties' settlement agreement was granted final approval by the Court on June 16, 2023. In the *Williams* class action, the Court has granted preliminary approval of the settlement. Finally, we have reached a tentative settlement with the class plaintiffs in the *Forest* class action. In February 2023, the *Jones* class action was filed in federal court in New Jersey and we have filed a motion to dismiss the complaint.

In addition, we continue to be involved in legacy matters arising prior to Ocwen's October 2018 acquisition of PHH, including a putative class action filed in 2008 in the United States District Court for the Eastern District of California against PHH and related entities alleging that PHH's legacy mortgage reinsurance arrangements between its captive reinsurer, Atrium Insurance Corporation, and certain mortgage insurance providers violated RESPA. See *Munoz v. PHH Mortgage Corp. et al.* (Eastern District of California). In June 2015, the court certified a class of borrowers who obtained loans with private mortgage insurance through PHH's captive reinsurance arrangement between June 2007 and December 2009. PHH asserted numerous defenses to the merits of the case. Following pre-trial developments in August 2020, the only issues remaining for trial were whether the plaintiffs had standing to bring their claims and whether the reinsurance services provided by PHH's captive reinsurance subsidiary, Atrium, were actually provided in order for the safe harbor provision of RESPA to apply. In January 2022, the Court denied a motion by the plaintiffs to enter new evidence and a motion by PHH to decertify the class, which motion PHH may renew if the case ultimately goes to trial. Following the entry of this order, at the request of the parties, the Court dismissed all of the plaintiffs' claims for lack of standing and entered judgment in favor of PHH. The plaintiffs appealed to the United States Court of Appeals for the Ninth Circuit, and on February 24, 2023 that court reversed and remanded for further proceedings. Ocwen will continue to vigorously defend itself. Our current accrual with respect to this matter is included in the $10.2 million legal and regulatory accrual referenced above. At this time, Ocwen is unable to predict the outcome of this lawsuit or the possible loss or range of loss, if any, associated with the resolution of such lawsuit. If our efforts to defend this lawsuit are not successful, our business, reputation, financial condition, liquidity and results of operations could be materially and adversely affected.

Ocwen is a defendant in a certified class action in the U.S. District Court in the Eastern District of California where the plaintiffs claim Ocwen marked up fees for property valuations and title searches in violation of California state law. See *Weiner v. Ocwen Financial Corp., et al*. In May 2020, the court ruled that plaintiff's recoverable damages are limited to out-of-pocket costs, *i.e.*, the amount of marked-up fees actually paid, rather than the entire cost of the valuation that plaintiffs sought. Following further pre-trial developments, the Court scheduled the trial for November 27, 2023. At this time, Ocwen is unable to predict the outcome of this lawsuit or any additional lawsuits that may be filed, the possible loss or range of loss, if any, associated with the resolution of such lawsuits or the potential impact such lawsuits may have on us or our operations. Ocwen intends to vigorously defend against this lawsuit. If our efforts to defend this lawsuit are not successful, our business, financial condition liquidity and results of operations could be materially and adversely affected. Ocwen may have affirmative indemnification rights and/or other claims against third parties related to the allegations in the lawsuit. Although we may pursue these claims, we cannot currently estimate the amount, if any, of recoveries from these third parties.

We are currently involved in a dispute with a former subservicing client, HSBC Bank USA, N.A. (HSBC), which filed a complaint in the Supreme Court of the State of New York against PHH. See *HSBC Bank USA, N.A. v. PHH Mortgage Corp.* (Supreme Court of the State of New York). HSBC's claims relate to alleged breaches of agreements entered into under a prior subservicing arrangement and origination assistance agreement. In its complaint, HSBC also asserted a claim for fraud, which was dismissed by the Court. PHH has answered the complaint and has asserted counterclaims against HSBC for breach of contract. We believe we have strong factual and legal defenses to the remaining claims and are vigorously defending the action. Ocwen is currently unable to predict the outcome of this dispute or estimate the size of any loss which could result from a potential resolution reached through litigation or otherwise.

Over the past several years, lawsuits have been filed by RMBS trust investors alleging that the trustees and master servicers breached their contractual and statutory duties by (i) failing to require loan servicers to abide by their contractual obligations; (ii) failing to declare that certain alleged servicing events of default under the applicable contracts occurred; and (iii) failing to demand that loan sellers repurchase allegedly defective loans, among other things. Ocwen has received several letters from trustees and master servicers purporting to put Ocwen on notice that the trustees and master servicers may ultimately seek indemnification from Ocwen in connection with the litigations. Ocwen has not yet been impleaded into any of these cases, but it has produced and continues to produce documents to the parties in response to third-party subpoenas.

Ocwen has, however, been impleaded as a third-party defendant into five consolidated loan repurchase cases first filed against Nomura Credit & Capital, Inc. in 2012 and 2013. Ocwen is vigorously defending itself in those cases against allegations by the mortgage loan seller-defendant that Ocwen failed to inform its contractual counterparties that it had discovered defective loans in the course of servicing them and had otherwise failed to service the loans in accordance with accepted standards. Ocwen is unable at this time to predict the ultimate outcome of these matters, the possible loss or range of loss, if any, associated with the resolution of these matters or any potential impact they may have on us or our operations. If, however, we were required to compensate claimants for losses related to the alleged loan servicing breaches, then our business, reputation, financial condition, liquidity and results of operations could be adversely affected.

In addition, several RMBS trustees have received notices of events of default alleging material failures by servicers to comply with applicable servicing agreements. Although Ocwen has not been sued by an RMBS trustee in response to an event of default notice, there is a risk that Ocwen could be replaced as servicer as a result of said notices, that the trustees could take legal action on behalf of the trust certificate holders, or, under certain circumstances, that the RMBS investors who issue notices of event of default could seek to press their allegations against Ocwen, independent of the trustees. We are unable at this time to predict what, if any, actions any trustee will take in response to an event of default notice, nor can we predict at this time the potential loss or range of loss, if any, associated with the resolution of any event of default notice or the potential impact on our operations. If Ocwen were to be terminated as servicer, or other related legal actions were pursued against Ocwen, it could have an adverse effect on Ocwen’s business, reputation, financial condition, liquidity and results of operations.

Regulatory

We are subject to a number of ongoing federal and state regulatory examinations, orders, inquiries, subpoenas, civil investigative demands, requests for information and other actions. We may also on occasion be subject to foreign regulatory actions in the countries where we operate outside the U.S. Where we determine that a loss contingency is probable in connection with a regulatory matter and the amount of our loss can be reasonably estimated, we record an accrual for the loss. Where we determine that a loss is not probable but is reasonably possible or where a loss in excess of the amount accrued is reasonably possible, we disclose an estimate of the amount of the loss or range of possible losses for the claim if a reasonable estimate can be made, unless the amount of such reasonably possible loss is not material to our financial position, results of operations or cash flows. It is possible that we will incur losses relating to regulatory matters that materially exceed any accrued amount. Predicting the outcome of any regulatory matter is inherently difficult and we generally cannot predict the eventual outcome of any regulatory matter or the eventual loss, if any, associated with the outcome.

To the extent that an examination, audit or other regulatory engagement results in an alleged failure by us to comply with applicable laws, regulations or licensing requirements, or if allegations are made that we have failed to comply with applicable laws, regulations or licensing requirements or the commitments we have made in connection with our regulatory settlements (whether such allegations are made through administrative actions such as cease and desist orders, through legal proceedings or otherwise) or if other regulatory actions of a similar or different nature are taken in the future against us, this could lead to (i) administrative fines and penalties and litigation, (ii) loss of our licenses and approvals to engage in our servicing and lending businesses, (iii) governmental investigations and enforcement actions, (iv) civil and criminal liability, including class action lawsuits and actions to recover incentive and other payments made by governmental entities, (v) breaches of covenants and representations under our servicing, debt or other agreements, (vi) damage to our reputation, (vii) inability to raise capital or otherwise fund our operations and (viii) inability to execute on our business strategy. Any of these occurrences could increase our operating expenses and reduce our revenues, hamper our ability to grow or otherwise materially and adversely affect our business, reputation, financial condition, liquidity and results of operations.

CFPB

In April 2017, the CFPB filed a lawsuit in the federal district court for the Southern District of Florida against Ocwen, Ocwen Mortgage Servicing, Inc. (OMS) and OLS alleging violations of federal consumer financial laws relating to our servicing business dating back to 2014. The CFPB’s claims include allegations regarding (1) the adequacy of Ocwen’s servicing system and integrity of Ocwen's mortgage servicing data, (2) Ocwen's foreclosure practices and (3) various purported servicer errors with respect to borrower escrow accounts, hazard insurance policies, timely cancellation of private mortgage insurance, handling of customer complaints, and marketing of optional products. The CFPB alleges violations of laws prohibiting unfair, deceptive or abusive acts or practices, as well as violations of other laws or regulations. The CFPB does not claim specific monetary damages, although it does seek consumer relief, disgorgement of allegedly improper gains, and civil money penalties. The parties participated in mediation in October 2020 and subsequently held additional settlement discussions. However, the parties were unable to reach a resolution of the litigation.

On March 4, 2021, the court issued an order granting in part and reserving ruling in part on Ocwen's motion for summary judgment. In that order, the court granted Ocwen summary judgment on 9 of 10 counts in the CFPB's amended complaint, finding that the CFPB's allegations were barred under the principles of claim preclusion or *res judicata* to the extent those claims are premised on servicing activity occurring prior to February 26, 2017 and are covered by a 2014 Consent Judgment entered by the United States District Court for the District of Columbia. The CFPB subsequently filed its Second Amended Complaint to remove count 10 as well as allegations in counts 1-9 concerning servicing activity that occurred after February 26, 2017. On April 21, 2021, the court entered final judgment in our favor, denied all pending motions as moot, and closed the case. The CFPB thereafter filed a notice of appeal. On April 6, 2022, the Eleventh Circuit issued its opinion relating to the appeal, largely adopting the district court's decision precluding the CFPB from bringing claims covered by the National Mortgage Settlement, but vacating and remanding the case back to the district court to determine which, if any, claims are not covered and may still be brought by the CFPB. Neither party sought rehearing of the Eleventh Circuit's decision. Following briefing and oral argument, on May 2, 2023, the court issued an order granting in full Ocwen's motion for summary judgment on the remaining 9 counts. In that order, based on a claim by claim analysis, the court found that all of the CFPB's claims were barred under the principles of res judicata because they were premised on servicing activity covered by the 2014 Consent Judgment referenced above. Also on May 2, 2023, the court entered final judgment in our favor, denied all pending motions as moot, and closed the case. The CFPB did not appeal the court's order and therefore the case will remain closed. Our prior accrual with respect to this matter was reversed effective June 30, 2023.

State Licensing and Other Matters

Our licensed entities are required to renew their licenses, typically on an annual basis, and to do so they must satisfy the license renewal requirements of each jurisdiction, which generally include financial requirements such as providing audited financial statements or satisfying minimum net worth requirements and non-financial requirements such as satisfactorily completing examinations as to the licensee's compliance with applicable laws and regulations. Failure to satisfy any of the requirements to which our licensed entities are subject could result in a variety of regulatory actions ranging from a fine, a directive requiring a certain step to be taken, entry into a consent order, a suspension or ultimately a revocation of a license, any of which could have a material adverse impact on our results of operations and financial condition. In addition, we receive information requests and other inquiries, both formal and informal in nature, from our state financial regulators as part of their general regulatory oversight of our servicing and lending businesses, as well as from state attorneys general, the CFPB and other federal agencies, including the Department of Justice and various inspectors general. For example, we have received requests regarding the charging of certain fees to borrowers (including our practice of charging borrowers a fee to use certain optional payment methods); the post-boarding process to verify loan and payment terms are properly implemented, calculated, and applied; bankruptcy practices; COVID-19-related forbearance and post-forbearance options; and Homeowner Assistance Fund participation and implementation. Many of our regulatory engagements arise from a complaint that the entity is investigating, although some are formal investigations or proceedings. The GSEs (and their conservator, FHFA), HUD, FHA, VA, Ginnie Mae, the United States Treasury Department, and others also subject us to periodic reviews and audits, and engage with us on various matters. We have in the past resolved, and may in the future resolve, matters via consent orders, payments of monetary amounts and other agreements in order to settle issues identified in connection with examinations or other oversight activities, and such resolutions could have material and adverse effects on our business, reputation, operations, results of operations and financial condition.

Loan Put-Back and Related Contingencies

We have exposure to representation, warranty and indemnification obligations relating to our lending, loan sales and securitization activities, and servicing practices. We receive origination representations and warranties from our network of approved originators in connection with loans we purchased through our correspondent lending channel. To the extent that we have recourse against a third-party originator, we may recover part or all of any loss we may incur. We do not provide or assume any origination representations and warranties in connection with our MSR purchases.

At June 30, 2023 and June 30, 2022, we had outstanding representation and warranty repurchase demands of $39.1 million UPB (142 loans) and $51.9 million UPB (270 loans), respectively. We review each demand and monitor through resolution, primarily through rescission, loan repurchase or make-whole payment.

The following table presents the changes in our liability for representation and warranty obligations and similar indemnification obligations:

	Six Months Ended June 30,	
	2023	2022
Beginning balance (1)	$ 41.6	$ 49.4
Provision for (reversal of) representation and warranty obligations	2.1	(2.2)
New production liability	0.6	1.4
Charge-offs and other (2)	(6.2)	(5.9)
Ending balance (1)	$ 38.1	$ 42.7

(1) The liability for representation and warranty obligations and compensatory fees for foreclosures is reported in Other liabilities (a component of Liability for indemnification obligations) on our unaudited consolidated balance sheets.
(2) Includes principal and interest losses realized in connection with repurchased loans, make-whole, indemnification and fee payments and settlements net of recoveries, if any.

We believe that it is reasonably possible that losses beyond amounts currently recorded for potential representation and warranty obligations and other claims described above could occur, and such losses could have an adverse impact on our results of operations, financial condition or cash flows. However, based on currently available information, we are unable to estimate a range of reasonably possible losses above amounts that have been recorded at June 30, 2023.

Other

Ocwen, on its own behalf and on behalf of various mortgage loan investors, has engaged in a variety of activities to seek payments from mortgage insurers for unpaid claims, including claims where the mortgage insurers paid less than the full claim amount. Ocwen believes that many of the actions by mortgage insurers were in violation of the applicable insurance policies and insurance law. In some cases, Ocwen entered into tolling agreements, initiated arbitration or litigation, engaged in settlement discussions, or took other similar actions. Ocwen has now settled or otherwise resolved all of its pending mortgage insurance litigation matters.

We may, from time to time, have affirmative indemnification and other claims against service providers, parties from whom we purchased MSRs or other assets, investors or other parties. Although we pursue these claims, we cannot currently estimate the amount, if any, of further recoveries. Similarly, from time to time, indemnification and other claims are made against us by parties to whom we sold MSRs or other assets or by parties on whose behalf we service mortgage loans. We cannot currently estimate the amount, if any, of reasonably possible loss above amounts recorded.

Note 21 – Subsequent Events

On August 1, 2023, PMC sold to MAV certain GSE MSRs with a UPB of approximately $6.8 billion in a transaction which did not qualify for sale accounting and was accounted for as a secured borrowing.

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

(Dollars in millions, except per share amounts and unless otherwise indicated)

OVERVIEW

General

We are a leading non-bank mortgage servicer and originator providing solutions through our primary brands, PHH Mortgage and Liberty Reverse Mortgage. PHH Mortgage is one of the largest servicers in the country, focused on delivering a variety of servicing and lending programs. Liberty is one of the nation’s largest reverse mortgage lenders dedicated to education and providing loans that help customers meet their personal and financial needs. We serviced 1.4 million loans with a total UPB of $288.5 billion on behalf of more than 3,800 investors and 116 subservicing clients as of June 30, 2023. We service all mortgage loan classes, including conventional, government-insured, non-Agency, small-balance commercial and multi-family loans. Our Originations business is part of our balanced business model to generate gains on loan sales and profitable returns, and to support the replenishment and the growth of our servicing portfolio. Through our retail, correspondent and wholesale channels, we originate and purchase conventional and government-insured forward and reverse mortgage loans that we sell or securitize on a servicing retained basis. In addition, we grow our mortgage servicing volume through MSR flow purchase agreements, Agency Cash Window and co-issue programs, bulk MSR purchase transactions, and subservicing agreements.

The table below summarizes the volume of Originations by channel in the second quarter of 2023 compared with the preceding quarter, and the six months ended June 30, 2023 compared with the corresponding period of the prior year. The volume of Originations is a key driver of the profitability of our Originations segment, together with margins, and a key driver of the replenishment and growth of our Servicing segment. In the second quarter of 2023, we added $7.4 billion of new volume, with $2.6 billion of new subservicing and $4.7 billion of non-bulk new servicing, as further detailed in the below table.

$ in billions	**UPB**				**$ Change**	
	Three Months Ended		**Six Months Ended**			
	June 30, 2023	**March 31, 2023**	**June 30, 2023**	**June 30, 2022**	**Q2 2023 vs Q1 2023**	**YTD 2023 vs YTD 2022**
Mortgage servicing originations						
Retail - Consumer Direct MSR (1)	0.1	$ 0.1	0.2	$ 1.0	$ —	$ (0.8)
Correspondent MSR (1)	2.6	2.4	5.1	6.6	0.2	(1.5)
Flow and Agency Cash Window MSR purchases (2)	1.8	1.8	3.6	7.3	—	(3.7)
Reverse mortgage servicing (3)	0.2	0.1	0.3	1.0	—	(0.7)
Total servicing	4.7	4.5	9.2	15.9	0.3	(6.7)
Bulk purchases (2)	—	0.2	0.2	—	(0.2)	0.2
Bulk purchases - reverse (2)	0.1	—	0.1	0.2	0.1	(0.1)
Total servicing additions	4.8	4.7	9.5	16.1	0.1	(6.6)
Interim forward subservicing	1.7	1.2	2.9	8.2	0.5	(5.3)
Other new forward subservicing	0.9	11.5	12.4	9.8	(10.6)	2.6
Reverse subservicing	—	0.1	0.1	13.1	(0.1)	(13.0)
Total Subservicing additions (4)	2.6	12.8	15.4	31.2	(10.2)	(15.8)
Total servicing and subservicing UPB additions	$ 7.4	$ 17.5	24.9	$ 47.3	$ (10.1)	$ (22.4)

(1) Represents the UPB of loans that have been originated or purchased (funded) during the respective periods and for which we recognize a new MSR on our consolidated balance sheets upon sale or securitization.
(2) Represents the UPB of loans for which the MSR is purchased.
(3) Represents the UPB of reverse mortgage loans that have been securitized on a servicing retained basis. The loans are recognized on our consolidated balance sheets under GAAP without any separate recognition of MSRs.
(4) Includes interim subservicing, including the volume of UPB associated with short-term interim subservicing for certain clients as a support to their originate-to-sell business.

The following table summarizes the average volume of our Servicing segment during the second quarter of 2023 compared with the preceding quarter, and the six months ended June 30, 2023 compared with the corresponding period of the prior year. The average servicing volume is a key driver of the profitability of our Servicing segment. The relative weight of performing and delinquent loans or servicing and subservicing also drive the gross revenue and expenses, and their timing.

