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 March 31, 2024

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 ☒ No ☐

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 ☒ No ☐

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. ☐

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

Number of shares of common stock outstanding as of April 30, 2024: 7,809,618 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, 2023 and the following:

- the potential for ongoing disruption in the financial markets and in commercial activity generally related to changes in monetary and fiscal policy, United States political developments, geopolitical events and other sources of instability;
- the impacts of inflation, employment disruption, and other financial difficulties facing our borrowers;
- the impact of the recent failures and re-organization of banking institutions and continued uncertainty in the banking industry;
- the timing for completion of our proposed rebranding and its impact on our business and third parties’ perceptions of us;
- our ability to timely reduce operating costs or generate offsetting revenue in proportion to the industry-wide decrease in originations activity, and the impact of cost-reduction initiatives on our business, operations, and financial performance;
- our ability to maintain and increase market share in our target markets, including in forward and reverse servicing;
- breach or failure of Ocwen’s, our contractual counterparties’, or our vendors’ information technology or other security systems or privacy protections, including any failure to protect customers’ data, resulting in disruption to our operations, loss of income, reputational damage, costly litigation and regulatory penalties;
- 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 interpret correctly and comply with current or future liquidity, net worth and other financial and other requirements of regulators, the Federal National Mortgage Association (Fannie Mae), and Federal Home Loan Mortgage Corporation (Freddie Mac) (together, the GSEs), and the Government National Mortgage Association (Ginnie Mae), as well as those set forth in our debt and other agreements, including our ability to implement, in a timely and cost-effective manner, our planned response to Ginnie Mae’s risk-based capital requirements that take effect on December 31, 2024;
- 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 timing of actions to refinance our senior secured notes and the terms of any such refinancing;
- our ability to repay, renew and extend our other 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;
- 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;
- uncertainty related to the future of MAV, one of our largest subservicing clients as of March 31, 2024, MAV’s continued ownership of its MSR portfolio after May 3, 2024, and any impact on our servicing revenue and MSR valuation adjustments as a result of the sale of MAV’s MSRs;

- 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;
- uncertainty related to our long-term relationship with Rithm Capital Corp. (Rithm), one of our largest subservicing clients as of March 31, 2024;
- 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;
- 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, future draws on existing reverse loans, and Home Equity Conversion Mortgage (HECM) and forward loan buyouts and put-backs;
- 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;
- increased servicing costs and reduced or delayed servicing income due to rising borrower delinquency levels, forbearance plans, moratoria on evictions and delays in foreclosure proceedings;
- the characteristics of our servicing portfolio, including prepayment speeds along with delinquency and advance rates;
- our ability to continue to collect certain expedited payment or convenience fees and potential liability for charging such fees;
- an increase in severe weather or natural disaster events resulting in costly disruptions to our operations and increased servicing costs due to property damage;
- our ability to successfully modify delinquent loans, manage foreclosures and maintain and sell foreclosed properties;
- 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 GSEs, 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, or in the interpretation of laws or regulations may require us to modify our business practices and expose us to increased expense and litigation risk, including with respect to the collection of expedited payment, or convenience, fees;
- 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;
- 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;
- 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 our reserves, valuations, provisions and anticipated realization of assets;
- 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;
- political or economic stability in the foreign countries in which we operate; 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, 2023, 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)