$ in billions	Average UPB				$ Change	
	Three Months Ended		Six Months Ended			
	June 30, 2023	**March 31, 2023**	**June 30, 2023**	**June 30, 2022**	**Q2 2023 vs Q1 2023**	**YTD 2023 vs YTD 2022**
Owned MSR	$ 126.0	$ 127.0	$ 126.3	$ 120.9	$ (1.0)	$ 5.4
Rithm (formerly NRZ) and others	50.1	48.8	49.6	53.6	1.2	(4.1)
MAV	50.3	49.3	49.5	38.6	1.0	10.9
Subservicing (including interim subservicing)	58.0	60.6	58.9	57.5	(2.5)	1.4
Reverse mortgage loans (owned)	7.7	7.6	7.7	7.3	0.1	0.4
Commercial and other servicing	1.0	0.8	0.9	0.8	0.2	—
Total serviced and subserviced UPB (average)	$ 293.1	$ 294.0	$ 292.9	$ 278.7	$ (0.9)	$ 14.1

As of June 30, 2023 and March 31, 2023, the total serviced and subserviced UPB amounted to $288.5 billion and $298.5 billion, respectively, a net decrease of $9.9 billion or 3%.

Financial Highlights

Results of operations for the second quarter of 2023

- Net income of $15.5 million, or $2.02 per share basic and $1.95 per share diluted
- Servicing and subservicing fee revenue of $237.6 million
- Originations gain on sale of $10.2 million
- $14.6 million MSR valuation loss in Servicing attributable to rate and assumption changes, net of hedging

Financial condition at the end of the second quarter of 2023

- Stockholders’ equity of $433.8 million, or $56.50 book value per common share
- MSR investment of $2.7 billion, up $10.5 million, and a $0.9 billion decrease in the average serviced and subserviced UPB in the quarter
- Cash position of $213.4 million
- Total assets of $13.2 billion

Business Initiatives

We established the following key operating objectives to return to sustainable profitability and drive improved value for shareholders. As our near-term priority remains to return to sustainable profitability, we continue to execute our strategy around these objectives:

- Leveraging the core strengths of our balanced and diversified business model through a continued focus on servicing and maintaining agility to address a potential recession;
- Driving prudent growth adapted for the environment, including emphasis on subservicing to drive servicing portfolio UPB growth and expansion of higher margin originations products and clients;
- Reducing cost structure across the organization to achieve industry cost leadership by maintaining continuous cost improvement discipline and optimizing technology, global operations, and scale;
- Optimizing liquidity, diversifying capital sources, including leveraging our MSR asset vehicle with Oaktree and expanding our multi-investor partnership model to fund new MSR originations, repositioning for higher rates and allocating capital to deliver value for shareholders.

Our growth strategy includes acquiring assets and/or operations of complementary businesses, by means of acquisition, merger or other transaction forms. Our strategy may also include pursuing large transactions, including bulk purchases or sales of MSRs. We have engaged in such transactions in the past, and we continue to explore opportunities that may be accretive to our business and stockholders’ value.

Results of Operations and Financial Condition

The following discussion and analysis of our results of operations and financial condition should be read in conjunction with our unaudited consolidated financial statements and the related notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q and with our audited consolidated financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations appearing in our Annual Report filed on Form 10-K for the fiscal year ended December 31, 2022.

	Three Months Ended			Six Months Ended		
Condensed Results of Operations	**June 30, 2023**	**March 31, 2023**	**% Change**	**June 30, 2023**	**June 30, 2022**	**% Change**
Revenue	$ 272.0	$ 261.8	4%	533.9	$ 453.7	18 %
MSR valuation adjustments, net	(48.9)	(69.0)	(29)	(117.9)	57.5	(305)
Operating expenses	84.3	114.1	(26)	198.4	271.4	(27)
Other income (expense), net	(122.5)	(117.0)	5	(239.5)	(169.1)	42
Income (loss) before income taxes	16.3	(38.3)	(143)	(22.0)	70.8	(131)
Income tax expense (benefit)	0.9	1.9	(53)	2.7	2.3	19
Net income (loss)	$ 15.5	$ (40.2)	(138)%	$ (24.7)	$ 68.4	(136)%
Segment income (loss) before income taxes						
Servicing	$ 7.1	$ (13.0)	(155)%	$ (5.8)	$ 117.4	(105)%
Originations	(1.3)	(2.7)	(50)	(4.0)	(4.7)	(14)
Corporate Items and Other	10.5	(22.6)	(147)	(12.2)	(41.9)	(71)
	$ 16.3	$ (38.3)	(143)%	$ (22.0)	$ 70.8	(131)%

Ocwen reported $15.5 million net income in the second quarter of 2023, an improvement of $55.6 million or 138% as compared to the $40.2 million net loss in the first quarter of 2023, mostly driven by higher interest rates, higher origination volume and resolution of the CFPB matter as follows:

- A $10.3 million increase in revenue, primarily due to a $3.5 million increase in Servicing revenue and a $4.6 million increase in Originations revenue. The increase in Servicing revenue is mostly due to an increase in float earnings, with higher interest rates, and reverse ancillary income. Gains on reverse loan buyouts opportunistically acquired at a discount, were offset by unrealized fair value losses on reverse loans held for investment and HMBS-related borrowings, net driven by higher market interest rates and widening yield spreads. The increase in Originations revenue is due to an increase in gains on forward loans, with both higher volumes and margins, offset by lower gains on reverse loans due to lower margins.
- A $20.1 million lower loss on MSR valuation adjustments, net primarily due to a $20.3 million decrease in the loss attributed to rate and assumption change, mostly driven by unfavorable assumption updates to reflect market participant perspectives and actual trade levels, and the favorable impact of an increase in market interest rates in the current quarter vs. a decline in the prior quarter.
- A $29.8 million decrease in operating expenses, primarily due to a $30.2 million reduction in Professional services due to the reversal of our accrual related to the CFPB matter resolved during the second quarter of 2023 and certain recoveries of prior years' legal expenses from a private mortgage insurer offset by non-reimbursable legal expense.
- A $5.5 million increase in Other, net expense, largely due to an increase in early payoff protection expense in connection with our MSR sale transactions.

Total Revenue

The below table presents total revenue by segment and at the consolidated level:

	Three Months Ended			Six Months Ended		
Revenue	**June 30, 2023**	**March 31, 2023**	**% Change**	**June 30, 2023**	**June 30, 2022**	**% Change**
Servicing	$ 248.5	$ 245.0	1 %	$ 493.5	$ 382.4	29 %
Originations	19.3	14.8	31	34.1	81.3	(58)
Corporate	4.2	2.0	107	6.2	3.4	82
Total segment revenue (1)	$ 272.0	$ 261.8	4	$ 533.8	$ 467.1	14

(1) Refer to Note 17 – Business Segment Reporting. for a reconciliation to Total revenue for the six months ended June 30, 2022.

Total segment revenue for the three months ended June 30, 2023 increased $10.2 million, or 4% as compared to the three months ended March 31, 2023, mostly due to a $3.5 million increase in Servicing revenue and a $4.6 million increase in Originations revenue.

- The increase in Servicing revenue is mostly due to a $5.4 million increase in float earnings, $15.7 million total gains on reverse loan buyouts opportunistically acquired at a discount, partially offset by $18.1 million unrealized fair value losses on reverse loans held for investment and HMBS-related borrowings, net driven by higher market interest rates and widening yield spreads.
- The increase in Originations revenue is mostly driven by a $6.1 million increase in gains on forward loans, with both higher volumes and margins, offset by $2.3 million lower gains on reverse loans due to lower margins.

As compared to the six months ended June 30, 2022, total segment revenue for the six months ended June 30, 2023 was $66.7 million or 14% higher, primarily due to a $111.1 million increase in Servicing revenue offset by a $47.2 million decrease in Originations revenue.

- The increase in Servicing revenue is mostly due to a $43.6 million increase in float earnings due to higher interest rates, $40.8 million unrealized fair value gains on the reverse loans held for investment and HMBS-related borrowings, net driven by higher interest rates and yields, $15.7 million total gains on reverse loan buyouts opportunistically acquired at a discount and an $8.8 million loss reported in the second quarter of 2022 on certain delinquent and aged loans repurchased in connection with the Ginnie Mae EBO program.
- The decrease in Originations revenue is primarily driven by a $29.4 million decrease in gains on reverse loans with a 67% decline in volume, and a $11.0 million decrease in gains on forward loans, driven by lower recapture volume in the context of rising interest rates at a historic pace .

MSR Valuation Adjustments, Net

Refer to the Servicing and Originations segments for a discussion and analysis of MSR valuation adjustments, net and Note 17 – Business Segment Reporting for a reconciliation to the segments.

Operating Expenses

	Three Months Ended			Six Months Ended		
	June 30, 2023	**March 31, 2023**	**% Change**	**June 30, 2023**	**June 30, 2022**	**% Change**
Compensation and benefits	$ 57.7	$ 58.0	— %	$ 115.7	$ 151.9	(24)%
Servicing and origination	17.6	15.7	13	33.3	33.3	—
Technology and communications	13.0	13.4	(3)	26.4	29.6	(11)
Professional services	(16.9)	13.3	(227)	(3.6)	20.9	(117)
Occupancy and equipment	7.7	8.8	(13)	16.5	19.7	(16)
Other expenses	5.1	4.9	5	10.1	16.1	(37)
Total operating expenses	$ 84.3	$ 114.0	(26)%	$ 198.4	$ 271.4	(27)%

Compensation and benefits expense for the three months ended June 30, 2023 remained flat, as compared to the three months ended March 31, 2023, with certain offsetting items. Salaries and benefits decreased $1.5 million due to a 3% reduction in total average headcount and severance expense decreased $2.5 million, as mostly recognized in the prior quarter. Incentive compensation increased $3.1 million, driven by an increase in expense for cash-settled share-based awards due to the increase in our common stock price during the second quarter of 2023.

As compared to the six months ended June 30, 2022, Compensation and benefits expense for the six months ended June 30, 2023 decreased $36.2 million, or 24% largely due to a $30.6 million decrease in salaries and benefits. Our total average headcount declined 18%, driven by a 58% decline in Originations average headcount as part of our efforts to right size resources to market opportunities, and a 27% reduction in our average U.S. based Servicing headcount, reflecting our goal to improve efficiencies and create an industry leading cost structure. In addition, commissions decreased by $8.9 million due to lower production volume and headcount in our Originations segment and severance expense decreased by $2.1 million, offset in part by a $7.4 million increase in incentive compensation. The increase in incentive compensation is primarily due to an increase in expense for cash-settled share-based awards due to the increase in our common stock price.

Professional services expense for the three months ended June 30, 2023 decreased $30.2 million, as compared to the three months ended March 31, 2023, primarily due to the reversal of our accrual related to the CFPB matter resolved during the three months ended June 30, 2023 and certain recoveries of prior years' legal expenses from a private mortgage insurer offset by non-reimbursable legal expenses. See Note 20 – Contingencies for additional information regarding the closing of the CFPB matter.

As compared to the six months ended June 30, 2022, Professional services expense for the six months ended June 30, 2023 decreased $24.5 million, primarily due to a $16.3 million decline in legal expense and a $6.5 million decrease in other professional fees. The decline in legal expenses is largely due to the reversal of our accrual related to the CFPB matter resolved during the second quarter of 2023 and a reduction in expenses related to other legal matters, offset by a $17.5 million reduction in recoveries of prior year expenses ($3.5 million in the six months ended June 30, 2023 vs. $21.0 million in the six months ended June 30, 2022). The decrease in other professional fees is primarily due to our cost saving initiatives related to our reverse subservicing business and outsourced resources utilized in our Originations business.

Technology and communications expense for the three months ended June 30, 2023 was mostly flat as compared to the three months ended March 31, 2023. As compared to the six months ended June 30, 2022, Technology and communication expense for the six months ended June 30, 2023 decreased $3.2 million mainly due to lower Originations volume, reduced headcount and cost reduction initiatives.

Occupancy and equipment expense declined $1.1 million for the three months ended June 30, 2023 as compared to the three months ended March 31, 2023 and $3.2 million for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022, primarily due to our exit or downsize of certain leased office facilities in the second half of 2022, including our exit from our New Jersey leased office facility, and lower mailing costs in our Originations segment due to lower production volumes.

Other expenses for the three months ended June 30, 2023 remained mostly flat as compared to the three months ended March 31, 2023. As compared to the six months ended June 30, 2022, Other expenses for the six months ended June 30, 2023 decreased $5.9 million mainly due to a $3.1 million decrease in advertising expense in our Originations segment due to lower production volumes and a $2.0 million decline in bank charges due to higher earnings credits as a result of higher interest rates.

Other Income (Loss)

	Three Months Ended			Six Months Ended		
	June 30, 2023	**March 31, 2023**	**% Change**	**June 30, 2023**	**June 30, 2022**	**% Change**
Net interest expense	$ (48.0)	$ (48.2)	—	$ (96.2)	$ (58.9)	63
Pledged MSR liability expense	(73.0)	(70.3)	4	(143.3)	(122.7)	17
Earnings of equity method investee	2.9	0.3	n/m	3.1	15.9	(80)
Other, net	(4.4)	1.2	(474)	(3.2)	(3.5)	(9)
Total other income (expense), net	$ (122.5)	$ (117.0)	5	$ (239.5)	$ (169.1)	42

Net interest expense for three months ended June 30, 2023 remained flat as compared to the three months ended March 31, 2023, with higher interest income due to a higher loan balance largely offset by higher interest expense to finance such loan balance increase.

As compared to the six months ended June 30, 2022, Net interest expense for the six months ended June 30, 2023 increased $37.3 million, primarily due to higher cost of funds of our servicing asset-backed financing facilities driven by a more than 400 basis points increase in market interest rates, and the repayment of a lower cost servicing advance facility during the third quarter of 2022.

Refer to Servicing segment for discussion and analysis of Pledged MSR liability expense and Earnings of equity method investee.

Income Tax Benefit (Expense)

	Three Months Ended			Six Months Ended		
	June 30, 2023	**March 31, 2023**	**% Change**	**June 30, 2023**	**June 30, 2022**	**% Change**
Income tax expense	$ 0.9	$ 1.9	(53)%	$ 2.7	$ 2.3	19 %
Income (loss) before income taxes	$ 16.3	$ (38.3)	(143)%	$ (22.0)	$ 70.8	(131)%
Effective tax rate	5.4 %	(4.9)%	(211)%	(12.5)%	3.3 %	(482)%

Our effective tax rate for the periods indicated in the table above differs from the federal statutory income tax rate primarily due to the full valuation allowance recorded on our net U.S. federal and state deferred tax assets. We conduct periodic evaluations of positive and negative evidence to determine whether it is more likely than not that the deferred tax asset can be realized in future periods. In these evaluations, we give more significant weight to objective evidence, such as our actual financial condition and historical results of operations, as compared to subjective evidence, such as projections of future taxable income or losses. The U.S. jurisdiction is in a cumulative loss position for the three-year period ended June 30, 2023. We recognize that cumulative losses in recent years is an objective form of negative evidence in assessing the need for a valuation allowance and that such negative evidence is difficult to overcome. Other factors considered in these evaluations are estimates of future taxable income, future reversals of temporary differences, taxable income in prior carryback years, and the impact of tax planning strategies that may be implemented, if warranted. We evaluated all positive and negative evidence and determined that a full valuation allowance at June 30, 2023 remains appropriate. The income tax expense (benefit) is primarily comprised of income taxes in foreign jurisdictions and changes in uncertain tax positions. Also refer to Note 19 - Income Taxes to the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2022 for further details on deferred tax assets.

The $0.9 million income tax expense recognized in the three months ended June 30, 2023 was driven primarily by projected income tax expense related to pre-tax earnings in foreign jurisdictions as well as income tax expense for the accrual of additional interest and penalties on uncertain tax positions. The $1.9 million income tax expense recognized in the three months ended March 31, 2023 was driven primarily by projected income tax expense related to pre-tax earnings in foreign jurisdictions as well as income tax expense for the accrual of additional interest and penalties on uncertain tax positions.

For the six months ended June 30, 2022, income tax expense of $2.3 million was driven primarily by income tax expense related to pre-tax earnings and income tax benefit related to the favorable resolution of an uncertain tax position. As compared with the six months ended June 30, 2022, income tax expense for the six months ended June 30, 2023 increased by $0.4 million primarily due to a reduction in projected income tax expense in foreign jurisdictions, offset by a reduction in income tax benefit related to the favorable resolution of uncertain tax positions and an increase in income tax expense related to interest and penalties. The decline in the effective tax rate is primarily due to the $92.8 million decrease in pre-tax earnings in the six months ended June 30, 2023 compared to the same period in 2022, as well as a reduction in projected income tax expense in foreign jurisdictions and a reduction in income tax benefit related to the favorable resolution of uncertain tax positions.

Under our transfer pricing agreements, our operations in India and Philippines are compensated on a cost-plus basis for the services they provide, such that even when we have a consolidated pre-tax loss from operations these foreign operations have taxable income, which is subject to statutory tax rates in these jurisdictions that are higher than the U.S. statutory rate of 21%.

Financial Condition

Financial Condition Summary	**June 30, 2023**	**December 31, 2022**	**$ Change**	**% Change**
Cash	$ 213.4	$ 208.0	$ 5.4	3 %
Restricted cash	119.1	66.2	52.9	80
MSRs, at fair value	2,675.7	2,665.2	10.5	—
Advances, net	602.7	718.9	(116.2)	(16)
Loans held for sale	1,356.5	622.7	733.8	118
Loans held for investment, at fair value	7,680.7	7,510.8	170.0	2
Receivables	188.6	180.8	7.8	4
Investment in equity method investee	34.6	42.2	(7.6)	(18)
Premises and equipment, net	16.9	20.2	(3.3)	(16)
Other assets	327.6	364.2	(36.6)	(10)
Total assets	$ 13,216.0	$ 12,399.2	$ 816.8	7 %
Total Assets by Segment				
Servicing	$ 11,682.1	$ 11,535.0	$ 147.1	1 %
Originations	1,249.9	570.5	679.4	119
Corporate Items and Other	284.0	293.7	(9.7)	(3)
	$ 13,216.0	$ 12,399.2	$ 816.8	7 %
HMBS-related borrowings, at fair value	$ 7,486.4	$ 7,326.8	$ 159.6	2 %
Other financing liabilities, at fair value	1,274.0	1,137.4	136.6	12
Advance match funded liabilities	430.4	513.7	(83.2)	(16)
Mortgage loan financing facilities, net	1,515.0	702.7	812.3	116
MSR financing facilities, net	864.8	953.8	(89.1)	(9)
Senior notes, net	605.0	599.6	5.5	1
Other liabilities	606.6	708.5	(101.9)	(14)
Total liabilities	12,782.2	11,942.5	839.7	7 %
Total stockholders' equity	433.8	456.7	(22.9)	(5)
Total liabilities and equity	$ 13,216.0	$ 12,399.2	$ 816.8	7 %
Total Liabilities by Segment				
Servicing	$ 11,238.0	$ 11,049.0	$ 189.1	2 %
Originations	1,230.9	544.2	686.6	126
Corporate Items and Other	313.3	349.3	(36.0)	(10)
	$ 12,782.2	$ 11,942.5	$ 839.7	7 %
Book value per share	$ 56.50	$ 60.68	$ (4.18)	(7)%

Total assets increased $816.8 million, or 7%, between December 31, 2022 and June 30, 2023 due to a $733.8 million increase in our loans held for sale portfolio mostly driven by forward loan production volumes higher than sales, and a $170.0 million fair value increase in reverse Loans held for investment, mostly driven by capitalization of interest. These increases were offset in part by a $116.2 million decline in servicing advances that was mainly due to seasonal reduction of escrow balances. Our MSR portfolio remained largely stable (increased by $10.5 million or 0.4%) with newly originated and acquired MSRs more than offsetting portfolio runoff.