	March 31, 2024	December 31, 2023
Assets		
Cash and cash equivalents	$ 185.1	$ 201.6
Restricted cash ($33.8 and $24.2 related to variable interest entities (VIEs))	66.1	53.5
Mortgage servicing rights (MSRs), at fair value	2,374.7	2,272.2
Advances, net ($506.5 and $573.0 related to VIEs)	602.7	678.8
Loans held for sale ($1,025.7 and $674.2 carried at fair value) ($391.5 and $269.6 related to VIEs)	1,028.9	677.3
Loans held for investment, at fair value ($5.5 and $5.6 related to VIEs)	8,130.5	7,975.5
Receivables, net ($44.6 and $19.9 related to VIEs)	152.1	154.8
Investment in equity method investee	37.6	37.8
Premises and equipment, net	11.8	13.1
Other assets ($12.4 and $22.0 carried at fair value) ($24.6 and $18.6 related to VIEs)	500.6	449.2
Total assets	$ 13,090.1	$ 12,513.7
Liabilities and Stockholder's Equity		
Liabilities		
Home Equity Conversion Mortgage-Backed Securities (HMBS) related borrowings, at fair value	$ 7,945.0	$ 7,797.3
Other financing liabilities, at fair value ($402.7 and $409.2 due to related party) ($5.5 and $5.6 related to VIEs)	906.8	900.0
Advance match funded liabilities ($439.5 and $498.9 related to VIEs)	440.2	499.7
Mortgage loan financing facilities, net ($315.7 and $143.4 related to VIEs)	1,108.9	710.6
MSR financing facilities, net	964.1	916.2
Senior notes, net ($242.4 and $239.7 due to related parties)	552.0	595.8
Other liabilities ($7.2 and $7.2 carried at fair value)	741.0	692.3
Total liabilities	$ 12,658.0	12,111.9
Commitments and Contingencies (Notes 20 and 21)		
Stockholders' Equity		
Common stock, $.01 par value; 13,333,333 shares authorized; 7,784,253 and 7,684,401 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	0.1	0.1
Additional paid-in capital	554.6	554.5
Accumulated deficit	(121.5)	(151.6)
Accumulated other comprehensive loss, net of income taxes	(1.1)	(1.2)
Total stockholders' equity	432.1	401.8
Total liabilities and stockholders' equity	$ 13,090.1	$ 12,513.7

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 March 31,	
	2024	2023
Revenue		
Servicing and subservicing fees	$ 204.5	$ 232.2
Gain on reverse loans held for investment and HMBS-related borrowings, net	15.4	21.2
Gain on loans held for sale, net	10.9	2.8
Other revenue, net	8.3	5.6
Total revenue	239.1	261.8
MSR valuation adjustments, net	(11.6)	(69.0)
Operating expenses		
Compensation and benefits	53.6	58.0
Servicing and origination	15.0	15.7
Technology and communications	12.7	13.4
Professional services	12.0	13.3
Occupancy, equipment and mailing	7.7	8.8
Other expenses	3.4	4.9
Total operating expenses	104.4	114.1
Other income (expense)		
Interest income	17.5	14.1
Interest expense ($11.2 and $10.8 on amounts due to related parties)	(67.4)	(62.3)
Pledged MSR liability expense ($15.3 and $14.2 on amounts due to related party)	(44.9)	(70.3)
Earnings of equity method investee	2.7	0.3
Gain on extinguishment of debt	1.4	—
Other, net	(0.6)	1.2
Other income (expense), net	(91.3)	(117.0)
Income (loss) before income taxes	31.8	(38.3)
Income tax expense	1.7	1.9
Net income (loss)	$ 30.1	$ (40.2)
Earnings (loss) per share		
Basic	$ 3.91	$ (5.34)
Diluted	$ 3.74	$ (5.34)
Weighted average common shares outstanding		
Basic	7,711,534	7,533,561
Diluted	8,046,188	7,533,561

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 March 31,	
	2024	**2023**
Net income (loss)	$ 30.1	$ (40.2)
Other comprehensive income (loss), net of income taxes:		
Change in unfunded pension plan obligation liability	—	—
Other	—	0.1
Comprehensive income (loss)	$ 30.2	$ (40.1)

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 MARCH 31, 2024 AND 2023
(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 December 31, 2023	7,684,401	$ 0.1	$ 554.5	$ (151.6)	$ (1.2)	$ 401.8
Net income	—	—	—	30.1	—	30.1
Equity-based compensation and other	99,852	—	0.1	—	—	0.1
Other comprehensive income, net of income taxes	—	—	—	—	0.1	0.1
Balance at March 31, 2024	7,784,253	$ 0.1	$ 554.6	$ (121.5)	$ (1.1)	$ 432.1
Balance at December 31, 2022	7,526,117	$ 0.1	$ 547.0	$ (87.9)	$ (2.5)	$ 456.7
Net loss	—	—	—	(40.2)	—	(40.2)
Equity-based compensation and other	112,494	—	(0.3)	—	—	(0.3)
Other comprehensive income, net of income taxes	—	—	—	—	0.1	0.1
Balance at March 31, 2023	7,638,611	$ 0.1	$ 546.7	$ (128.1)	$ (2.4)	$ 416.3