Total liabilities increased by $839.7 million, or 7%, as compared to December 31, 2022, with similar effects as described above. Our borrowings under mortgage loan financing facilities increased $812.3 million due to the higher loans held for sale balance at June 30, 2023, including the issuance of the OLIT Notes in connection with the securitization of reverse mortgage loan buyouts. Our HMBS-related borrowings increased by $159.6 million mostly due to fair value changes attributable to interest. The $136.6 million increase in Other financing liabilities is primarily due to the issuance of ESS financing liabilities and Pledged MSR liabilities in connection with MSR transfers that did not qualify for sale accounting. This increase in Other financial liabilities allowed for the repayment of MSR financing facilities, driving an $89.0 million decrease. This shift in financing instruments is the result of our strategy to use capital partners and further de-risk our MSR exposure. Advance match funded liabilities decreased $83.2 million consistent with the decline in servicing advances discussed above.

Total equity decreased $22.9 million during the six months ended June 30, 2023 mostly due to the $24.7 million net loss for the period.

Key Trends

The following discussion provides information regarding certain key drivers of our financial performance and includes certain forward-looking statements that are based on the current beliefs and expectations of Ocwen's management and are subject to significant risks and uncertainties. Refer to Forward-Looking Statements beginning on page 2 of this Form 10-Q and Part I, Item 1.A. of our Annual Report on Form 10-K for the year ended December 31, 2022, for discussion of certain of those risks and uncertainties and other factors that could cause Ocwen's actual results to differ materially because of those risks and uncertainties. There is no assurance that actual results will be in line with the outlook information set forth below, and Ocwen does not undertake to update any forward-looking statements. Also refer to the Segment results of operations section for further detail, the description of our business environment, initiatives and risks.

Servicing and subservicing fee revenue - Our servicing fee revenue is a function of the volume being serviced - UPB for servicing fees and loan count for subservicing fees. We expect we will continue to modestly grow our servicing portfolio through our multi-channel Originations platform and through MAV and other capital partners, with an emphasis on subservicing. We have added $117.6 billion subservicing UPB since June 30, 2021.

Gain on sale of loans held for sale - Our gain on sale is driven by both volume and margin and is channel-sensitive. The industry outlook for loan origination for the remainder of 2023 and early 2024 remains largely depressed, with historical low origination volumes and elevated mortgage interest rates . We expect recapture volumes in our Consumer Direct channel to remain at depressed levels absent any significant interest rate decrease and expect competitive pressure on margins across all channels. We expect to continue to prudently manage our Correspondent volume at margins that are accretive to the business.

Gain on reverse loans held for investment and HMBS-related borrowings, net - The reverse mortgage origination gain is driven by the same factors as gain on sale of loans held for sale, with smaller volumes in the reverse mortgage market and generally larger margins. With our experience and brand in the marketplace, we expect to continue to maintain or prudently grow our portfolio albeit with some channel mix changes. We expect continued uncertain market interest rate and spread conditions. The fair value of the net reverse servicing asset is expected to continue to follow market conditions, with fair value gains or losses generally associated with declining or increasing interest rates, respectively, and is part of our forward MSR hedging strategy.

MSR valuation adjustments, net - Our net MSR fair value changes include multiple components. First, amortization of our investment is a function of the UPB, capitalized value of the MSR relative to the UPB, and the level of scheduled payments and prepayments. We expect the MSR realization of expected cash flows to follow the growth of our MSR portfolio offset by the growth of ESS financing liabilities. Second, MSR fair value changes are driven by changes in interest rates and assumptions, such as forecasted prepayments. Third, the MSR fair value changes are partially offset by derivative fair value changes that economically hedge the MSR portfolio. We are exposed to increased interest rate volatility due to our interest rate sensitive GSE MSR portfolio. Our hedging strategy provides only partial hedge coverage and we would expect net MSR fair value losses if interest rates drop and conversely, net MSR fair value gains if interest rates rise, also dependent on our hedge coverage ratio. We expect that, other things being equal, the magnitude of the fair value changes of the MSR portfolio due to market interest rates, net of the MSR hedges, to decrease if our hedge coverage ratio increases, or vice versa. Refer to the sensitivity analysis in Item 3 - Quantitative and Qualitative Disclosures About Market Risk for further detail.

Operating expenses - Compensation and benefits are a significant component of our cost-to-service and cost-to-originate and is directly correlated to headcount levels. Headcount in Servicing is primarily driven by the number of loans or UPB being serviced and subserviced, and by the relative mix of performing, delinquent and defaulted loans. As servicing volume is expected to modestly increase (see above), we expect a stable workforce. We expect to continue to right-size and prudently manage our Originations headcount and operating expenses to align with funded volume. Our operating expenses are expected to correlate with volumes, with some productivity and efficiencies expected through our technology and continuous improvement initiatives. Elevated inflation may result in higher operating expenses due to increases in salaries and benefits and rates charged by our vendors.

SEGMENT RESULTS OF OPERATIONS

Our activities are organized into two reportable business segments that reflect our primary lines of business - Servicing and Originations - as well as a Corporate Items and Other segment.

SERVICING

We earn contractual monthly servicing fees pursuant to servicing agreements pertaining to MSRs we own, which are typically payable as a percentage of UPB, as well as ancillary fees, including late fees, modification incentive fees, REO referral commissions, float earnings and convenience or other loan collection fees, where permitted. We also earn fees under both subservicing and special servicing arrangements with banks and other institutions, including Rithm and MAV, who own the MSRs. Subservicing and special servicing fees are earned either as a percentage of UPB or on a per-loan basis. Subservicing per-loan fees typically vary based on type of investor and on loan delinquency status.

As of June 30, 2023, we serviced 1.4 million mortgage loans with an aggregate UPB serviced and subserviced of $288.5 billion. The average UPB during the second quarter of 2023 was flat compared to the first quarter of 2023. Compared to the six months ended June 30, 2022, the average UPB during the six months ended June 30, 2023 increased by 5% or $14.1 billion. We manage the size of our servicing portfolio with our Originations business and by selectively purchasing MSRs based on capital allocation and financial return targets.

The financial performance of our servicing segment is impacted by the changes in fair value of the MSR portfolio due to changes in market interest rates, among other factors. Our MSR portfolio is carried at fair value, with changes in fair value recorded in earnings, within MSR valuation adjustments, net. The fair value of our MSRs is typically correlated to changes in market interest rates; as interest rates decrease, the value of the servicing portfolio typically decreases as a result of higher anticipated prepayment speeds, and the reverse is true. The sensitivity of MSR fair value to interest rates is typically higher for higher credit quality loans, such as our Agency loans. Our Non-Agency portfolio is significantly seasoned, with an average loan age of approximately 18 years, exhibiting little response to movements in market interest rates. Our hedging strategy is designed to partially reduce the volatility of the MSR portfolio to interest rates.

Concentration

Rithm (formerly NRZ) and MAV are our largest subservicing clients.

Rithm accounted for 16% and 27% of the total serviced UPB and loan count, respectively, in our servicing portfolio as of June 30, 2023, and 68% of all delinquent loans. Rithm servicing fees retained by Ocwen represented approximately 9% of the total servicing and subservicing fees earned by Ocwen, net of servicing fees remitted to Rithm during the second quarter of 2023.Consistent with a subservicing relationship, Rithm is responsible for funding the advances we service on its behalf. The servicing agreement expires on December 31, 2023 with subsequent automatic one-year renewals unless notice of termination is provided.

MAV represented 16% and 12% of our total servicing portfolio UPB and loan count, respectively, as of June 30, 2023. MAV servicing fees retained by Ocwen represented approximately 2% of the total servicing and subservicing fees earned by Ocwen, net of servicing fees remitted to MAV, during the second quarter of 2023. PMC has exclusive rights to service the mortgage loans underlying MSRs owned by MAV. MAV provides us with a source of additional subservicing volume, either with the MSRs that MAV purchases outright from third parties or with the MSRs that MAV purchases from PMC. Refer to Note 10 - Investment in Equity Method Investee and Related Party Transactions.

Loan Resolutions

We have a strong track record of success as a leader in the servicing industry in foreclosure prevention and loss mitigation that helps homeowners stay in their homes and improves financial outcomes for mortgage loan investors. Reducing delinquencies also enables us to recover advances and recognize additional ancillary income, such as late fees, which we do not recognize on delinquent loans until they are brought current. Loan resolution activities address the pipeline of delinquent loans and generally lead to (i) modification of the loan terms, (ii) repayment plan alternatives, (iii) a discounted payoff of the loan (e.g., a “short sale”), or (iv) foreclosure or deed-in-lieu-of-foreclosure and sale of the resulting REO. Loan modifications must be made in accordance with the applicable servicing agreement as such agreements may require approvals or impose restrictions upon, or even forbid, loan modifications. To select an appropriate loan modification option for a borrower, we perform a structured analysis, using a proprietary model, of all options using information provided by the borrower as well as external data, including recent broker price opinions to value the mortgaged property. Our proprietary model includes, among other things, an assessment of re-default risk.

Advance Obligation

As a servicer, we are generally obligated to advance funds in the event borrowers are delinquent on their monthly mortgage related payments. We advance principal and interest (P&I Advances), taxes and insurance (T&I Advances) and legal fees, property valuation fees, property inspection fees, maintenance costs and preservation costs on properties that have been foreclosed (Corporate Advances). For certain loans in non-Agency securitization trusts, we have the ability to cease making P&I advances and immediately recover advances previously made from the general collections of the respective trust if we determine that our P&I advances cannot be recovered from the projected future cash flows. With T&I and Corporate advances, we continue to advance if net future cash flows exceed projected future advances without regard to advances already made.

Most of our advances have the highest reimbursement priority (i.e., they are “top of the waterfall”) so that we are entitled to repayment from respective loan or REO liquidation proceeds before any interest or principal is paid on the bonds that were issued by the trust. In the majority of cases, advances in excess of respective loan or REO liquidation proceeds may be recovered from pool-level proceeds. The costs incurred in meeting these obligations consist principally of the interest expense incurred in financing the servicing advances. Most subservicing agreements, including our agreements with Rithm, provide for prompt reimbursement of any advances from the owner of the servicing rights.

Significant Variables

The following factors could significantly impact the results of our Servicing segment from period to period.

Aggregate UPB and Loan Count. Servicing fees are generally earned as a percentage of UPB and subservicing fees are earned on a per-loan basis or as a percentage of UPB. As a result, the change in aggregate UPB and loan count for which we have servicing rights or subservicing rights will directly impact our revenue contributed by our Servicing segment. Aggregate UPB and loan count decline as a result of portfolio run-off and increase to the extent we retain MSRs from new originations or engage in MSR acquisitions.

Cost to Service and Operating Efficiency. Our operating results for our Servicing segment are heavily dependent on our ability to scale our operations to cost-effectively and efficiently perform servicing activities in accordance with our servicing agreements.

Delinquencies. Delinquencies impact our financial results and operating cash flows for our Servicing segment. Non-performing loans are more expensive to service because the loss mitigation activities that we must undertake to keep borrowers in their homes or to foreclose, if necessary, are costlier than the activities required to service a performing loan. These loss mitigation activities include increased contact with the borrower for collection and the development of forbearance plans or loan modifications by highly skilled associates who command higher compensation as well as the higher compliance costs associated with these, and similar activities. While the higher cost is somewhat offset by ancillary fees for severely delinquent loans or loans that enter the foreclosure process, the incremental revenue opportunities are generally not sufficient to cover our increased costs.

In addition, when borrowers are delinquent, the amount of funds that we are required to advance to the investors increases. We utilize servicing advance financing facilities, which are asset-backed (i.e., match funded liabilities) securitization facilities, to finance a portion of our advances. As a result, increased delinquencies result in increased interest expense.

Prepayment Speed. The rate at which portfolio UPB declines can have a significant impact on our Servicing segment. Items reducing UPB include scheduled and unscheduled principal payments (runoff), refinancing, loan modifications involving forgiveness of principal, voluntary property sales and involuntary property sales such as foreclosures. Prepayment speed impacts future servicing fees, runoff and valuation of MSRs, float earnings on float balances and interest expense on advances. Increases in anticipated lifetime prepayment speeds generally cause MSR valuation adjustments to increase because MSRs are valued based on total expected servicing income over the life of a portfolio. The converse is true when expectations for prepayment speeds decrease.

Reverse Mortgages

Our business activities include both the subservicing of reverse mortgage loans on behalf of investors and the servicing of our owned portfolio.

The activities and financial performance related to reverse mortgage loans that are securitized and classified as held for investment, at fair value, together with the HMBS-related borrowings, at fair value (internally identified as our Reverse Owned Servicing business) are reflected in the Servicing segment, consistent with how the activities are managed and internally reported. Once a reverse mortgage loan is securitized, our activities are generally consistent with other loan servicing as described above, with the following variations.

Under the terms of ARM-based HECM loan agreements, the borrowers have additional borrowing capacity of $1.8 billion at June 30, 2023. These draws or tails are funded by the servicer and are subsequently securitized. We do not incur any substantive underwriting, marketing or compensation costs in connection with any future draws, although we must maintain sufficient capital resources and available borrowing capacity to ensure that we are able to fund these future draws prior to securitization with Ginnie Mae (generally less than 30 days).

As an HMBS issuer, we assume certain obligations related to each security issued. In addition to our obligation to fund tails, the most significant obligation is the requirement to purchase loans out of the Ginnie Mae securitization pools once they reach 98% of the maximum claim amount (MCA repurchases or active buyouts). Active repurchased loans or buyouts are assigned to HUD and payment is received from HUD through a claims process, generally within 90 days. HUD reimburses us for the outstanding principal balance on the loan up to the maximum claim amount; we bear the risk of exposure if the outstanding balance on a loan exceeds the maximum claim amount. Inactive repurchased loans or buyouts (loans that are in default for one of the following reasons - title conveyances or the borrower is deceased, no longer occupies the property or is delinquent on tax and insurance payments) are generally liquidated through foreclosure and subsequent sale of REO. State specific foreclosure and REO liquidation timelines have a significant impact on the timing and amount of our recovery. If we are unable to sell the property securing the inactive reverse loan for an acceptable price within the timeframe established by HUD (six months), we are required to make an appraisal-based claim to HUD. In such cases, HUD reimburses us for the loan balance, eligible expenses and interest, less the appraised value of the underlying property. Thereafter, all the risks and costs associated with maintaining and liquidating the property remains with us; we may incur additional losses on REO properties as they progress through the liquidation processes related to delayed timelines due to market conditions, sales commissions, property preservation costs or property tax and insurance advances. The significance of future losses associated with appraisal-based claims is dependent upon the volume of inactive loans, condition of foreclosed properties and the general real estate market.

The Gain on reverse loans held for investment and HMBS-related borrowings, net reported within the Servicing segment includes the net fair value changes of securitized reverse mortgage loans held for investment and HMBS-related borrowings, for which we elected the fair value accounting option. The net fair value changes of the reverse mortgage loans and related borrowings reported within the Servicing segment include the following:

- contractual interest income earned on securitized reverse mortgage loans, net of interest expense on HMBS-related borrowings, that is, the servicing fee we are contractually entitled to and collect on a monthly basis under the Ginnie Mae MBS Guide regarding servicing HMBS;
- cash gains on tail securitization. Tails are participations in previously securitized HECMs and are created by additions to principal for borrower draws on lines-of-credit (scheduled and unscheduled), interest, servicing fees, and mortgage insurance premiums;
- fair value changes due to the realization of other expected cash flows of the net asset balance of securitized loans held for investment and HMBS-related borrowings; and
- fair value changes due to the inputs and assumptions of the net balance of securitized loans held for investment and HMBS-related borrowings.

The fair value of our Ginnie Mae securitized HECM loan portfolio generally decreases as market interest rates rise and increases as market rates fall. As our HECM loan portfolio is predominantly comprised of ARMs, higher interest rates cause the loan balance to accrue and reach a 98% maximum claim amount liquidation event more quickly, with lower interest rates extending the timeline to liquidation. HECM loans have a longer duration than HMBS-related borrowings as a result of the future draw commitments, and our obligations as issuer of HMBS to purchase loans out of the Ginnie Mae securitization pools once the outstanding principal balance of the related HECM loan is equal to 98% of the maximum claim amount.

Gain (loss) on reverse loans held for investment and HMBS-related borrowings, net strictly reflects the financial performance of owned loans/servicing. The financial performance associated with the subservicing of reverse mortgage loans on behalf of investors is primarily reflected within Servicing and subservicing fees, net. We collect higher subservicing fees for inactive loans relative to the base subservicing fee for performing loans or active repurchased loans, commensurate with the level of servicing efforts, as described above.

Third-Party Servicer Ratings

Like other servicers, we are the subject of mortgage servicer ratings or rankings (collectively, ratings) issued and revised from time to time by rating agencies including Moody’s Investors Service, Inc. (Moody’s), S&P Global Ratings, Inc. (S&P) and Fitch Ratings, Inc.(Fitch). Favorable ratings from these agencies are important to the conduct of our loan servicing and lending businesses.

The following table summarizes our latest key servicer ratings:

	PHH Mortgage Corporation (PMC)		
	Moody’s	**S&P**	**Fitch**
Forward			
Residential Prime Servicer	SQ3	Above Average	RPS3+
Residential Subprime Servicer	SQ3	Above Average	RPS3+
Residential Special Servicer	SQ3	Above Average	RSS3
Residential Second/Subordinate Lien Servicer	SQ3	Above Average	RPS3
Residential Home Equity Servicer	—	—	RPS3
Residential Alt-A Servicer	—	—	RPS3
Master Servicer	SQ3+	Above Average	RMS3
Ratings Outlook	N/A	Stable	Positive / Stable
Date of last action	September 28, 2021	March 22, 2023	August 2, 2022
Reverse			
Residential Reverse Servicer	—	Above Average	—
Ratings Outlook	—	Stable	—
Date of initial rating	—	May 27, 2022	—

In addition to servicer ratings, each of the agencies will from time to time assign an outlook (or a ratings watch such as Moody’s review status) to the rating status of a mortgage servicer. A negative outlook is generally used to indicate that a rating “may be lowered,” while a positive outlook is generally used to indicate a rating “may be raised”.

On March 22, 2023, S&P raised the ratings for residential mortgage primary, special, subprime and subordinate-lien servicer from Average to Above Average and affirmed the overall Above Average ranking as a residential mortgage loan master servicer and the ratings outlook as Stable. S&P’s rankings reflects i) senior and middle management teams, which have sound industry experience and tenure levels and low turnover, ii) multiple levels of internal controls to monitor the operations, iii) internal or external audit findings - no material findings noted, based on the reports provided, iv) effective and industry-recognized technology systems and good level of automation in reporting, accounting, and cash administration, v) proactive servicer oversight program and comprehensive practices to monitor default activity to mitigate losses; and vi) continued portfolio runoff, reflecting the securitization market's limited new business opportunities and high competition levels with several master servicers competing for those transactions.