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 Three Months Ended March 31,	
	2024	2023
Cash flows from operating activities		
Net income (loss)	$ 30.1	$ (40.2)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
MSR valuation adjustments, net	31.5	90.3
Provision for bad debts (advances and receivables)	6.9	5.7
Provision for indemnification obligations	1.2	2.9
Depreciation	1.4	1.8
Amortization of debt issuance costs and discount	8.1	2.8
Amortization of intangibles	0.9	1.5
Gain on extinguishment of debt	(1.4)	—
Equity-based compensation expense	2.0	2.1
Gain on reverse loans held for investment and HMBS-related borrowings, net	(11.0)	(14.2)
Gain on loans held for sale, net	(10.9)	(2.8)
Origination and purchase of loans held for sale	(2,988.9)	(2,552.4)
Proceeds from sale and collections of loans held for sale	2,604.1	2,312.3
Changes in assets and liabilities:		
Decrease in advances	73.5	62.8
Decrease (increase) in receivables and other assets	19.6	(28.3)
Increase in derivatives	(34.8)	(29.0)
Decrease in other liabilities	(21.0)	(20.5)
Other, net	(8.2)	(2.2)
Net cash used in operating activities	(297.1)	(207.4)
Cash flows from investing activities		
Origination of loans held for investment	(250.3)	(235.3)
Principal payments received on loans held for investment	277.0	236.1
Purchase of MSRs	(26.4)	(30.4)
Proceeds from sale of MSRs	0.1	0.3
Proceeds from sale of advances	0.9	4.6
Purchase of real estate	(11.9)	(0.5)
Proceeds from sale of real estate	7.0	0.8
Additions to premises and equipment	(0.1)	(1.1)
Proceeds from sale of premises and equipment	—	0.1
Distribution from (investment in) equity method investee, net	0.1	5.5
Net cash used in investing activities	(3.6)	(19.9)
Cash flows from financing activities		
Repayment of advance match funded liabilities, net	(59.5)	(43.8)
Proceeds from mortgage loan financing facilities, net	396.8	245.6
Proceeds from MSR financing facilities	377.8	144.4
Repayment of MSR financing facilities	(329.1)	(183.3)
Repurchase of Senior notes	(45.5)	—
Payment of debt issuance costs	(3.0)	—
Proceeds from other financing liabilities - Sale of MSRs accounted for as secured financing	4.0	3.3
Proceeds from other financing liabilities - Excess Servicing Spread (ESS) liability	—	68.7
Repayment of other financing liabilities	(20.0)	(21.8)
Proceeds from sale of Home Equity Conversion Mortgages (HECM, or reverse mortgages) accounted for as a financing (HMBS-related borrowings)	247.4	231.2
Repayment of HMBS-related borrowings	(272.1)	(235.3)
Net cash provided by financing activities	296.8	209.0
Net increase (decrease) in cash, cash equivalents and restricted cash	(3.9)	(18.3)
Cash, cash equivalents and restricted cash at beginning of year	255.1	274.2
Cash, cash equivalents and restricted cash at end of period	$ 251.2	$ 255.9
Supplemental non-cash investing and financing activities:		
Recognition of gross right-of-use asset and lease liability:		
Right-of-use asset	$ 0.1	$ 0.6
Lease liability	0.1	0.6
Transfer from loans held for investment to loans held for sale	1.0	1.6
Transfers of loans held for sale to real estate owned (REO)	3.0	4.4

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:

	March 31, 2024	March 31, 2023
Cash and cash equivalents	$ 185.1	$ 216.6
Restricted cash and equivalents:		
Debt service accounts	37.2	21.5
Other restricted cash	28.9	17.8
Total cash, cash equivalents and restricted cash reported in the statements of cash flows	$ 251.2	$ 255.9

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 (PHH, formerly referred to as 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 PHH 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 11 - 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), 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 4,400 employees at March 31, 2024 of which approximately 3,000 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 months ended March 31, 2024 are not necessarily indicative of the results that may be expected for any other interim period or for the year ending December 31, 2024. 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, 2023.

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

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

Prior to the issuance of this ASU, ASC 842 required all lessees to amortize leasehold improvements over the shorter of their useful life or the remaining term of the lease. For leases between entities under common control, the amendment in this ASU requires amortization of leasehold improvements over the useful life of those assets to the common control group, regardless of the lease term. When the lessee no longer controls the use of the asset underlying the common control lease, the leasehold improvements are accounted for as a transfer between entities under common control whereby the lessee records a distribution to the common control lessor through an adjustment to equity.

Our adoption of this standard on January 1, 2024 did not have a material impact on our consolidated financial statements.