The following table presents selected results of operations of our Servicing segment. The amounts presented are before the elimination of balances and transactions with our other segments:

	Three Months Ended			Six Months Ended		
	June 30, 2023	March 31, 2023	% Change	June 30, 2023	June 30, 2022	% Change
Revenue						
Servicing and subservicing fees	$ 237.2	$ 231.8	2 %	469.0	$ 426.7	10 %
Gain (loss) on loans held for sale, net	15.1	(1.3)	n/m	13.8	(14.2)	(197)
Gain (loss) on reverse loans held for investment and HMBS-related borrowings, net	(4.1)	14.0	(129)	9.9	(30.9)	(132)
Other revenue, net	0.3	0.5	(43)	0.8	0.8	3
Total revenue	248.5	245.0	1	493.5	382.4	29
MSR valuation adjustments, net	(50.5)	(70.9)	(29)	(121.4)	40.4	(400)
Operating expenses						
Compensation and benefits	26.7	29.4	(9)	56.0	64.0	(12)
Servicing expense	15.3	14.9	3	30.1	26.4	14
Occupancy and equipment	7.1	7.7	(7)	14.8	15.6	(5)
Professional services	11.1	7.8	42	18.9	10.3	84
Technology and communications	6.1	6.3	(3)	12.5	13.1	(5)
Corporate overhead allocations	11.1	11.5	(3)	22.6	22.8	(1)
Other expenses	2.2	2.2	(3)	4.4	4.6	(3)
Total operating expenses	79.6	79.8	—	159.4	156.8	2
Other income (expense)						
Interest income	5.9	4.1	43	10.1	7.1	43
Interest expense	(43.3)	(41.6)	4	(84.8)	(45.4)	87
Pledged MSR liability expense	(73.1)	(70.3)	4	(143.4)	(122.7)	17
Earnings of equity method investee	2.9	0.3	n/m	3.1	15.9	(80)
Other, net	(3.7)	0.2	n/m	(3.4)	(3.6)	(5)
Total other income (expense), net	(111.2)	(107.3)	4	(218.5)	(148.7)	47
Income (loss) before income taxes	$ 7.1	$ (13.0)	(155)%	$ (5.8)	$ 117.4	(105)%

n/m: not meaningful

Selected Operating Statistics	June 30, 2023	March 31, 2023	% Change	June 30, 2022	% Change
Assets Serviced					
Unpaid principal balance (UPB) in billions:					
Performing loans (1)	$ 276.2	$ 285.3	(3)%	$ 273.4	1 %
Non-performing loans	11.8	12.7	(7)	14.2	(17)
Non-performing real estate	0.5	0.5	(4)	0.7	(24)
Total	$ 288.5	$ 298.5	(3)%	$ 288.3	— %
Conventional loans (2)	$ 187.4	$ 192.3	(3)%	$ 185.5	1 %
Government-insured loans	33.7	36.9	(9)	29.3	15
Non-Agency loans	67.4	69.3	(3)	73.5	(8)
Total	$ 288.5	$ 298.5	(3)%	$ 288.3	— %
Servicing portfolio (3)	$ 130.1	$ 136.1	(4)%	$ 124.4	5 %
Subservicing portfolio					
Subservicing - forward	37.2	40.3	(8)	42.2	(12)
Subservicing - reverse	19.4	21.7	(10)	25.0	(22)
Total subservicing	56.6	62.0	(9)	67.2	(16)
MAV (4) (5)	46.6	51.8	(10)	45.1	3
Rithm (formerly NRZ) and others (5) (6)	55.2	48.6	14	51.7	7
Total	$ 288.5	$ 298.5	(3)%	$ 288.3	— %
Number (in 000's):					
Performing loans (1)	1,307.7	1,347.3	(3)%	1,335.2	(2)%
Non-performing loans					
Non-performing loans - Rithm	20.9	23.0	(9)	29.0	(28)
Non-performing loans - Other	27.7	30.4	(9)	35.0	(21)
	48.5	53.4	(9)	63.9	(24)
Non-performing real estate	2.9	3.0	(5)	4.3	(34)
Total	1,359.1	1,403.7	(3)%	1,403.4	(3)%
Conventional loans (2)	736.3	756.8	(3)%	745.6	(1)%
Government-insured loans	167.6	180.6	(7)	167.5	—
Non-Agency loans	455.1	466.3	(2)	490.3	(7)
Total	1,359.1	1,403.7	(3)%	1,403.4	(3)%
Servicing portfolio (3)	583.1	610.2	(4)%	581.9	— %
Subservicing portfolio					
Subservicing - forward	134.5	145.1	(7)	148.5	(9)
Subservicing - reverse	74.7	85.5	(13)	104.2	(28)
Total subservicing	209.2	230.6	(9)	252.7	(17)
MAV (5)	164.5	185.2	(11)	169.6	(3)
Rithm and others (5)	402.4	377.7	7	399.2	1
Total	1,359.1	1,403.7	(3)%	1,403.4	(3)%

	Three Months Ended			Six Months Ended		
	June 30, 2023	March 31, 2023	% Change	June 30, 2023	June 30, 2022	% Change
Prepayment speed (CPR) (7):						
% Voluntary CPR	4.8 %	3.5 %	36 %	4.1 %	10.1 %	(59)%
% Involuntary CPR	0.3	0.3	3	0.3	0.4	(20)
% Total CPR	8.3	7.2	15	7.7	13.7	(44)
Number of completed modifications *(in 000's)*	3.5	3.4	1 %	6.9	8.8	(22)%
Revenue recognized in connection with loan modifications	$ 3.4	$ 3.5	(5)%	$ 6.9	$ 12.1	(43)%

(1) Performing loans include those loans that are less than 90 days past due and those loans for which borrowers are making scheduled payments under loan modification, forbearance or bankruptcy plans. We consider all other loans to be non-performing.
(2) Conventional loans include 65,796 and 66,919 prime loans with a UPB of $13.3 billion and $13.4 billion at June 30, 2023 and March 31, 2023, respectively, that we service or subservice. This compares to 68,985 prime loans with a UPB of $13.4 billion at June 30, 2022. Prime loans are generally good credit quality loans that meet GSE underwriting standards.
(3) Includes 35,972 reverse mortgage loans with a UPB of $7.8 billion that are recognized in our consolidated balance sheet at June 30, 2023.
(4) Includes $23.7 billion UPB subserviced and $22.9 billion UPB of MSRs sold to MAV that did not achieve sale accounting treatment at June 30, 2023.
(5) Loans serviced or subserviced pursuant to our agreements with Rithm or MAV.
(6) Includes $1.8 billion UPB of subserviced loans at June 30, 2023.
(7) Total 3-month % CPR includes voluntary and involuntary prepayments, as shown in the table, plus scheduled principal amortization.

The following table provides the rollforward of activity of our portfolio of mortgage loans serviced that includes MSRs, whole loans and subserviced loans, both forward and reverse:

	Amount of UPB (*$ in billions*)		Count (000's)	
	2023	2022	2023	2022
Portfolio at January 1	$ 289.7	$ 268.0	1,378.9	1,353.2
Additions (1) (2)	17.5	31.5	59.5	78.1
MSR sales (2)	—	(11.1)	(0.1)	(0.1)
Servicing transfers (1)	(2.2)	(2.3)	(7.7)	(9.0)
Runoff	(6.5)	(10.8)	(26.9)	(47.1)
Portfolio at March 31	298.5	275.3	1,403.7	1,375.1
Additions (1) (3)	7.4	26.8	23.1	89.0
MSR sales	—	—	(0.1)	(0.1)
Servicing transfers (1)	(9.3)	(4.0)	(34.7)	(16.1)
Runoff	(8.0)	(9.8)	(32.9)	(44.5)
Portfolio at June 30	$ 288.5	$ 288.3	1,359.1	1,403.4

(1) Includes the volume UPB associated with short-term interim subservicing for some clients as a support to their originate-to-sell business, where loans may be boarded and deboarded within the same quarter.
(2) Includes MSRs sold to an unrelated third party in the first quarter of 2022 consisting of 38,850 loans with a UPB of $11.1 billion, with the remaining active loans transferred out of the PMC servicing system in the third quarter of 2022, and for which PMC performed interim subservicing.
(3) Additions include purchased MSRs on portfolios consisting of 190 loans with a UPB of $73.2 million that have not yet transferred to the PMC servicing system as of June 30, 2023. Because we have legal title to the MSRs, the UPB and count of the loans are included in our reported servicing portfolio. The seller continues to subservice the loans on an interim basis between the transaction closing date and the servicing transfer date.

The following table provides a breakdown of our servicer advances:

Advances by investor type	June 30, 2023 Principal and Interest	June 30, 2023 Taxes and Insurance	June 30, 2023 Foreclosures, Bankruptcy, REO and Other	June 30, 2023 Total	December 31, 2022 Principal and Interest	December 31, 2022 Taxes and Insurance	December 31, 2022 Foreclosures, Bankruptcy, REO and Other	December 31, 2022 Total
Conventional	$ 4.3	$ 42.0	$ 6.5	$ 52.8	$ 3.2	$ 97.7	$ 7.5	$ 108.3
Government-insured	2.6	26.1	19.4	48.1	3.0	35.9	17.7	56.6
Non-Agency	195.5	203.2	103.0	501.8	209.1	233.9	111.0	554.0
Total, net	$ 202.3	$ 271.4	$ 129.0	$ 602.7	$ 215.3	$ 367.5	$ 136.2	$ 718.9

The following table provides selected operating statistics related to our reverse mortgage loans reported within our Servicing segment:

	June 30, 2023	March 31, 2023	% Change	June 30, 2022	% Change
Reverse Mortgage Loans					
Unpaid principal balance (UPB) in millions:					
Loans held for investment (1)	$ 7,368.7	$ 7,290.7	1 %	$ 6,990.9	5 %
Active Buyouts (2)	89.4	83.7	7	46.7	92
Inactive Buyouts (2)	194.9	136.7	43	108.9	79
Total	$ 7,653.0	$ 7,511.2	2 %	$ 7,146.4	7 %
Inactive buyouts % to total	2.55 %	1.82 %	40 %	1.52 %	67 %
Future draw commitments (UPB) in millions:	1,757.2	1,769.6	(1)%	1,745.0	1 %
Fair value in millions:					
Loans held for investment (1)	$ 7,553.7	$ 7,545.2	— %	$ 7,220.8	5 %
HMBS related borrowings	7,486.4	7,470.6	—	7,155.3	5
Net asset value (3)	$ 67.4	$ 74.6	(10)%	$ 65.5	3 %
Net asset value to UPB	0.91 %	1.02 %		0.94 %	

(1) Securitized loans only; excludes unsecuritized loans reported within the Originations segment.
(2) Buyouts are reported as Loans held for sale, Accounts Receivable or REO depending on the loan and foreclosure status.
(3) Internally referred to as HECM or reverse MSR.

Servicing and Subservicing Fees

	Three Months Ended June 30, 2023	Three Months Ended March 31, 2023	% Change	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	% Change
Loan servicing and subservicing fees:						
Servicing (owned MSR)	$ 89.4	$ 90.0	(1)%	$ 179.3	$ 169.4	6 %
Subservicing	18.4	19.7	(7)	38.0	35.0	9
MAV	17.4	18.2	(4)	35.7	35.5	1
Rithm and others	59.2	59.6	(1)	118.8	131.9	(10)
Servicing and subservicing fees	184.4	187.5	(2)	371.8	371.8	—
Ancillary income	52.8	44.3	19	97.1	54.9	77
	$ 237.2	$ 231.8	2 %	$ 469.0	$ 426.7	10 %

Total servicing and subservicing fees for the three months ended June 30, 2023 increased $5.4 million or 2% as compared to the three months ended March 31, 2023, and $42.3 million or 10% as compared to the six months ended June 30, 2022, primarily driven by higher float earnings (ancillary income) with higher interest rates and reverse ancillary income, as further discussed below.

The following table presents the respective drivers of residential loan servicing (owned MSR) and subservicing fees.

	Three Months Ended			Six Months Ended		
	June 30, 2023	March 31, 2023	% Change	June 30, 2023	June 30, 2022	% Change
Servicing and Subservicing Fees						
Servicing fees (owned MSRs)	$ 89.4	$ 90.0	(1)%	$ 179.3	$ 169.4	6 %
Average servicing fee (% of UPB) (1)	$ 0.28	$ 0.28	— %	0.28	$ 0.28	1 %
Subservicing fee (excluding MAV, Rithm and others)	$ 18.4	$ 19.7	(7)%	$ 38.0	$ 35.0	9 %
Average monthly fee per loan (in dollars) (2)	$ 28	$ 29	(2)%	$ 29	$ 29	— %
Residential assets serviced						
Average UPB ($ in billions):						
Servicing portfolio - Owned (2)	$ 134.7	$ 135.4	— %	$ 134.9	$ 129.0	5 %
Subservicing portfolio						
Subservicing - forward	37.4	38.0	(1)	37.4	37.3	—
Subservicing - reverse	20.6	22.6	(9)	21.6	20.2	7
Total subservicing	58.0	60.6	(4)	58.9	57.5	2
MAV	50.3	49.3	2	49.5	38.6	28
Rithm and others	50.1	48.8	3	49.6	53.6	(8)
Total	$ 293.1	$ 294.0	— %	$ 292.9	$ 278.7	5 %
Average number (in 000's):						
Servicing portfolio (2)	603.3	608.1	(1)%	605.0	605.8	— %
Subservicing portfolio						
Subservicing - forward	135.7	137.3	(1)	135.3	132.9	2
Subservicing - reverse	80.3	90.0	(11)	85.1	82.8	3
Total subservicing	216.1	227.3	(5)	220.4	215.7	2
MAV	179.5	175.4	2	176.3	149.3	18
Rithm and others	382.6	380.2	1	382.0	414.0	(8)
	1,381.5	1,391.0	(1)%	1,383.8	1,384.8	— %

(1) Excludes owned reverse mortgage loans.
(2) Includes reverse mortgage loans.

Comparing the three months ended June 30, 2023 to the three months ended March 31, 2023, servicing and subservicing fees (excluding ancillary income) decreased $3.1 million, or 2%. This 2% decrease is driven by a $1.3 million, or 7% decrease in subservicing fee income due to a 5% decrease in the average number of loans in our subservicing portfolio.

As compared to the six months ended June 30, 2022, our servicing and subservicing fees (excluding ancillary income) for the six months ended June 30, 2023 were flat, with the decline in Rithm fees due to the portfolio runoff offset by the growth in the other portfolios. Our servicing fees on our owned MSR portfolio increased by $9.9 million and our subservicing fees grew by $3.0 million driven by reverse mortgage loans under the subservicing agreement with MAM (RMS) boarded in the first half of 2022. These increases were offset by a $13.2 million reduction in fees collected on behalf of Rithm due to portfolio runoff.

The following table presents both servicing fees collected and subservicing fees retained by Ocwen under the Rithm (formerly NRZ) agreements and agreements with other clients. See Note 8 — Other Financing Liabilities, at Fair Value for additional information.

Rithm Servicing and Subservicing Fees	**Three Months Ended**		**Six Months Ended**	
	June 30, 2023	**March 31, 2023**	**June 30, 2023**	**June 30, 2022**
Servicing fees collected on behalf of Rithm	$ 59.0	$ 59.6	$ 118.6	$ 131.9
Servicing fees remitted to Rithm (1)	(42.1)	(42.3)	(84.4)	(93.7)
Retained subservicing fees on Rithm agreements (2)	$ 16.9	$ 17.3	$ 34.2	$ 38.1
Average Rithm UPB ($ in billions)	$ 47.5	$ 48.8	$ 48.1	$ 53.6
Average annualized retained subservicing fees as a % of Rithm UPB	0.14 %	0.14 %	0.14 %	0.14 %

(1) Reported within Pledged MSR liability expense. The Rithm servicing fee includes the total servicing fees collected on behalf of Rithm relating to the MSR sold but not derecognized from our balance sheet. Under GAAP, we separately present servicing fees collected and remitted on a gross basis, with the servicing fees remitted to Rithm reported as Pledged MSR liability expense.
(2) Excludes ancillary income.

For the three months ended June 30, 2023, the net retained fee on our Rithm portfolio declined $0.4 million as compared to the three months ended March 31, 2023. As compared to the six months ended June 30, 2022, the net retained fee on our Rithm portfolio in the six months ended June 30, 2023 decreased $3.9 million. The decline in the Rithm fee collection and remittance in the six months ended June 30, 2023 is primarily driven by the decline in the average UPB of 8% as compared to the six months ended June 30, 2022, due to portfolio runoff and prepayments.

The following table presents the detail of our ancillary income:

Ancillary Income	**Three Months Ended**			**Six Months Ended**		
	June 30, 2023	**March 31, 2023**	**% Change**	**June 30, 2023**	**June 30, 2022**	**% Change**
Custodial accounts (float earnings)	$ 26.2	$ 20.2	30 %	46.4	$ 2.8	n/m
Late charges	9.5	9.6	(1)	$ 19.0	21.8	(13)%
Reverse subservicing ancillary fees	9.8	8.1	21	18.0	9.4	91
Loan collection fees	2.3	2.6	(9)	4.9	5.8	(16)
Recording fees	1.3	1.2	13	2.5	5.9	(57)
Boarding and deboarding fees	0.6	0.6	5	1.2	2.7	(57)
GSE forbearance fees	0.3	0.2	39	0.5	0.4	41
Other	2.8	1.9	47	4.7	6.2	(25)
Ancillary income	$ 52.8	$ 44.3	19 %	$ 97.1	$ 54.9	77 %

Ancillary income for the three months ended June 30, 2023 increased by $8.5 million as compared to the three months ended March 31, 2023 primarily because of a $6.0 million increase in float earnings driven by higher average float balances and higher interest rates, and a $1.7 million increase in reverse subservicing ancillary fees relating to increased claim activity.

As compared to the six months ended June 30, 2022, ancillary income for the six months ended June 30, 2023 increased by $42.2 million largely due to a $43.6 million increase in float earnings due to higher interest rates and an $8.6 million increase in reverse subservicing fees recognized on reverse mortgage loans boarded under the subservicing agreement with MAM (RMS) during the first half of 2022, including fees associated with increased claim activity. Recording fees were $3.4 million lower due to the reduction in payoff volume.

Gain (Loss) on Loans Held for Sale, Net

We recognized a $15.1 million gain on loans held for sale, net for the three months ended June 30, 2023, as compared to a $1.3 million loss for the three months ended March 31, 2023. The gain reported in the three months ended June 30, 2023 is mostly attributable to the revaluation of reverse mortgage buyouts opportunistically acquired at a discount and securitized in the quarter. The loss reported in the three months ended March 31, 2023 were related to the repurchased loans in connection with Ginnie Mae loan modifications and buyout activities due to the unfavorable impact of higher interest rates on redelivery gains.

For the six months ended June 30, 2023, we recognized a gain on loans held for sale, net of $13.8 million, a $28.0 million improvement as compared to the $14.2 million loss on loans held for sale, net for the six months ended June 30, 2022. The improvement is mostly driven by the revaluation gain of reverse mortgage buyouts discussed above in the second quarter of 2023 and the $8.8 million loss reported in the second quarter of 2022 on certain delinquent and aged loans repurchased in connection with the Ginnie Mae EBO program.

Gain (Loss) on Reverse Loans Held for Investment and HMBS-Related Borrowings, Net

Gain (loss) on reverse loans held for investment and HMBS-related borrowings, net reported in the Servicing segment is the net change in fair value of securitized loans held for investment and HMBS-related borrowings. Gain (loss) on reverse loans held for investment and HMBS-related borrowings, net excludes reverse subservicing that is reflected in Servicing and subservicing fees.

The following table presents the components of the net fair value change and is comprised of net interest income and other fair value gains or losses. Net interest income is primarily driven by the volume of securitized UPB as it is the interest income earned on the securitized loans offset against interest expense incurred on the HMBS-related borrowings, and represents a component of our compensation for servicing the portfolio, which is a percentage of the outstanding UPB. Other fair value changes are primarily driven by changes in market-based inputs or assumptions. Lower interest rates generally result in favorable net fair value impacts on our HECM reverse mortgage loans and the related HMBS financing liability and higher interest rates generally result in unfavorable net fair value impacts. Note that the fair value changes of the net asset value between securitized HECM loans and HMBS (referred to as our reverse MSR) attributable to interest rate changes are effectively used as a hedge of our forward MSR portfolio. See further description of our hedging strategy in Item 3. Quantitative and Qualitative Disclosures about Market Risk.

	Three Months Ended			Six Months Ended		
	June 30, 2023	March 31, 2023	% Change	June 30, 2023	June 30, 2022	% Change
Net interest income (servicing fee)	$ 5.8	$ 5.9	— %	$ 11.7	$ 10.7	9 %
Realized gain on tail securitization	2.5	3.6	(32)	6.1	3.8	59
Other fair value gains (losses) (1)	(12.4)	4.5	(374)	(7.9)	(45.5)	(83)
Gain (loss) on reverse loans held for investment and HMBS-related borrowings, net (Servicing)	$ (4.1)	$ 14.0	(129)%	$ 9.9	$ (30.9)	(132)

(1) Includes realization of cash flows and fair value gains and losses due to inputs and assumptions.