Accounting Standards Issued but Not Yet Adopted

Business Combinations - Joint Venture Formations (ASC 805-60): Recognition and Initial Measurement (ASU 2023-05)

The amendments in this ASU require a joint venture to apply a new basis of accounting upon formation for the initial contribution of nonmonetary and monetary assets, initially measured at fair value (with exceptions to fair value measurement consistent with business combinations guidance). This ASU does not amend the definition of a joint venture, the accounting by an equity method investor for its investment in a joint venture, or the accounting by a joint venture for contributions received after its formation.

The amendments in this ASU are effective prospectively for all joint venture formations with a formation date on or after January 1, 2025, with early adoption permitted. A joint venture formed prior to the adoption date may elect to apply the new guidance retrospectively back to the original formation date. We do not anticipate that the adoption of this standard will have a material impact on our consolidated financial statements.

Segment Reporting (ASC 280) Improvements to Reportable Segment Disclosures (ASU 2023-07)

The amendments in this ASU were issued to improve annual and interim reportable segment disclosure requirements, primarily through enhanced disclosures about expenses that are significant to the segment, regularly provided to or easily computed from information regularly provided to the chief operating decision maker (CODM), and included in the reported measure of segment profit or loss. This ASU also requires disclosure of the title and position of the individual or the name of the group identified as the CODM in the consolidated financial statements, as well as how the CODM uses each reported measure of segment profit or loss to assess performance and allocate resources to the segment. The ASU allows the disclosure of additional optional measures of a segment's profit or loss for each reportable segment if used by the CODM, subject to additional segment disclosures and the SEC's non-GAAP financial measures requirements.

The amended disclosures in this ASU are effective in the 2024 annual period and in 2025 for interim periods, and shall be applied retrospectively to all prior periods presented in the financial statements. Upon transition, the segment expense categories and amounts disclosed in the prior periods should be based on the significant segment expense categories identified and disclosed in the period of adoption.

Income Taxes (ASC 740) Improvements to Income Tax Disclosures (ASU 2023-09)

The amendments in this ASU require disaggregated information about a reporting entity's effective tax rate reconciliation, including a tabular rate reconciliation for specified categories and additional information for reconciling items that meet a quantitative threshold. The ASU also requires additional disaggregated information on income taxes paid to an individual jurisdiction equal to or greater than 5% of total income taxes paid.

The amended disclosures are effective in the 2025 annual period and in 2026 for interim periods, and shall be applied on a prospective basis with the option to apply the standard retrospectively.

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 loans held for sale, (3) financings of advances and (4) MSR financings. Financing transactions that do not use SPEs or VIEs are disclosed in Note 13 – 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 March 31,	
	2024	2023
Proceeds received from securitizations	$ 2,558.9	$ 2,316.8
Servicing fees collected (1)	38.3	27.0
Purchases of previously transferred assets, net of claims reimbursed	(2.5)	(3.1)
	$ 2,594.7	$ 2,340.6

(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 $34.7 million and $31.1 million during the three months ended March 31, 2024 and 2023, 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 21 – 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:

	March 31, 2024	December 31, 2023
Carrying value of assets		
MSRs, at fair value	$ 699.9	$ 636.5
Advances	94.7	99.0
UPB of loans transferred (1)	48,788.7	46,810.1
Maximum exposure to loss (2)	$ 49,583.4	$ 47,545.6

(1) Includes $11.3 billion and $10.5 billion of loans delivered to Ginnie Mae as of March 31, 2024 and December 31, 2023, 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 21 – Contingencies.

At March 31, 2024 and December 31, 2023, 2.7% and 2.8%, 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 7.6% and 8.0%, 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 PHH to the trust for collateralization purposes. As of March 31, 2024 and December 31, 2023, $150.1 million and $150.1 million, respectively, loans held for sale were pledged as collateral for $150.0 million and $150.0 million, respectively, debt certificates issued by the trust. See Note 13 – Borrowings.