Gain on reverse loans held for investment and HMBS-related borrowings, net decreased $18.1 million for the three months ended June 30, 2023 as compared to the three months ended March 31, 2023 mostly due to unrealized fair value losses on the HECM loan portfolio, net of HMBS attributable to higher market rates and a widening yield spread.

Gain on reverse loans held for investment and HMBS-related borrowings, net for the six months ended June 30, 2023 was $9.9 million, a $40.8 million favorable change compared to the $30.9 million loss in the six months ended June 30, 2022. We reported $45.5 million unrealized fair value losses in the first half of 2022 driven by increasing interest rates and widening yield spread directly impacting projected asset life and the tail value of the HECM reverse mortgage loans. Tails represent the future draws of borrowers, scheduled and unscheduled, as well as capitalized interest and are included in the fair value of the underlying loans. As our HECM loan portfolio is predominantly comprised of ARMs, higher interest rates cause the loan balance to accrue and reach the 98% maximum claim amount liquidation event more quickly. Tails are securitized on a monthly basis and a widening yield spread results in lower cash gain on securitization while a narrowing yield spread results in higher gains.

MSR Valuation Adjustments, Net

The following table summarizes the components of MSR valuation adjustments, net reported in our Servicing segment:

	Three Months Ended			Six Months Ended		
	June 30, 2023	March 31, 2023	% Change	June 30, 2023	June 30, 2022	% Change
Realization of expected cash flows (runoff) of MSRs, MSR pledged liability and ESS financing liability	$ (35.9)	$ (35.7)	1 %	$ (71.5)	$ (83.4)	(14)%
Fair value gains (losses) of MSRs, MSR pledged liability and ESS financing liability due to rates and assumptions	50.6	(49.3)	(203)	1.3	220.9	(99)
MSR hedging derivative fair value gain (loss)	(65.2)	14.1	(562)	(51.1)	(97.1)	(47)
Sub-total Fair value gains (losses) of MSRs, MSR pledged liability and ESS financing liability due to rates and assumptions, net of hedging (1)	(14.6)	(35.2)	(58)	(49.9)	123.8	(140)
MSR valuation adjustments, net	$ (50.5)	$ (70.9)	(29)%	$ (121.4)	$ 40.4	(400)%

n/m: not meaningful

(1) Excludes fair value changes of reverse mortgage loans held-for-investment and HMBS related borrowing due to rates and assumptions that are part of the MSR hedging strategy. Also refer to the MSR Hedging Strategy section of Item 3. Quantitative and Qualitative Disclosures about Market Risks for further detail.

MSR valuation adjustments, net includes the loss on the MSR portfolio associated with the realization of its expected cash flows, or runoff, due to the passage of time, and any fair value gains or losses due to inputs, market interest rates or assumptions, net of hedging gains and losses. Included in MSR valuation adjustments, net are fair value gains and losses of the MSR pledged liability associated with the MSR transfers that do not meet sale accounting treatment and the ESS financing liabilities for which we elected the fair value option and that is collateralized by MSRs. We engage third-party valuation experts who generally utilize: (a) transactions involving instruments with similar collateral and risk profiles, adjusted as necessary based on specific characteristics of the asset or liability being valued; and/or (b) industry-standard modeling, such as a discounted cash flow model and prepayment model, in arriving at their estimate of fair value. The prices provided by the valuation experts reflect their observations and assumptions related to market activity, generally the bulk market, incorporating available industry survey results and client feedback, and including risk premiums and liquidity adjustments. While interest rates are a key value driver, MSR fair value may change for other market-driven factors, including but not limited to the supply and demand of the market or the required yield or perceived value by investors of such MSRs.

The $50.5 million loss in MSR valuation adjustments, net for the three months ended June 30, 2023 is comprised of $35.9 million runoff and a $14.6 million fair value loss attributed to rates and assumptions, net of hedging. The runoff in the three months ended June 30, 2023 was flat compared to the three months ended March 31, 2023 (increased by $0.2 million) consistent with the average serviced UPB in the respective periods. The $14.6 million fair value loss due to rates and assumptions, net of hedging is primarily due to unfavorable assumption updates to reflect market participant perspectives and actual trade levels, and an increase in market interest rates (e.g., the 10-year swap rate increased by 35 basis points in the three months ended June 30, 2023) that resulted in owned MSR fair value gains largely offset by hedging loss . The interest rate exposure is hedged under our MSR hedging strategy, with an average 92% hedge coverage ratio during the second quarter of 2023.

MSR valuation adjustments, net for the three months ended June 30, 2023 increased $20.4 million (lower loss) as compared to the three months ended March 31, 2023 primarily due to a $20.6 million decrease in the loss attributed to rate and assumption change, net of hedging gains and losses, as the portfolio runoff remained flat. The reduction in the loss is mostly driven by the change in hedge coverage ratio and an increase in market interest rates in the current quarter vs. a decline in the prior quarter. The 10-year swap rate increased by 35 basis points in the three months ended June 30, 2023 as compared to a decrease of 30 basis points in the three months ended March 31, 2023. The average hedge coverage ratio increased from 37% to 92% during the second quarter of 2023.

As compared to the six months ended June 30, 2022, MSR valuation adjustments, net declined $161.8 million (higher loss) mainly due to the loss reported in the six months ended June 30, 2023 and the gain reported in the six months ended June 30, 2022 attributed to rate and assumption change, net of hedging. The change from a gain to a loss is primarily due to changes in market interest rates (e.g., the 10-year swap rate increased by 5 basis points in the six months ended June 30, 2023 and by 148 basis points in the six months ended June 30, 2022) and assumption updates discussed above. The decrease in runoff is in part due to the ESS financing liabilities issued beginning in the third quarter of 2022. Our MSR hedging policy is designed to partially reduce the volatility of the MSR portfolio fair value due to market interest rates. Refer to Item 3 - Quantitative and Qualitative Disclosures about Market Risk for further detail on our hedging strategy and its effectiveness.

Compensation and Benefits

	Three Months Ended			Six Months Ended		
	June 30, 2023	March 31, 2023	% Change	June 30, 2023	June 30, 2022	% Change
Compensation and benefits	$ 26.7	$ 29.4	(9)%	$ 56.0	$ 64.0	(12)%
Average Employment - Servicing						
Forward	2,384	2,472	(4)%	2,429	2,818	(14)
Reverse	1,040	1,048	(1)	1,042	788	32
Total	3,424	3,520	(3)%	3,471	3,606	(4)%
India and other	2,687	2,730	(2)%	2,707	2,554	6 %
U.S.	737	790	(7)	764	1,052	(27)
Total	3,424	3,520	(3)%	3,471	3,606	(4)%

Compensation and benefits expense for the three months ended June 30, 2023 decreased $2.7 million or 9% as compared to the three months ended March 31, 2023 primarily due to a $1.9 million severance expense recorded in the first quarter of 2023 and a decrease in salaries and benefits expense due to the decline in overall average headcount and further offshoring of our servicing operations.

As compared to the six months ended June 30, 2022, Compensation and benefits expense for the six months ended June 30, 2023 decreased $7.9 million or 12%, largely driven by a $9.4 million decrease in salary and benefits expense, offset in part by a $1.9 million increase in severance expense. The decrease in salaries and benefit expense is driven by a 27% reduction in our average U.S. Servicing headcount, reflecting our goal to improve efficiencies and create an industry leading cost structure, also driven by the further integration of reverse servicing. The offshore-to-total average headcount ratio for Servicing increased from 71% for the six months ended June 30, 2022 to 78% for the six months ended June 30, 2023.

Servicing Expense

Servicing expense primarily includes claim losses and interest curtailments on government-insured loans, provision expense for advances and servicing representation and warranties, and certain loan-volume related expenses.

Servicing expense was flat in the three months ended June 30, 2023 as compared to the three months ended March 31, 2023, in line with a flat average UPB.

As compared to the six months ended June 30, 2022, Servicing expense for the six months ended June 30, 2023 increased $3.7 million. The increase is primarily due to a $5.7 million release of provision for indemnification recorded in the six months ended June 30, 2022 as a result of favorable settlements. Among others, the increase was offset in part by a reduction in satisfaction and interest on payoff expense attributable to lower payoff volume.

Other Operating Expenses

Other operating expenses (total operating expenses less Compensation and benefits and Servicing expense) for the three months ended June 30, 2023 increased by $2.2 million as compared to the three months ended March 31, 2023, primarily driven by non-reimbursable legal expenses.

As compared to the six months ended June 30, 2022, other operating expenses for the six months ended June 30, 2023 increased by $6.8 million, with an $8.7 million increase in Professional services partially offset by a $1.1 million reduction in Occupancy and equipment expense and Corporate overhead allocations driven by lower headcount. While litigation cost declined by $5.2 million, the increase in Professional services is due to a $14.1 million recovery of legal expenses in the six months ended June 30, 2022 following a favorable settlement.

Other Income (Expense)

Other income (expense) primarily includes net interest expense and pledged MSR liability expense.

	Three Months Ended			Six Months Ended		
	June 30, 2023	March 31, 2023	% Change	June 30, 2023	June 30, 2022	% Change
Interest Expense						
Advance match funded liabilities	$ 10.4	$ 10.7	(3)%	$ 21.1	$ 5.5	284
Mortgage loan financing facilities	5.8	3.8	52	9.6	4.9	98
MSR financing facilities	17.8	17.5	1	35.3	16.4	116
Corporate debt interest expense allocation	7.6	7.7	—	15.3	15.7	(3)
Escrow	1.6	1.9	(12)	3.5	2.9	20
Total interest expense	$ 43.3	$ 41.6	4 %	$ 84.8	$ 45.4	87 %
Average balances						
Advance match funded liabilities	430.6	460.6	(7)	445.5	478.0	(7)
Mortgage loan financing facilities	298.7	221.3	35	260.2	287.0	(9)
MSR financing facilities	884.0	932.2	(5)	908.0	913.6	(1)
Effective average interest rate						
Advance match funded liabilities	9.68 %	9.30 %	4 %	9.49 %	2.30 %	312 %
Mortgage loan financing facilities	7.75	6.90	12	7.39	3.39	118
MSR financing facilities	8.04	7.52	7	7.78	3.58	117
Average 1M Term SOFR	5.04 %	4.61 %	9 %	4.61 %	0.54 %	754 %

Interest expense for the three months ended June 30, 2023 increased by $1.7 million or 4% as compared to the three months ended March 31, 2023, mostly due to a $2.0 million increase on mortgage loan financing facilities. The increase in interest expense on mortgage loan financing facilities is driven by our opportunistic acquisition of reverse mortgage buyouts.

As compared to the six months ended June 30, 2022, interest expense for the six months ended June 30, 2023 increased $39.5 million, or 87%, mostly driven by a more than 400 basis points increase in market interest rates. The increase in market interest rates resulted in the $18.9 million increase in interest expense on MSR financing facilities as average borrowings was mostly flat and a $4.7 million increase in interest expense on mortgage loan financing facilities, partially offset by a decrease in average borrowings. Interest expense on advance match funded facilities increased $15.6 million despite the lower average borrowings as a result of market rate increase and our repayment of lower cost OMART term notes during the third quarter of 2022.

Interest income for the three months ended June 30, 2023 increased $1.8 million as compared to the three months ended March 31, 2023, primarily due to a higher balance of loans held for sale driven by our opportunistic acquisition of reverse mortgage buyouts. As compared to the six months ended June 30, 2022, interest income for the six months ended June 30, 2023 increased by $3.0 million mostly due to $4.2 million from reverse buyouts driven by higher rates and larger buyout portfolio and $1.4 million on reverse mortgage buyouts opportunistically acquired in the second quarter of 2023, partially offset by a $3.0 million decrease driven by the decline in forward Ginnie Mae modification repurchase volume.

Pledged MSR liability expense includes the servicing fee remittance related to the MSR transfers that do not meet sale accounting criteria and are presented on a gross basis in our consolidated financial statements, together with the servicing spread remittance associated with our ESS financing liability at fair value. See Note 8 — Other Financing Liabilities, at Fair Value to the Unaudited Consolidated Financial Statements.

The following table provides the components of Pledged MSR liability expense:

	Three Months Ended			Six Months Ended		
	June 30, 2023	March 31, 2023	% Change	June 30, 2023	June 30, 2022	% Change
Servicing fees collected on behalf of third party	$ 74.7	$ 76.0	(2)%	$ 150.7	$ 165.1	(9)%
Less: Subservicing fee retained	(19.1)	(19.5)	(2)	(38.6)	(42.5)	(9)
Ancillary fee/income and other settlement (including expense reimbursement)	3.5	3.3	6	6.7	0.1	n/m
Net servicing fee remittance (1)	59.1	59.8	(1)	118.8	122.7	(3)
ESS servicing spread remittance	13.9	10.5	33	24.5	—	n/m
Pledged MSR liability expense	$ 73.0	$ 70.3	4 %	$ 143.3	$ 122.7	17 %

(1) For MSR transfers that do not meet sale accounting criteria. See Note 8 — Other Financing Liabilities, at Fair Value.

Pledged MSR liability expense for the three months ended June 30, 2023 increased $2.8 million, as compared to the three months ended March 31, 2023, largely due to a $3.4 million increase in ESS remittances due to the issuance of new liabilities.

As compared to the six months ended June 30, 2022, Pledged MSR liability expense for the six months ended June 30, 2023 increased $20.6 million, mostly due to $24.5 million servicing spread remittance on the ESS financing liabilities issued beginning in the third quarter of 2022.

Earnings of equity method investee represents our 15% share of MAV Canopy. Earnings for the three months ended June 30, 2023 increased $2.6 million as compared to the three months ended March 31, 2023 primarily due to the fair value gains recorded by MAV Canopy on its MSR portfolio due to rising interest rates. The $12.8 million decrease in earnings for the six months ended June 30, 2023 is predominantly driven by the fair value gains recorded by MAV Canopy during the six months ended June 30, 2022 on its MSR portfolio due to interest rates rising more in 2022 than 2023 (e.g., the 10-year swap rate increased by 5 basis points in the six months ended June 30, 2023 and by 148 basis points in the six months ended June 30, 2022).

Other, net expense for the three months ended June 30, 2023 increased $3.9 million, as compared to the three months ended March 31, 2023, largely due to a $4.2 million increase in early payoff protection expense in connection with our MSR sale transactions.

ORIGINATIONS

We originate and purchase loans and MSRs through multiple channels, including retail, wholesale, correspondent, flow MSR purchase agreements, the Agency Cash Window and Co-issue programs and bulk MSR purchases.

We originate and purchase conventional loans (conforming to the underwriting standards of Fannie Mae or Freddie Mac; collectively referred to as Agency loans) and government-insured (FHA, VA or USDA) forward mortgage loans. The GSEs and Ginnie Mae guarantee these mortgage securitizations. We originate HECM loans, or reverse mortgages, which are mostly insured by the FHA and we are an approved issuer of HMBS that are guaranteed by Ginnie Mae.

Within retail, our Consumer Direct channel for forward mortgage loans focuses on targeting existing servicing customers by offering them competitive mortgage refinance opportunities, where permitted by the governing servicing and pooling agreement. In doing so, we generate revenues for our forward lending business and protect the servicing portfolio by retaining these customers. A portion of our servicing portfolio is susceptible to refinance activity during periods of declining interest rates. Origination recapture volume and related gains are a natural economic hedge, to a certain degree, to the impact of declining MSR values as interest rates decline. In addition to rate and term refinance activities, our Consumer Direct channel targets purchase mortgage loans, cash-out, debt consolidation, mortgage insurance premium reduction, and new customer acquisition.

Our forward lending correspondent channel drives higher servicing portfolio replenishment. We purchase closed loans that have been underwritten to investor guidelines from our network of correspondent sellers and sell and securitize them, on a servicing retained basis. We offer correspondent sellers the choice to take out mandatory or best efforts contracts, under which the seller's obligation to deliver the mortgage loan becomes mandatory only when and if the mortgage is closed and funded. Additionally, we offer correspondent sellers the opportunity to leverage a non-delegated underwriting option for best-efforts deliveries. As of June 30, 2023, we have relationships with 666 approved correspondent sellers, or 66 new sellers since December 31, 2022.

We originate and purchase reverse mortgage loans through our retail, wholesale and correspondent lending channels, under the guidelines of the HECM reverse mortgage insurance program of the FHA. Loans originated under this program are generally insured by the FHA, which provides protection against risk of borrower default.

After origination, we sell the loans in the secondary mortgage market, through GSE and Ginnie Mae securitizations on a servicing retained basis. Origination revenue mostly includes gain on sale, which represents the difference between the origination or purchase value and the sale value of the loan including its MSR value, and fee income earned at origination. As the securitizations of reverse mortgage loans do not achieve sale accounting treatment and the loans are classified as Loans held for investment, at fair value, originations revenue mostly include the fair value changes of the loan from lock date to securitization date that are reported in Gain on reverse loans held for investment and HMBS-related borrowings, net and fee income that is reported in Other revenue, net.

We provide customary origination representations and warranties to investors in connection with our GSE loan sales and securitization activities. We receive customary origination representations and warranties from our network of approved correspondent lenders. We recognize the fair value of the liability for our representations and warranties at the time of sale. In the event we cannot remedy a breach of a representation or warranty, we may be required to repurchase the loan or provide an indemnification payment to the mortgage loan investor. To the extent that we have recourse against a third-party originator, we may recover part or all of any loss we incur. We actively monitor our counterparty risk associated with our network of correspondent lenders-sellers.

We purchase MSRs through flow purchase agreements, the Agency Cash Window co-issue programs and bulk MSR purchases. The Agency Cash Window programs we participate in, and purchase MSR from, allow mortgage companies and financial institutions to sell whole loans servicing released to the respective agency and sell the MSR to the winning bidder. In addition, we partner with other originators to replenish our MSRs through flow purchase agreements. We do not provide or assume any origination representations and warranties in connection with our MSR purchases. As of June 30, 2023, we have relationships with 254 approved sellers through the Agency Cash Window co-issue programs, or 16 new sellers since December 31, 2022.

We initially recognize our MSR originations and purchases with the associated economics in our Originations segment, and transfer the MSR to our Servicing segment once the MSR is initially recognized on our balance sheet with all subsequent performance associated with the MSR, including funding cost, run-off and other fair value changes reflected in our Servicing segment.

We source additional servicing volume through our subservicing and interim servicing agreements, through our existing relationships and our enterprise sales initiatives. We do not report any revenue or gain associated with subservicing within the Originations segment as the impact is captured in the Servicing segment. However, sales efforts and certain costs - marginal compensation and benefits - are managed and reported within the Originations segment.

For the second quarter of 2023, our Originations business originated or purchased forward and reverse mortgage loans with a UPB of $2.7 billion and $183.2 million, respectively. In addition, we purchased $1.8 billion UPB MSR through the Agency Cash Window and flow purchase programs during the second quarter of 2023.

Significant Variables

The following factors could significantly impact the results of our Originations segment from period to period.

Mortgage Rates. Changes in mortgage rates directly impact the demand for both purchase and refinance forward mortgages and therefore impact the financial results of our Originations segment. Small changes in mortgage rates directly impact housing affordability for both first-time and move-up home buyers and affect their ability to purchase a home. For refinance loans, current market mortgage rates must be considered relative to the rates on the current mortgage debt outstanding. As the time and cost to refinance has decreased, relatively small reductions in mortgage rates can trigger higher refinancing activity. Given the large size of U.S. residential forward mortgage debt outstanding, the impact of mortgage rate changes can drive significant swings in mortgage refinance volume.