We finance certain reverse mortgage buyouts that are insured by the FHA, including loans held for sale, receivables and REO properties, through private placement securitizations, referred to as OLIT transactions (Ocwen Loan Investment Trust). The securitization trusts 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, and thus consolidate the securitization trusts and related depositor. Recourse for the Notes is limited to the assets of the respective securitization trusts. We executed our second securitization in the three months ended March 31, 2024. Also refer to Note 13 – 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 securitized reverse mortgage loans buyouts and financing liabilities:

	March 31, 2024	December 31, 2023
Mortgage loans (Loans held for sale)	$ 241.5	$ 119.5
Receivables, net	44.6	19.9
REO (Other assets)	19.2	12.5
Debt service and Interest reserve accounts (Restricted cash)	20.6	6.8
Total assets	$ 325.8	$ 158.6
Outstanding borrowings (Mortgage loan financing facilities, net)	356.0	164.4
Unamortized discount and debt issuance costs (Mortgage loan financing facilities, net)	(40.2)	(21.0)
Accrued expenses and Accrued interest (Other liabilities)	1.2	0.5
Total liabilities	$ 317.0	$ 143.8

Financings of Advances using SPEs

We pledged certain servicing advances as collateral to our advance financing facilities, referred to as advance match funded liabilities, with the use of SPEs that we consolidate and include in our consolidated financial statements.

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

	March 31, 2024	December 31, 2023
Match funded advances (Advances, net)	$ 506.5	$ 573.0
Debt service accounts (Restricted cash)	11.7	15.7
Advance match funded liabilities	439.5	498.9

MSR Financings using SPEs

We consolidate two SPEs (PMC ESR Trusts) in connection with a third-party financing facility secured by certain of PHH’s Fannie Mae and Freddie Mac MSRs (GSE 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).

On March 4, 2024, PHH entered into a $34.0 million repurchase agreement pursuant to which PHH sold the membership interest certificate representing 100% of the limited liability company interests in PMC PLS ESR Issuer LLC and has agreed to repurchase such membership interest certificate at a specified future date at the price set forth in the repurchase agreement. Ocwen guarantees the obligations of PHH under the facility subject to the terms and conditions set forth in the guaranty. The termination date of the facility is February 25, 2025. Also refer to Note 13 – Borrowings.

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

	March 31, 2024	December 31, 2023
MSRs pledged (MSRs, at fair value)	$ 494.9	$ 449.6
Debt service account (Restricted cash)	1.6	1.7
Outstanding borrowings (MSR financing facilities, net)	327.9	282.1
Unamortized debt issuance costs (MSR financing facilities, net)	(0.6)	(0.4)

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:

		March 31, 2024		December 31, 2023	
	Level	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets					
Loans held for sale					
Loans held for sale, at fair value (a) (e)	3, 2	$ 1,025.7	$ 1,025.7	$ 674.2	$ 674.2
Loans held for sale, at lower of cost or fair value (b)	3	3.2	3.2	3.1	3.1
Total Loans held for sale		$ 1,028.9	$ 1,028.9	$ 677.3	$ 677.3
Loans held for investment, at fair value					
Loans held for investment - Reverse mortgages (a)	3	$ 8,125.0	$ 8,125.0	$ 7,970.0	$ 7,970.0
Loans held for investment - Restricted for securitization investors (a)	3	5.5	5.5	5.6	5.6
Total Loans held for investment, at fair value		$ 8,130.5	$ 8,130.5	$ 7,975.5	$ 7,975.5
Advances, net (c)	3	$ 602.7	$ 602.7	$ 678.8	$ 678.8
Receivables, net (c)	3	$ 152.1	$ 152.1	$ 154.8	$ 154.8
Financial liabilities					
Advance match funded liabilities (c)	3	$ 440.2	$ 440.2	$ 499.7	$ 499.7
Financing liabilities, at fair value:					
HMBS-related borrowings (a)	3	$ 7,945.0	$ 7,945.0	$ 7,797.3	$ 7,797.3
Other financing liabilities	3	906.8	906.8	900.0	900.0
Mortgage loan financing facilities (c) (d)	3	$ 1,108.9	$ 1,119.3	$ 710.6	$ 717.6
MSR financing facilities (c) (d)	3	$ 964.1	$ 950.5	$ 916.2	$ 900.3
Senior notes					
PMC Senior secured notes due 2026 (c) (d)	2	$ 309.5	$ 302.7	$ 356.1	$ 326.0
OFC Senior secured notes due 2027 (c) (d)	3	242.4	252.3	239.7	230.5
Total Senior notes		$ 552.0	$ 555.1	$ 595.8	$ 556.5