Market Size and Composition. The volume of new or refinanced loans is impacted by changes to existing, or development of new, GSE or other government sponsored programs. Changes in GSE or HUD guidelines and costs and the availability of alternative financing sources, such as non-Agency proprietary loans and traditional home equity loans, impact borrower demand for forward and reverse mortgages and therefore can impact the volume of mortgage originations.

Margins. Changes in pricing margin for mortgages are closely correlated with changes in market size for mortgage loans. As loan demand and market capacity move out of alignment, pricing adjusts. In a growing market, margins expand and in a contracting market, margins tighten as lenders seek to keep their production at or close to full capacity. Managing capacity and cost is critical as volumes change. Among our channels, our margins per loan are highest in the retail channel and lowest in the correspondent channel. We work directly with the borrower to process, underwrite and close loans in our retail and reverse wholesale channels. In our retail channel, we also identify the customer and take loan applications. As a result, our retail channel is the most people- and cost-intensive and experiences the greatest volume volatility.

Investor Demand. The liquidity of the secondary market for mortgage loans impacts the size of the mortgage loan market by defining loan attributes and credit guidelines for loans that investors are willing to buy and at what price. In recent years, the GSEs have been the dominant providers of secondary market liquidity for forward mortgages, keeping the product and credit spectrum relatively homogeneous and risk averse (higher credit standards).

Economic Conditions. General economic conditions can impact the growth and revenue of our Originations segment by impacting the capacity for consumer credit and the supply of capital. More specifically, employment levels and home prices are variables that can each have a material impact on mortgage volume. Employment levels, the level of wages and the stability of employment are underlying factors that impact credit qualification. The effect of home prices on lending volumes is significant and complex. As home prices go up, home equity increases and this improves the position of existing homeowners either to refinance or to sell their home, which often leads to a new home purchase and a new forward mortgage loan, or in the case of a reverse mortgage, increase the size of the mortgage loan available and the number of potential borrowers. However, if home prices increase rapidly, the effect on affordability for first-time and move-up buyers can dampen the demand for mortgage loans. The more restrictive standards for loan to value (LTV) ratios, debt to income (DTI) ratios and employment that characterize the current market amplify the significance and sensitivity of the housing market and related mortgage lending volumes to employment levels and home prices. If home prices decline due to increased mortgage interest rates or for other reasons, home sales may decline and it may be more difficult for homeowners to refinance existing mortgages, thereby negatively impacting mortgage volume.

The following table presents the results of operations of our Originations segment. The amounts presented are before the elimination of balances and transactions with our other segments:

	Three Months Ended			Six Months Ended		
	June 30, 2023	March 31, 2023	% Change	June 30, 2023	June 30, 2022	% Change
Revenue						
Gain on loans held for sale, net	$ 10.2	$ 4.1	148 %	$ 14.3	$ 25.3	(43)%
Gain on reverse loans held for investment and HMBS-related borrowings, net	4.8	7.2	(32)	12.0	41.4	(71)
Other revenue, net (1)	4.3	3.5	24	7.8	14.6	(46)
Total revenue	19.3	14.8	31	34.1	81.3	(58)
MSR valuation adjustments, net	1.6	1.9	(16)	3.5	3.7	(4)
Operating expenses						
Compensation and benefits	10.9	9.6	14	20.5	53.0	(61)
Origination expense	1.0	0.2	393	1.1	7.0	(84)
Occupancy and equipment	0.5	0.5	8	1.0	2.9	(65)
Technology and communications	1.8	1.7	4	3.5	5.1	(32)
Professional services	0.4	0.4	(11)	0.8	3.2	(76)
Corporate overhead allocations	5.0	4.8	4	9.9	10.7	(8)
Other expenses	1.5	1.5	5	3.0	6.8	(56)
Total operating expenses	21.1	18.7	13	39.8	88.7	(55)
Other income (expense)						
Interest income	13.1	9.0	47	22.1	9.6	131
Interest expense	(14.1)	(9.9)	43	(24.0)	(9.4)	156
Other, net	(0.2)	0.2	(203)	—	(1.1)	(99)
Total other income (expense), net	(1.2)	(0.7)	76	(1.9)	(0.9)	109
Income (loss) before income taxes	$ (1.3)	$ (2.7)	(50)%	$ (4.0)	$ (4.7)	(14)%

(1) Includes ancillary fee income related to MSR acquisitions reported as Servicing and subservicing fees at the consolidated level of $0.4 million and $0.8 million for the three and six months ended June 30, 2023, respectively, $0.4 million for the three months ended March 31, 2023 and $1.1 million for the six months ended June 30, 2022.

The following table provides selected operating statistics for our Originations segment:

	Three Months Ended			Six Months Ended		
	June 30, 2023	March 31, 2023	% Change	June 30, 2023	June 30, 2022	% Change
Loan Production by Channel *(in billions)*						
Forward loans						
Correspondent	$ 2.64	$ 2.44	8 %	$ 5.08	$ 6.61	(23)%
Consumer Direct	0.10	0.06	57	0.16	0.99	(84)
	$ 2.74	$ 2.50	9 %	$ 5.24	$ 7.60	(31)%
% Purchase production	84 %	85 %	(1)	85 %	55 %	53
% Refinance production	16	15	8	15	45	(66)
Reverse loans (1)						
Correspondent	$ 0.11	$ 0.08	39 %	$ 0.19	$ 0.49	(61)%
Wholesale	0.05	0.04	29	0.09	0.21	(56)
Retail	0.02	0.02	(7)	0.04	0.28	(84)
	$ 0.18	$ 0.14	28 %	$ 0.33	$ 0.98	(67)%
MSR Purchases by Channel *(in billions)*						
Agency Cash Window / Flow MSR	$ 1.80	$ 1.81	(1)%	3.61	$ 7.30	(51)%
Bulk purchases	—	0.24	(100)	0.24	—	n/m
Bulk reverse purchases	0.08	—	n/m	0.08	0.21	(62)
	$ 1.88	$ 2.05	(8)	$ 3.92	$ 7.51	(48)
Total	$ 4.80	$ 4.69	2%	$ 9.49	$ 16.08	(41)%
Short-term loan commitment *(at period end; in millions)*						
Forward loans	$ 1,136.7	$ 612.1	86 %	$ 1,136.7	$ 526.2	116 %
Reverse loans	16.4	21.9	(25)	16.4	31.2	(47)
Average Employment - Originations						
Forward	381	401	(5)	393	891	(56)
Reverse	105	110	(5)	108	302	(64)
Total	486	511	(5)%	501	1,193	(58)%
India and other	266	298	(11)	284	532	(47)
U.S.	220	213	3	217	661	(67)
Total	486	511	(5)%	501	1,193	(58)%

(1) Loan production excludes reverse mortgage loan draws by borrowers disbursed subsequent to origination that are reported within the Servicing segment.

Gain on Loans Held for Sale, Net

The following table provides information regarding Gain on loans held for sale by channel and the related forward loan origination volume and margins (excluding fees that are presented in Other revenue, net):

	Three Months Ended			Six Months Ended		
	June 30, 2023	March 31, 2023	% Change	June 30, 2023	June 30, 2022	% Change
Gain on Loans Held for Sale (1)						
Correspondent	$ 6.6	$ 2.2	201 %	$ 8.8	$ 5.7	54 %
Consumer Direct	3.5	1.9	82	5.5	19.6	(72)
	$ 10.2	$ 4.1	145 %	$ 14.3	$ 25.3	(43)%
% Gain on Sale Margin (2)						
Correspondent	0.25 %	0.09 %	178 %	0.17 %	0.09 %	101 %
Consumer Direct	3.67	3.18	16	3.48 %	1.99	75
	0.37 %	0.17 %	124 %	0.27 %	0.33 %	(18)%
Origination UPB (3) *(in billions)*						
Correspondent	$ 2.64	$ 2.44	8 %	$ 5.08	$ 6.61	(23)%
Consumer Direct	0.10	0.06	57	0.16	0.99	(84)
	$ 2.74	$ 2.50	9 %	$ 5.24	$ 7.60	(31)%

(1) Includes realized gains on loan sales and related new MSR capitalization, changes in fair value of IRLCs, changes in fair value of loans held for sale and economic hedging gains and losses.
(2) Ratio of gain on Loans held for sale to Origination UPB. Note that the ratio differs from the day-one gain on sale margin upon lock.
(3) Defined as the UPB of loans funded in the period.

Gain on loans held for sale, net for the three months ended June 30, 2023 increased by $6.0 million as compared to the three months ended March 31, 2023 with $4.4 million increase in our Correspondent channel and $1.6 million increase in Consumer Direct. The gain increase is mostly driven by an increase in margin, with a 9% increase in volume quarter over quarter, although the elevated interest rate environment continues to adversely impact both purchase and refinance borrower activities due to a decline in affordability. The increase in margin is driven by our increased mix of higher margin products, as we continue to expand Ginnie Mae loans and best efforts execution.

As compared to the six months ended June 30, 2022, Gain on loans held for sale, net for the six months ended June 30, 2023 declined $11.0 million with a $14.1 million decrease in our Consumer Direct channel, partially offset by a $3.1 million higher gain in our Correspondent channel. The decline in Consumer Direct is driven by an 84% decrease in loan production volume, offset in part by a 75% higher margin. Our Consumer Direct channel was exposed to rapidly changing and unfavorable market conditions for borrower refinancing due to rising interest rates beginning in the first quarter of 2022. In our Correspondent channel, despite the 23% decrease in loan production volume, we recognized a $3.1 million higher gain in the six months ended June 30, 2023 as compared to the six months ended June 30, 2022 due to higher margin. We continue to expand higher margin products such as Ginnie Mae loans and best execution. In addition, the margin of our Correspondent channel in the six months ended June 30, 2022 was adversely impacted by the significant volatility in the market as interest rates rapidly increased.

Gain on Reverse Loans Held for Investment and HMBS-Related Borrowings, Net

The following table provides information regarding Gain on reverse loans held for investment and HMBS-related borrowings, net of the Originations segment that comprises fair value changes of the pipeline and unsecuritized reverse mortgage loans held for investment, at fair value, together with volume and margin:

	Three Months Ended			Six Months Ended		
	June 30, 2023	**March 31, 2023**	**% Change**	**June 30, 2023**	**June 30, 2022**	**% Change**
Origination UPB (1) *(in billions)*	$ 0.18	$ 0.14	28 %	$ 0.33	$ 0.98	(67)%
Origination margin (2)	2.64 %	5.02 %	(47)	3.68 %	4.23 %	(13)
Gain on reverse loans held for investment and HMBS-related borrowings, net (Originations) (3)	$ 4.8	$ 7.2	(32)%	$ 12.0	$ 41.4	(71)%

(1) Defined as the UPB of loans funded in the period.

(2) Ratio of origination gain and fees - see (3) below - to origination UPB. Note that the ratio includes gains or losses on IRLCs.

(3) Includes gain on new origination, and loan fees and other. Includes non-cash gain on securitization of newly originated loans of $4.7 million and $9.4 million for the three and six months ended June 30, 2023, respectively, $4.7 million for the three months ended March 31, 2023 and $21.3 million for the six months ended June 30, 2022.

We reported $4.8 million Originations Gain on reverse loans held for investment and HMBS-related borrowings, net for the three months ended June 30, 2023, a $2.3 million, or 32% decrease as compared to the three months ended March 31, 2023, primarily driven by significantly lower margins across our reverse originations. The lower margins were mostly driven by HECM spreads widening substantially (approximately 20 basis points) during the second quarter of 2023 due to economic conditions, while spreads were mostly flat during the first quarter of 2023.

As compared to the six months ended June 30, 2022, Gain on reverse loans held for investment and HMBS-related borrowings, net for the six months ended June 30, 2023 decreased $29.4 million, or 71%. The decrease is primarily driven by a decline in volume in each of our channels. The decline in our volume is driven by the drastic increase in market interest rates with industry volume reduction of approximately 65%. Higher rates directly reduce loan proceeds available to borrowers. While each channel reported higher margins, the aggregate margin decreased due to the significant decline in volume of the higher margin Retail channel. Our Retail channel generated a net $22.3 million gain decrease in the six months ended June 30, 2023 as compared to the six months ended June 30, 2022.

Other Revenue, net

Other revenue for the three months ended June 30, 2023 increased $0.8 million as compared to the three months ended March 31, 2023 primarily due to an increase in correspondent and broker fees with higher origination volume. As compared to the six months ended June 30, 2022, Other revenue for the six months ended June 30, 2023 declined $6.8 million primarily due to a decline in volume.

MSR Valuation Adjustments, Net

MSR valuation adjustments, net includes revaluation gains on certain MSRs opportunistically purchased through the Agency Cash Window programs, and flow purchases. As an aggregator of MSRs, we may purchase MSRs from smaller originators with a purchase price at a discount to fair value and we recognize valuation adjustments for differences in exit markets in accordance with the accounting fair value guidance. We record such valuation adjustments as MSR valuation adjustments, net within the Originations segment since the segment's business objective is the sourcing of new MSRs at targeted returns. Quarter over quarter changes in MSR valuation adjustments, net are mostly due to volume changes.

Operating Expenses

Operating expenses for the three months ended June 30, 2023 increased $2.4 million, or 13%, as compared to the three months ended March 31, 2023. Compensation and benefits increased $1.3 million, or 14%, primarily driven by an increase in commissions due to the increase in production volume. Other operating expenses (total operating expenses less Compensation and benefits) increased $1.1 million, also primarily attributed to the increase in production volume.

As compared to the six months ended June 30, 2022, Operating expenses for the six months ended June 30, 2023 declined $49.0 million or 55%, as a result of our efforts to right size our resources to lower market opportunities. Compensation and benefits decreased $32.5 million, or 61% with a $19.8 million decrease in salaries and benefit expense, an $8.6 million decrease in commissions due to lower production volume and headcount, a $2.1 million decrease in severance expense and a $1.9 million decline in incentive compensation. The decrease in salaries and benefit expenses is primarily driven by the 58% decrease in Originations average total headcount, including a 67% reduction in average U.S. headcount. The offshore-to-total average headcount ratio for Originations increased from 45% for the six months ended June 30, 2022 to 57% for the six months ended June 30, 2023. Other operating expenses (total operating expenses less Compensation and benefits) decreased $16.5 million primarily attributed to the decline in production volumes as compared to six months ended June 30, 2022. All expense categories decreased, including a $5.9 million decrease in Origination expense, $3.1 million decrease in advertising expense, $2.5 million decrease in Professional services driven by lower outsourced resource, $1.9 million decrease in Occupancy and equipment expense driven by lower mailing and postage expenses, and $1.6 million decrease in Technology and communications due to lower origination volume.

Other Income (Expense)

Interest income consists primarily of interest earned on newly-originated and purchased loans prior to sale to investors. Interest expense is incurred to finance the mortgage loans prior to sale or securitization. We finance originated and purchased forward and reverse mortgage loans with repurchase and participation agreements, commonly referred to as warehouse lines.

Interest income for the three months ended June 30, 2023 increased $4.2 million as compared to the three months ended March 31, 2023 primarily due to the increase in origination volume. Similarly, interest expense for the three months ended June 30, 2023 increased $4.2 million as compared to the three months ended March 31, 2023 primarily due to the increase in average warehouse facility debt balances consistent with higher average held for sale loan balances.

As compared to the six months ended June 30, 2022, interest income for the six months ended June 30, 2023 increased $12.5 million primarily due to higher interest rates, offset in part by lower origination volume. Similarly, as compared to the six months ended June 30, 2022, interest expense for the six months ended June 30, 2023 increased $14.6 million primarily due to an increase in effective interest rates driven by base rate increases and an increase in average warehouse facility debt balances consistent with higher average held for sale loan balances.

CORPORATE ITEMS AND OTHER

Corporate Items and Other includes revenues and expenses of corporate support services, our reinsurance business CRL, inactive entities, and our other business activities that are currently individually insignificant, revenues and expenses that are not directly related to other reportable segments, interest income on short-term investments of cash, gain or loss on repurchases of debt, interest expense on unallocated corporate debt and foreign currency exchange gains or losses. Interest expense on corporate debt is allocated to the Servicing segment and the Originations segment based on relative financing requirements, with the exception of the OFC Senior Secured Notes. Accordingly, the financing cost of the Servicing and Originations segments reflects and is consistent with the financing structure of the licensed entity PMC that carries out these businesses and does not depend on the financing structure strategy of its parent, as a holding company.

Corporate support services include finance, facilities, human resources, internal audit, legal, risk and compliance, capital markets and technology functions. Certain expenses incurred by corporate support services are allocated to the Servicing and Originations segments using various methodologies intended to approximate the utilization of such services. Various measurements of utilization of corporate support services are maintained, primarily time studies, personnel volumes and service consumption levels. Support service costs not allocated to the Servicing and Originations segments are retained in the Corporate Items and Other segment along with certain other costs including certain litigation and settlement related expenses or recoveries, and other costs related to operating as a public company.

CRL, our wholly-owned captive reinsurance subsidiary, provides re-insurance related to coverage on REO properties owned or serviced by us. CRL assumes a quota share of REO insurance coverage written by a third-party insurer under a blanket policy issued to PMC. The underlying REO policy provides coverage for direct physical loss on commercial and residential properties, subject to certain limitations. Under the terms of the reinsurance agreement, CRL assumes a 60% quota share of premiums and all related losses and loss adjustment expenses incurred by the third-party insurer. The reinsurance agreement expires December 31, 2023, but may be terminated by either party at any time with six months advance written notice. The agreement will automatically renew for additional one-year terms unless either party provides 60 days advance written notice prior to renewal.

The following table presents selected results of operations of Corporate Items and Other. The amounts presented are before the elimination of balances and transactions with our other segments:

	Three Months Ended			Six Months Ended		
	June 30, 2023	March 31, 2023	% Change	June 30, 2023	June 30, 2022	% Change
Revenue						
Reinsurance premiums (CRL)	$ 3.9	$ 1.9	102 %	$ 5.8	$ 3.2	84 %
Other revenue	0.3	0.1	232	0.4	0.3	53
Total revenue	4.2	2.0	107	6.2	3.4	82
Operating expenses						
Compensation and benefits	20.1	19.0	6	39.2	34.9	12
Professional services	(28.4)	5.1	(652)	(23.3)	7.4	(417)
Technology and communications	5.1	5.4	(4)	10.5	11.4	(8)
Occupancy and equipment	—	0.6	(95)	0.7	1.2	(45)
Servicing and origination	1.4	0.6	135	2.0	(0.2)	n/m
Other expenses	1.4	1.2	21	2.7	4.7	(42)
Total operating expenses before corporate overhead allocations	(0.3)	31.9	(101)	31.7	59.4	(47)
Corporate overhead allocations						
Servicing segment	(11.1)	(11.5)	(3)	(22.6)	(22.8)	(1)
Originations segment	(5.0)	(4.8)	4	(9.9)	(10.7)	(8)
Total operating expenses	(16.4)	15.6	(205)	(0.7)	25.9	(103)
Other income (expense), net						
Interest income	1.2	1.0	28	2.2	0.2	884
Interest expense	(10.9)	(10.8)	1	(21.7)	(21.0)	3
Other, net	(0.4)	0.8	(154)	0.3	1.3	(76)
Total other income (expense), net	(10.1)	(9.0)	12	(19.1)	(19.5)	(2)
Income (loss) before income taxes	$ 10.5	$ (22.6)	(147)%	$ (12.2)	$ (41.9)	(71)%

Compensation and Benefits

Compensation and benefits expense for the three months ended June 30, 2023 increased $1.1 million, or 6%, as compared to the three months ended March 31, 2023 primarily as a result of a $1.6 million increase in incentive compensation mostly due to an increase in the fair value of cash-settled share-based awards in the quarter following the increase of our common stock price, as compared to a decrease in the prior quarter.

As compared to the six months ended June 30, 2022, Compensation and benefits expense for the six months ended June 30, 2023 increased $4.3 million, or 12%, primarily as a result of an $7.7 million increase in incentive compensation offset by a $2.0 million decline in severance and a $1.4 million decline in salaries and benefit expense. The increase in incentive compensation is primarily due to an increase in share-based awards expense associated with the increase in our common stock price, new awards and lower expense in the first quarter of 2022 due to forfeitures. The average Corporate headcount declined by 20% and the offshore-to-total average headcount ratio increased from 71% for the six months ended June 30, 2022 to 75% for the six months ended June 30, 2023.

Professional Services

Professional services expense for the three months ended June 30, 2023 declined $33.5 million as compared to the three months ended March 31, 2023, primarily due to the reversal of our accrual related to the CFPB matter resolved in the second quarter of 2023 and certain recoveries of prior years' legal expenses from private mortgage insurers. As compared to the six months ended June 30, 2022, Professional services expense for the six months ended June 30, 2023 declined $30.7 million, due to the main factors described above and a lower utilization of other professional services in six months ended June 30, 2023 including consulting services related to corporate strategy and business initiatives.

LIQUIDITY AND CAPITAL RESOURCES

Overview

In the normal course of business, we are actively engaged with our lenders and as a result, renew, replace or extend our debt agreements to the extent necessary to finance our operations. See Note 12 – Borrowings to the Unaudited Consolidated Financial Statements for additional information. We actively monitor and, during the six months ended June 30, 2023, we have adjusted our borrowing capacity on our various collateralized debt agreements to align with our financing needs and to optimize our financing costs.

A summary of borrowing capacity under our advance facilities, mortgage warehouse facilities and MSR financing facilities is as follows:

	June 30, 2023			December 31, 2022		
	Total Borrowing Capacity (1)	Available Borrowing Capacity - Committed (1)	Available Borrowing Capacity - Uncommitted (1)	Total Borrowing Capacity (1)	Available Borrowing Capacity - Committed (1)	Available Borrowing Capacity - Uncommitted (1)
Advance facilities	$ 554.4	$ 110.5	$ 13.5	$ 554.4	$ 27.5	$ 13.2
Mortgage loan financing facilities	2,333.4	120.1	936.5	2,133.0	332.6	1,097.6
MSR financing facilities	865.0	39.7	38.2	1,025.0	143.4	17.1
Total	$ 3,752.8	$ 270.3	$ 988.3	$ 3,712.4	$ 503.5	$ 1,128.0

(1) Total Borrowing Capacity represents the maximum amount which can be borrowed, subject to eligible collateral. Available Borrowing Capacity represents Total Borrowing Capacity less outstanding borrowings.

At June 30, 2023, none of the available borrowing capacity under our advance financing facilities could be funded based on the amount of eligible collateral that had been pledged to such facilities. Also, none of our uncommitted borrowing capacity was available to fund advances at June 30, 2023 under our Ginnie Mae MSR financing facility based on the amount of eligible collateral. We may utilize committed borrowing capacity under our mortgage loan financing facilities and MSR financing facilities to the extent we have sufficient eligible collateral to borrow against and otherwise satisfy the applicable conditions to funding. At June 30, 2023, we had $1.7 million committed borrowing capacity under our mortgage loan financing facilities and $18.1 million committed borrowing capacity under our MSR financing facilities, based on the amount of eligible collateral. Uncommitted amounts can be advanced at the discretion of the lender, and there can be no assurance that any uncommitted amounts will be available to us at any particular time.

At June 30, 2023, our total liquidity was $233.2 million compared to $219.1 million at December 31, 2022, which comprised an unrestricted cash position of $213.4 million compared to $208.0 million at December 31, 2022. We typically invest cash in excess of our immediate operating needs in deposit accounts and other liquid assets.

We optimize our daily cash position to reduce financing costs while closely monitoring our liquidity needs and ongoing funding requirements. We regularly monitor and project cash flows over various time horizons, including bank concentration, as a way to anticipate and mitigate liquidity risk. We maintain liquidity buffers to be responsive to the level of risks, including stressed market interest rate conditions and operational risk.

Use of Funds

Our primary near-term uses of funds in the normal course include:

- Payment of operating costs and corporate expenses;
- Payments for advances in excess of collections;
- Investing in our servicing and originations businesses, including MSRs, other asset acquisitions and MAV Canopy equity contributions;
- Originated and repurchased loans, including scheduled and unscheduled equity draws on reverse mortgage loans;
- Payment of margin calls under our MSR financing facilities and derivative instruments;
- Repayments of borrowings, including under our MSR financing, advance financing and warehouse facilities, and payment of interest expense; and
- Net negative working capital and other general corporate cash outflows.

We have originated floating-rate reverse mortgage loans under which the borrowers have additional borrowing capacity of $1.8 billion at June 30, 2023. This additional borrowing capacity is available on a scheduled or unscheduled payment basis. During the six months ended June 30, 2023, we funded $135.9 million out of the $1.8 billion borrowing capacity available as of

December 31, 2022. We also had short-term commitments to lend $1.1 billion and $16.4 million in connection with our forward and reverse mortgage loan IRLCs, respectively, outstanding at June 30, 2023. As an HMBS issuer, we assume certain obligations related to each security issued. The most significant obligation is the requirement to repurchase loans out of the Ginnie Mae securitization pools once the outstanding principal balance of the related HECM is equal to or greater than 98% of the maximum claim amount (MCA repurchases). We carry these repurchases until reimbursement by HUD and/or property liquidation if inactive. Our reverse subservicing clients bear the financial obligation and risks associated with purchasing loans out of securitization pools within the portfolio we subservice. We finance originated and purchased forward and reverse mortgage loans with repurchase and participation agreements, referred to as warehouse lines.

Regarding the current maturities of our borrowings, as of June 30, 2023, we have approximately $2.1 billion of debt outstanding that would either come due, begin amortizing or require partial repayment in the next 12 months. This amount is comprised of $1.3 billion of borrowings under forward and reverse mortgage warehouse facilities, $429.5 million of notes under advance financing facilities that will enter their respective amortization periods, $399.6 million outstanding under Agency and Ginnie Mae MSR financing facilities maturing in the next 12 months and $15.6 million of scheduled principal amortization on the PLS Notes secured by PLS MSRs.

With respect to liquidity management, we consider our servicing advance requirements during each investor remittance period and the uncertainties of daily margin calls on our collateralized debt facilities and derivative instruments due to interest rate fluctuations. As servicer, we are required to advance to investors the loan P&I installments not collected from borrowers for those delinquent loans, including those on forbearance plans. Loan payoffs and prepayments are a source of additional liquidity and are dependent on the interest rate environment. We also advance T&I and Corporate advances primarily on properties that are in default or have been foreclosed. Our obligations to make these advances are governed by servicing agreements or guides, depending on investors or guarantor. As subservicer, we are also required to make P&I, T&I and Corporate advances on behalf of servicers following the servicing agreements or guides. However, servicers are generally required to reimburse us within 30 days of our advancing under the terms of the subservicing agreements, and we are generally reimbursed by Rithm the same day we fund P&I advances, or within no more than three days for servicing advances and certain P&I advances under the Ocwen agreements.

We are generally subject to daily margining requirements under the terms of our MSR financing facilities and daily cash calls for our TBAs, interest rate swap futures or other derivatives. Declines in fair value of our MSRs due to declines in market interest rates, assumption updates or other factors require that we provide additional collateral to our lenders under MSR financing facilities. Similarly, declines in fair value of our derivative instruments require that we provide additional collateral to the clearing counterparties. While the objective of our hedging strategy is to reduce volatility due to interest rates, it is also designed to address cash and liquidity considerations.

Our medium- and long-term requirements for cash include:

- Payment of interest and principal repayment of our corporate debt that matures in 2026 and 2027;
- Any payments associated with the confirmation of loss contingencies; and
- Any other payments required under contractual obligations discussed above that extend beyond one year.

We are focused on ensuring that we have sufficient liquidity sources to continue to operate and support our business initiatives. We continuously evaluate alternative financings to diversify our sources of funds, optimize maturities and reduce our funding cost. See “Sources of Funds” below.

Sources of Funds

Our primary sources of funds for near-term liquidity in normal course include:

- Collections of servicing and subservicing fees and ancillary revenues;
- Collections of advances in excess of new advances;
- Proceeds from match funded advance financing facilities;
- Proceeds from other borrowings, including warehouse facilities, MSR financing facilities, MSR transfers and ESS financing;
- Proceeds from sales and securitizations of originated loans and repurchased loans; and
- Net positive working capital from changes in other assets and liabilities.

Servicing advances are an important component of our business and represent amounts that we, as servicer, are required to advance to, or on behalf of, our servicing clients if we do not receive such amounts from borrowers. Our use of advance financing facilities is integral to our cash and liquidity management strategy. Revolving variable funding notes issued under our advance financing facilities to financial institutions typically have a revolving period of 12 months. Additionally, certain of our financing and subservicing agreements permit us to retain advance collections for a period ranging from one to two business days before remittance, thus providing a source of short-term liquidity.

We use mortgage loan repurchase and participation facilities (commonly called warehouse lines) to fund newly-originated loans on a short-term basis until they are sold or securitized to secondary market investors, including GSEs or other third-party investors, and to fund repurchases of certain Ginnie Mae forward loans, HECM loans, second-lien loans and other types of loans. These facilities contain eligibility criteria that include aging and concentration limits by loan type among other provisions. Currently, our financing agreements generally have maximum terms of 364 days. The funds are typically repaid using the proceeds from the sale of the loans to the secondary market investors, usually within 30 days.

We also rely on the secondary mortgage market as a source of consistent liquidity to support our lending operations. Substantially all of the mortgage loans that we originate or purchase are sold or securitized in the secondary mortgage market in the form of residential mortgage backed securities guaranteed by Fannie Mae or Freddie Mac and, in the case of mortgage backed securities guaranteed by Ginnie Mae, are mortgage loans insured or guaranteed by the FHA, VA or USDA. In June 2023, we issued a private placement securitization of reverse mortgage buyouts with an initial principal amount of $264.9 million, expanding our access to capital markets and reducing our reliance on warehouse financing facilities.

We regularly evaluate financing structure options that we believe will most effectively provide the necessary capacity to support our investment plans, address upcoming debt maturities and accommodate our business needs. We continue to diversify our sources of funds, allowing us to reduce our reliance on existing asset-backed financing facilities and de-risk our MSR and other exposures. We continuously evaluate the allocation of our capital to MSR investments, the related returns, funding and liquidity requirements. The relationship with MAV may continue to provide PMC with an additional means to finance MSRs and maintain liquidity while maintaining servicing volume. With the development of MAV and our relationships with other clients, additional opportunities to rebalance our servicing and subservicing portfolio mix are available to us and may result in further sales of MSRs while we would perform subservicing for the sold portfolio, or further ESS issuances.

Covenants

Our debt agreements contain various qualitative and quantitative covenants including financial covenants, covenants to operate in material compliance with applicable laws and regulations, monitoring and reporting obligations and restrictions on our ability to engage in various activities, including but not limited to incurring or guarantying additional debt, paying dividends or making distributions on or purchasing equity interests of Ocwen and its subsidiaries, repurchasing or redeeming capital stock or junior capital, repurchasing or redeeming subordinated debt prior to maturity, issuing preferred stock, selling or transferring assets or making loans or investments or other restricted payments, entering into mergers or consolidations or sales of all or substantially all of the assets of Ocwen and its subsidiaries, creating liens on assets to secure debt, and entering into transactions with affiliates. These covenants may limit the manner in which we conduct our business and may limit our ability to engage in favorable business activities or raise additional capital to finance future operations or satisfy future liquidity needs. In addition, breaches or events that may result in a default under our debt agreements include, among other things, nonpayment of principal or interest, noncompliance with our covenants, breach of representations, the occurrence of a material adverse change, insolvency, bankruptcy, certain material judgments and litigation and changes of control. See Note 12 – Borrowings to the Unaudited Consolidated Financial Statements for additional information regarding our covenants. The most restrictive liquidity requirement under our debt agreements is for a minimum of $75.0 million in consolidated liquidity, as defined, under certain of our advance match funded debt and MSR financing facilities agreements. At June 30, 2023, we held unrestricted cash in excess of this minimum amount.

In addition, our debt agreements generally include cross default provisions such that a default under one agreement could trigger defaults under other agreements. If we fail to comply with our debt agreements and are unable to avoid, remedy or secure a waiver of any resulting default, we may be subject to adverse action by our lenders, including termination of further funding, acceleration of outstanding obligations, enforcement of liens against the assets securing or otherwise supporting our obligations, and other legal remedies, any of which could have a material adverse effect on our business, financial condition, liquidity and results of operations. We believe that we are in compliance with the covenants in our debt agreements as of June 30, 2023.

Credit Ratings

Credit ratings are intended to be an indicator of the creditworthiness of a company’s debt obligations. Lower ratings generally result in higher borrowing costs and reduced access to capital markets. The following table summarizes our current ratings and outlook by the respective nationally recognized rating agencies. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

Rating Agency	Long-term Corporate Rating	Review Status / Outlook	Date of last action
Moody’s	Caa1	Positive	August 15, 2022
S&P	B-	Stable	January 24, 2023

On January 24, 2023, S&P affirmed the long-term corporate rating of Ocwen at “B-” and affirmed the “B” rating of the PMC Senior Secured Notes.

It is possible that additional actions by credit rating agencies could have a material adverse impact on our liquidity and funding position, including materially changing the terms on which we may be able to borrow money.

Cash Flows

Our operating cash flow is primarily impacted by operating results, including Originations gains on loan sales, changes in our servicing advance balances, the level of mortgage loan production, the timing of sales and securitizations of mortgage loans, and the margin calls required under our MSR financing facilities or derivative instruments. We classify purchases of MSRs through flow purchase agreements, Agency Cash Window and bulk acquisitions as investing activity. MSR investments represent a key indicator of our ability to generate future income in our Servicing business, together with originated MSRs. We classify changes in HECM loans held for investment as investing activity and changes in the related HMBS borrowings as financing activity.

Our Rithm agreements represent an important component of our liquidity management, and have a significant impact on our consolidated statements of cash flows. Because the payments we received in connection with our agreements with Rithm were recorded as secured financings, additions to, and reductions in, the balance of those secured financings were recognized as financing activity in our consolidated statements of cash flows. Excluding the impact of changes to the secured financings attributed to changes in fair value, changes in the balance of these secured financings are reflected in cash flows from operating activities despite having no impact on our consolidated cash balance.

Our cash flows are summarized as follows:

$ in millions	**Six Months Ended June 30,**	
	2023	**2022**
Net cash provided by (used in) operating activities	$ (649)	$ 311
Net cash used in investing activities	(23)	(137)
Net cash provided by (used in) financing activities	729	(114)
Net increase (decrease) in cash, cash equivalents and restricted cash	$ 58	$ 59
Cash, cash equivalents and restricted cash at end of period	$ 332	$ 323

Cash flows for the six months ended June 30, 2023

Our operating activities used $648.7 million of cash primarily due to net cash paid on loans held for sale of $788.0 million as loan production volume exceeded sales. Offsetting operating cash inflows include net collections of servicing advances of $114.0 million.

Our investing activities used $22.5 million of cash. The primary use of cash in our investing activities was $52.3 million to purchase MSRs. Offsetting cash inflows include $20.6 million net cash inflows in connection with our HECM reverse mortgages, $7.6 million of capital distributions, net of contributions, from our equity method investee MAV Canopy and $5.1 million proceeds from the sale of advances.

Our financing activities provided $729.5 million of cash. Financing cash inflows are primarily comprised of $816.0 million net from borrowings under our mortgage loan financing facilities, including the OLIT securitization, due to the increase in loans held for sale, $88.3 million of proceeds from the sale of MSRs accounted for as a financing in connection with sales of MSRs. and $68.7 million of proceeds from ESS financing. Offsetting cash outflows include $83.2 million of net repayments on advance match funded liabilities due to the decline in servicing advances, $88.4 million of net repayments on MSR financing facilities, and $45.0 million of net payments on the financing liabilities related to MSRs transferred and ESS financings due to runoff. Cash inflows of $502.3 million received in connection with our reverse mortgage securitizations, which are accounted for as secured financings, were more than offset by repayments on the related financing liability of $525.1 million.

Cash flows for the six months ended June 30, 2022

Our operating activities provided $310.9 million of cash with net cash received on loans held for sale of $120.6 million due to higher forward loan production volumes. In addition, net collections of servicing advances were $105.9 million, mostly T&I advances, and we received earnings distributions of $12.0 million from MAV Canopy.

Our investing activities used $137.3 million of cash. The primary uses of cash in our investing activities include $149.1 million net cash outflows in connection with our HECM reverse mortgages, $103.5 million to purchase MSRs, $6.9 million acquisition of reverse subservicing agreement and $11.6 million of capital contributions, net of distributions, to MAV Canopy. Offsetting cash inflows include $134.5 million proceeds from the sale of MSRs to an unrelated third party.

Our financing activities used $114.4 million of cash. Cash outflows include $217.0 million net repayments of borrowings under our mortgage loan financing facilities and MSR financing facilities due to the decline in loans held for sale, $35.3 million of net repayments on advance match funded liabilities due to the decline in servicing advances, and $57.0 million of net payments on the financing liabilities related to MSRs transferred due to runoff. We also paid $23.6 million to repurchase $25.0 million of our 7.875% PMC Senior Secured Notes and $2.3 million to repurchase 84,087 shares of our common stock. Cash inflows include $1.1 billion received in connection with our reverse mortgage securitizations, which are accounted for as secured financings, partially offset by repayments on the related financing liability of $993.5 million, and $66.2 million of proceeds from the sale of MSRs accounted for as a financing in connection with sales of MSRs to MAV.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our ability to measure and report our financial position and operating results is influenced by the need to estimate the impact or outcome of future events based on information available at the date of the financial statements. An accounting estimate is considered critical if it requires that management make assumptions about matters that were highly uncertain at the time the accounting estimate was made. If actual results differ from our judgments and assumptions, then it may have an adverse impact on the results of operations and cash flows. We have processes in place to monitor these judgments and assumptions, and management is required to review critical accounting policies and estimates with the Audit Committee of the Board of Directors.

Our accounting policies and estimates involving significant judgments primarily relate to fair value measurements, income taxes, allowance for losses on assets, and the provision for losses that may arise from contingencies, including indemnification obligations and litigation proceedings. We use fair value measurements to record fair value adjustments to certain instruments in our statement of operations and to determine fair value disclosures, including but not limited to MSRs, Pledged MSR liabilities and Loans held for sale, Loans held for investment-Reverse mortgages, and HMBS-related borrowings. As of June 30, 2023, 89% of our assets and 69% of our liabilities were reported at fair value, with fair value changes reported in our statement of operations. Substantially all our assets and liabilities at fair value were classified as Level 3 instruments due to unobservable inputs.

Our significant accounting policies and critical accounting estimates are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022 in Note 1 to the Consolidated Financial Statements and in Management’s Discussion and Analysis of Financial Condition and Results of Operations under “Critical Accounting Policies and Estimates.”

RECENT ACCOUNTING DEVELOPMENTS

See Note 1 - Organization and Basis of Presentation to the Unaudited Consolidated Financial Statements for information related to recent accounting standards updates.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (Dollars in millions unless otherwise indicated)

Interest Rates

Our principal market risk exposure is the impact of interest rate changes on our mortgage-related assets and commitments, including MSRs, loans held for sale, loans held for investment, IRLCs and other derivative instruments. In addition, changes in interest rates could materially and adversely affect the amount of escrow and float income, the volume of mortgage loan originations or result in MSR fair value changes. We also have exposure to the effects of changes in interest rates on our floating-rate borrowings, including MSR and advance financing facilities.

Our management-level Market Risk Committee establishes and maintains policies that govern our risk appetite and associated hedging programs, including such factors as market volatility, duration and interest rate sensitivity measures, limits, targeted hedge ratios, the hedge instruments that we are permitted to use in our hedging activities and the counterparties with whom we are permitted to enter into hedging transactions and our liquidity risk profile. See Note 14 – Derivative Financial Instruments and Hedging Activities to the Unaudited Consolidated Financial Statements for additional information regarding our use of derivatives.

MSR Hedging Strategy

MSRs are carried at fair value with changes in fair value being recorded in earnings in the period in which the changes occur. The fair value of MSRs is subject to changes in market interest rates, among other inputs and assumptions.

The objective of our risk management MSR policy is to provide partial hedge coverage of interest-rate sensitive MSR portfolio exposure, considering market and liquidity conditions. The interest-rate sensitive MSR portfolio exposure is defined as follows:

- Agency MSR portfolio,
- expected Agency MSR bulk transactions subject to letters of intent (LOI),
- less the Agency MSRs subject to our sale agreements with Rithm (formerly NRZ), MAV and others (See Note 8 — Other Financing Liabilities, at Fair Value),
- less the asset value for securitized HECM loans, net of the corresponding HMBS-related borrowings (Reverse MSR).

The hedge coverage ratio, defined as the ratio of hedge and asset rate sensitivity (referred to as DV01) at the time of measurement, is subject to lower and upper thresholds, as modeled. Our MSR hedge policy establishes a minimum 25% and 30% hedge coverage ratio required for interest rate declines less than, and more than 50 basis points, respectively. Prior to September 30, 2022, the hedge coverage ratio was required to remain within a minimum of 40% and maximum of 60%. MSRs subject to LOI may be covered under a separate hedge coverage ratio requirement sufficient to preserve the economics of the intended transactions. Accordingly, the changes in fair value of our hedging instruments may not fully offset the changes in fair value of our net MSR portfolio exposure attributable to interest rate changes. We periodically evaluate the hedge coverage ratio at the intended shock interval to determine if it is relevant or warrants adjustment based on market conditions, symmetry of interest rate risk exposure, and liquidity impacts of both the hedge and asset profile under shock scenarios. As the market dictates, management may choose to maintain hedge coverage ratio levels at or beyond the above thresholds, with approval of the Market Risk Committee, in order to preserve liquidity and/or optimize asset returns. During the second quarter of 2023, management raised its minimum hedge coverage ratio to 60%. In addition, while DV01 measures may remain within the range of our hedging strategy's objective, actual changes in fair value of the derivatives and MSR portfolio may not offset to the same extent, due to non-parallel changes in the interest rate curve and the basis risk inherent in the MSR profile and hedging instruments, among other factors. We continuously evaluate the use of hedging instruments to strive to enhance the effectiveness and efficiency of our interest rate hedging strategy.

The following table illustrates the interest rate sensitivity of our MSR portfolio exposure and associated hedges at June 30, 2023. Hypothetical change in values of the MSR and hedges are presented under a set instantaneous +/- 25 basis point parallel move in rates. Refer to the description below under Sensitivity Analysis for more details. Changes in fair value cannot be extrapolated because the relationship to the change in fair value may not be linear. The amounts based on market risk sensitive measures are hypothetical and presented for illustrative purposes only.

	Fair value at June 30, 2023	**Hypothetical change in fair value due to 25 bps rate decrease (1)**	**Hypothetical change in fair value due to 25 bps rate increase (1)**
Agency MSRs - interest rate sensitive (excluding Rithm and others and MAV)	$ 1,518.6	$ (44.8)	$ 43.3
Asset value of securitized HECM loans, net of HMBS-related borrowing (Reverse MSR)	67.4	4.0	(4.0)
MSR hedging derivative instruments	$ (12.7)	25.6	(24.3)
Total hedge position		$ 29.6	$ (28.3)
Hypothetical hedge coverage ratio (2)		66 %	65 %
Hypothetical residual exposure to changes in interest rates		$ (15.3)	$ 15.0

(1) The baseline for the hypothetical change in fair value is based on a 10-year Treasury Rate of 3.85% at June 30, 2023.
(2) The hypothetical hedge coverage ratio above is calculated as the change in fair value of the total hedge position divided by the change in value of the Agency MSR position.

The above hypothetical hedge coverage ratio reflects the instrument sensitivities as of June 30, 2023. The actual hedge coverage ratio during the six months ended June 30, 2023, as monitored by Risk Management, may be summarized as follows:

		Fair value changes during the three months ended June 30, 2023
Change in 10-year swap (basis points)		35
Agency MSRs - interest rate sensitive (excluding Rithm and others and MAV)	$	77.8
Asset value of securitized HECM loans, net of HMBS-related borrowing (Reverse MSR)		(6.4)
MSR hedging derivative instruments		(65.2)
Total hedge position	$	(71.6)
Actual hedge coverage ratio		92 %
Residual fair value changes due to changes in interest rates	$	6.2

Our derivative instruments include forward trades of MBS or Agency TBAs with different banking counterparties, exchange-traded interest rate swap futures and interest rate options. TBAs, or To-Be-Announced securities are actively traded, forward contracts to purchase or sell Agency MBS on a specific future date. From time-to-time, we enter into exchange-traded options contracts with purchased put options financed by written call options. These derivative instruments are not designated as accounting hedges. We report changes in fair value of these derivative instruments in MSR valuation adjustments, net in our consolidated statements of operations, within the Servicing segment. We may, from time to time, establish inter-segment derivative instruments between the MSR and pipeline hedging strategies to minimize the use of third-party derivatives. Such inter-segment derivatives are eliminated in our consolidated financial statements.

The derivative instruments are subject to margin requirements, posted as either initial or variation margin. Ocwen may be required to post or may be entitled to receive cash collateral with its counterparties through margin calls, based on daily value changes of the instruments. Changes in market factors, including interest rates, and our credit rating may require us to post additional cash collateral and could have a material adverse impact on our financial condition and liquidity.

Loans Held for Investment and HMBS-related Borrowings

The fair value of our HECM loan portfolio generally decreases as market interest rates rise and increases as market rates fall. As our HECM loan portfolio is predominantly comprised of ARMs, higher interest rates cause the loan balance to accrue and reach a 98% maximum claim amount liquidation event more quickly, while lower interest rates extend the timeline to reach maximum claim amount liquidation. Additionally, portfolio value is heavily influenced by market spreads for fixed and discount margin for ARMs.

The fair value of our HECM loan portfolio net of the fair value of the HMBS-related borrowings comprises the fair value of reverse mortgage loans, tails that are unsecuritized as of the balance sheet date and the fair value of securitized HECM loans net of the corresponding HMBS-related borrowings that represent the reverse mortgage economic MSR (HMSR) for risk management purposes. The HMSR acts as a partial hedge for our forward MSR value sensitivity. This HMSR exposure is used as a partial offset to our forward MSR exposure and managed as part of our MSR hedging strategy described above.

Pipeline Hedging Strategy - Loans Held for Sale and IRLCs

In our Originations business, we are exposed to interest rate risk and related price risk during the period from the date of the interest rate lock commitment through (i) the lock commitment cancellation or expiration date or (ii) through the date of sale of the resulting loan into the secondary mortgage market. Loan commitments for forward loans generally range from 5 to 90 days, with the majority of our commitments to borrowers for 40 to 60 days and our commitments to correspondent sellers for 5 days to 15 days. Loans held for sale are generally funded and sold within 5 to 30 days a wider range than the prior quarter due to expanded execution strategies. The interest rate exposure of loans held for sale and IRLCs is economically hedged with derivative instruments, including forward sales of Agency TBAs. The objective of our pipeline hedging strategy is to provide hedge coverage of locks and loans within certain tolerance levels. The net daily market risk position of net pull-though adjusted locks and loans held for sale, less the offsetting hedges of the forward and reverse pipelines, is monitored daily and its daily limit is the greater of +/- 5% or +/- $15 million. We report changes in fair value of these derivative instruments in gain on loans held for sale in our consolidated statements of operations, within the Originations segment. We establish inter-segment derivative instruments between the MSR and pipeline hedging strategies to minimize the use of third-party derivatives. Such inter-segment derivatives are eliminated in our consolidated financial statements. Reverse origination pipeline is hedged under the same principles as described above, for unsecuritized loans held for investment.

EBO and Loan Modification Hedging – Loans Held for Sale, at fair value

In our Servicing business, effective February 2022, management started hedging certain Ginnie Mae EBO loans repurchased out of securitization pools for modification and reperformance with TBAs to manage the interest rate risk while these loans await redelivery.

Advance Match Funded Liabilities

We monitor the effect of increases in interest rates on the interest paid on our variable-rate advance financing debt. Earnings on cash and float balances are a partial offset to our exposure to changes in interest expense. We purchase interest rate caps as economic hedges (not designated as a hedge for accounting purposes) when required by our advance financing arrangements.

Interest Rate-Sensitive Financial Instruments

The tables below present the notional amounts of our financial instruments that are sensitive to changes in interest rates and the related fair value of these instruments at the dates indicated. We use certain assumptions to estimate the fair value of these instruments.

	June 30, 2023		December 31, 2022	
	Balance	Fair Value (1)	Balance	Fair Value (1)
Rate-Sensitive Assets:				
Interest-earning cash	$ 196.4	$ 196.4	$ 186.1	$ 186.1
Loans held for sale, at fair value	1,352.9	1,352.9	617.8	617.8
Loans held for sale, at lower of cost or fair value (2)	3.7	3.7	4.9	4.9
Loans held for investment, at fair value	7,674.8	7,674.8	7,504.1	7,504.1
Debt service accounts and time deposits	71.7	71.7	22.8	22.8
Total rate-sensitive assets	$ 9,299.4	$ 9,299.4	$ 8,335.7	$ 8,335.7
Rate-Sensitive Liabilities (3):				
Match funded liabilities	$ 430.4	$ 430.4	$ 513.7	$ 513.7
Senior notes (4)	660.0	561.6	660.0	555.2
Mortgage loan financing facilities, net	1,541.6	1,515.0	702.7	702.7
MSR financing facilities, net (4)	865.3	845.3	954.6	932.1
ESS financing liability, at fair value	$ 258.5	$ 258.5	$ 199.0	$ 199.0
Total rate-sensitive liabilities	$ 3,755.9	$ 3,610.8	$ 3,030.0	$ 2,902.7

	June 30, 2023		December 31, 2022	
	Notional Balance	Fair Value (1)	Notional Balance	Fair Value (1)
Rate-Sensitive Derivative Financial Instruments:				
Derivative assets (liabilities):				
IRLCs	$ 1,153.1	$ 1.4	$ 553.9	$ (0.7)
Forward sales of loans	50.0	—	140.0	0.5
Interest rate swap futures	1,570.0	(10.9)	670.0	(13.6)
TBA forward MBS trades	2,001.0	6.3	889.0	5.9
Interest rate option contracts	620.0	(1.2)	—	—
Other	77.6	(0.1)	56.4	(0.1)
Derivatives, net	$ 5,471.7	$ (4.3)	$ 2,309.3	$ (8.0)

(1) See Note 3 – Fair Value to the Unaudited Consolidated Financial Statements for additional fair value information on financial instruments.
(2) Net of valuation allowances and including non-performing loans.
(3) Excludes financing liabilities that result from sales of assets that do not qualify as sales for accounting purposes and, therefore, are accounted for as secured financings, which have no contractual maturity and are amortized over the life of the related assets.
(4) Amounts are exclusive of any related discount or unamortized debt issuance costs.

Sensitivity Analysis

Fair Value MSRs, Loans Held for Sale, Loans Held for Investment and Related Derivatives

The following table summarizes the estimated change in the fair value of our MSRs, HECM loans held for investment and loans held for sale that we have elected to carry at fair value as well as any related derivatives at June 30, 2023, given hypothetical instantaneous parallel shifts in the yield curve. We used June 30, 2023 market rates to perform the sensitivity analysis. The estimates are based on the interest rate risk sensitive portfolios described in the preceding paragraphs and assume instantaneous, parallel shifts in interest rate yield curves. These sensitivities are hypothetical and presented for illustrative purposes only. Changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship to the change in fair value may not be linear.

	Change in Fair Value	
	Down 25 bps	**Up 25 bps**
Asset value of securitized HECM loans, net of HMBS-related borrowing	$ 4.0	$ (4.0)
Loans held for investment - Unsecuritized HECM loans and tails	0.03	(0.03)
Loans held for sale	14.5	(16.9)
Derivative instruments	12.3	(9.0)
Total MSRs - Agency and non-Agency (1)	(45.9)	44.3
IRLCs	(2.0)	1.9
Total, net	$ (17.2)	$ 16.2

(1) Primarily reflects the impact of market interest rate changes on projected prepayments on the Agency MSR portfolio, Rithm and MAV pledged MSR financing liabilities and ESS financing liabilities.

The decrease in our net sensitivity from December 31, 2022 to June 30, 2023 (from approximately $23.5 - $(26.1) million) to $16.2 - $(17.2) million for a 25 basis point parallel shift in the yield curve, up and down, respectively) is primarily driven by the effect of the increase in interest rates on our MSR portfolio (due to convexity), the sale of MSRs and the change in our hedging instruments in the six months ended June 30, 2023.

Borrowings

The majority of the debt used to finance much of our operations is exposed to interest rate fluctuations. We may purchase interest rate swaps and interest rate caps to minimize future interest rate exposure from increases in interest rates, or when required by the financing agreements.

Based on June 30, 2023 balances, if interest rates were to increase by 100 bps on our variable-rate debt and cash and float balances, we estimate a net negative impact of approximately $0.9 million resulting from an increase of $23.9 million in annual interest income and other credits on deposits, and an increase of $24.8 million in annual interest expense.

Foreign Currency Exchange Rate Risk

Our operations in India and the Philippines expose us to foreign currency exchange rate risk to the extent that our foreign exchange positions remain unhedged. Depending on the magnitude and risk of our positions we may enter into forward exchange contracts to hedge against the effect of changes in the value of the India Rupee or Philippine Peso. We did not enter into any foreign currency hedging derivative instruments during the six months ended June 30, 2023.

Home Prices

Inactive reverse mortgage loans for which the maximum claim amount has not been met are generally foreclosed upon on behalf of Ginnie Mae with the REO remaining in the related HMBS until liquidation. Inactive MCA repurchased loans are generally foreclosed upon and liquidated by the HMBS issuer. Although active and inactive reverse mortgage loans are insured by FHA, we may incur expenses and losses in the process of repurchasing and liquidating these loans that are not reimbursable by FHA in accordance with program guidelines. In addition, in certain circumstances, we may be subject to real estate price risk to the extent we are unable to liquidate REO within the FHA program guidelines. As our reverse mortgage portfolio seasons, and the volume of MCA repurchases increases, our exposure to this risk will increase.

ITEM 4. CONTROLS AND PROCEDURES

Our management, under the supervision of and with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act), as of June 30, 2023.

Based on such evaluation, management concluded that our disclosure controls and procedures as of June 30, 2023 were (1) designed and functioning effectively to ensure that material information relating to Ocwen, including its consolidated subsidiaries, is made known to our principal executive officer and principal financial officer by others within those entities, particularly during the period in which this report was being prepared and (2) operating effectively in that they provided reasonable assurance that information required to be disclosed by Ocwen in the reports that it files or submits under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to management, including our principal executive officer or principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

There have not been any changes in our internal control over financial reporting that occurred during the fiscal quarter ended June 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 20 – Contingencies to the Unaudited Consolidated Financial Statements for a description of our material legal proceedings. That information is incorporated into this item by reference.

ITEM 1A. RISK FACTORS

An investment in our common stock involves significant risk. We describe the most significant risks that management believes affect or could affect us under Part I, Item 1.A. of our Annual Report on Form 10-K for the year ended December 31, 2022. There have been no material changes to our risk factors since our Annual Report on Form 10-K for the year ended December 31, 2022. Understanding these risks is important to understanding any statement in such reports and in our subsequent SEC filings (including this Form 10-Q) and to evaluating an investment in our common stock. You should carefully read and consider the risks and uncertainties described therein together with all the other information included or incorporated by reference in such Annual Report and in our subsequent SEC filings before you make any decision regarding an investment in our common stock. You should also consider the information set forth under "Forward-Looking Statements." If any of the risks actually occur, our business, financial condition, liquidity and results of operations could be materially and adversely affected. If this were to happen, the value of our common stock could significantly decline, and you could lose some or all of your investment.

ITEM 6. EXHIBITS

3.1	Amended and Restated Articles of Incorporation, as amended (1)
3.2	Amended and Restated Bylaws of Ocwen Financial Corporation (2)
4.1	The Company agrees to furnish to the Securities and Exchange Commission upon request a copy of each instrument with respect to the issuance of long-term debt of the Company and its subsidiaries, the authorized principal amount of which does not exceed 10% of the consolidated assets of the Company and its subsidiaries.
10.1*	Ocwen Financial Corporation 2021 Equity Incentive Plan, as amended (3)
31.1	Certification of the principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of the principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	Certification of the principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
32.2	Certification of the principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 were formatted in Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Changes in Equity, (v) Consolidated Statements of Cash Flows, and (v) the Notes to Unaudited Consolidated Financial Statements, tagged as blocks of text and including detailed tags.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023, formatted in Inline XBRL (Included as Exhibit 101).

*Management contract or compensatory plan or agreement.

(1) Incorporated by reference to the similarly described exhibit to the Registrant's Form 10-Q for the period ended September 30, 2020 filed on November 3, 2020.

(2) Incorporated by reference to the similarly described exhibit to the Registrant's Form 8-K filed on February 25, 2019.

(3) Incorporated by reference to the similarly described exhibit to the Registrant's Form 8-K filed on May 23, 2023

Signatures

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

Ocwen Financial Corporation

By: /s/ Sean B. O'Neil

Sean B. O'Neil
Executive Vice President and Chief Financial Officer
(On behalf of the Registrant and as its principal financial officer)

Date: August 3, 2023

EXHIBIT 31.1

CERTIFICATIONS

I, Glen A. Messina, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of Ocwen Financial Corporation;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and the other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a—15(e) and 15d—15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a—15(f) and 15d—15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

(5) The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

.

Date: August 3, 2023

/s/ Glen A. Messina

Glen A. Messina, President
and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Sean B. O'Neil, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of Ocwen Financial Corporation;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and the other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a—15(e) and 15d—15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a—15(f) and 15d—15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

(5) The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 3, 2023

/s/ Sean B. O'Neil
Sean O'Neil, Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATIONS

I, Glen A. Messina, state and attest that:

(1) I am the principal executive officer of Ocwen Financial Corporation (the Registrant).

(2) I hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that

- the Quarterly Report on Form 10-Q of the Registrant for the quarter ended June 30, 2023 (the periodic report) containing financial statements fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

- the information contained in the periodic report fairly represents, in all material respects, the financial condition and results of operations of the Registrant for the periods presented.

Name:	/s/ Glen A. Messina
Title:	President and Chief Executive Officer
Date:	August 3, 2023

EXHIBIT 32.2

CERTIFICATIONS

I, Sean B. O'Neil, state and attest that:

(1) I am the principal financial officer of Ocwen Financial Corporation (the Registrant).

(2) I hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that

- the Quarterly Report on Form 10-Q of the Registrant for the quarter ended June 30, 2023 (the periodic report) containing financial statements fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

- the information contained in the periodic report fairly represents, in all material respects, the financial condition and results of operations of the Registrant for the periods presented.

Name:	/s/ Sean B. O'Neil
Title:	Executive Vice President and Chief Financial Officer
Date:	August 3, 2023