	Level	March 31, 2024 Carrying Value	March 31, 2024 Fair Value	December 31, 2023 Carrying Value	December 31, 2023 Fair Value
Derivative financial instrument assets (liabilities), net					
Interest rate lock commitments (IRLCs) (a)	3	$ 5.0	$ 5.0	$ 5.6	$ 5.6
Forward sales of loans (a)	1	(0.1)	(0.1)	(0.1)	(0.1)
TBA / Forward mortgage-backed securities (MBS) trades (a)	1	4.3	4.3	9.6	9.6
Interest rate swap futures (a)	1	(0.7)	(0.7)	3.9	3.9
TBA forward pipeline trades (a)	1	(3.7)	(3.7)	(6.3)	(6.3)
Option contracts (a)	1	—	—	1.9	1.9
Other (a)	3	—	—	(0.1)	(0.1)
MSRs (a)	3	$ 2,374.7	$ 2,374.7	$ 2,272.2	$ 2,272.2

(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) The carrying values are net of unamortized debt issuance costs and discount. See Note 13 – Borrowings for additional information.
(e) The newly originated portfolio of GSE and forward Ginnie Mae loans held for sale pending securitization with the Agencies is classified as Level 2; all other loans are classified as Level 3.

The following tables present a reconciliation of the changes in fair value of certain Level 3 assets and liabilities that we measure at fair value on a recurring basis (refer to the respective notes for other Level 3 assets and liabilities):

Three months ended March 31, 2024	Loans Held for Sale - Fair Value	ESS Financing Liability	IRLCs
Beginning balance	$ 203.1	$ (248.9)	$ 5.6
Purchases, issuances, sales and settlements			
Purchases and other	145.1	—	—
Issuances (1)	—	—	17.2
Sales	(38.0)	—	—
Settlements (2)	(22.1)	7.4	—
Transfers from (to)			
Loans held for investment, at fair value	1.0	—	—
Loans held for sale, at fair value (1)	—	—	(5.8)
REO (Other assets)	(3.0)	—	—
Receivables, net	(10.6)	—	—
Advances - (capitalization upon Ginnie Mae modification)	2.1	—	—
Net addition (disposition/derecognition)	74.5	7.4	11.4
Included in earnings:			
Change in fair value (1)	6.4	(11.9)	(12.0)
Ending balance	$ 284.0	$ (253.4)	$ 5.0

Three months ended March 31, 2023	Loans Held for Sale - Fair Value	ESS Financing Liability	IRLCs
Beginning balance	$ 32.1	$ (199.0)	$ (0.7)
Purchases, issuances, sales and settlements			
Purchases and other	12.4	—	—
Issuances (1)	—	(68.7)	5.8
Sales	(20.2)	—	—
Settlements (2)	—	6.8	—
Transfers from (to):			
Loans held for sale, at fair value (1)	—	—	(20.4)
Receivables, net	(0.4)	—	—
Net addition (disposition/derecognition)	(8.2)	(62.0)	(14.6)
Included in earnings:			
Change in fair value (1)	(0.5)	(2.1)	20.1
Ending balance	$ 23.3	$ (263.1)	$ 4.8

(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 $(0.6) million and $5.6 million for the three months ended March 31, 2024 and 2023, respectively. See Note 15 – Derivative Financial Instruments and Hedging Activities.

(2) ESS financing liability settlement is determined based on collections on reference pools of the related mortgage loans.

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 residential forward and reverse mortgage loans we purchased from Ginnie Mae guaranteed securitizations or from third parties (government insured reverse buyouts previously purchased from Ginnie Mae guaranteed securitizations) is estimated using both observable and unobservable inputs, including published Ginnie Mae prices or expected collateral values, as well as estimated default, prepayment, and discount rates. Significant unobservable inputs in estimating fair value include the estimated default rate and, for reverse loans the prepayment rate and liquidation timeline. Accordingly, these repurchased Ginnie Mae forward and reverse 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. We measure these loans at fair value based on the expected future cash flows discounted over the expected life of the loans at a rate commensurate with the risk of the estimated cash flows, including future draw commitments for HECM loans. We engage third-party valuation experts in the determination of fair value. 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	**March 31, 2024**	**December 31, 2023**
Life in years		
Range	0.8 to 8.0	0.8 to 7.9
Weighted average	5.1	5.2
Conditional prepayment rate, including voluntary and involuntary prepayments		
Range	11.6% to 35.5%	12.0% to 35.4%
Weighted average	17.5 %	17.2 %
Discount rate	5.2 %	4.9 %

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, client feedback and our actual trade activity, 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. In addition, changes in market interest rates impact float income. The significant unobservable assumptions used in the valuation of these MSRs include prepayment speeds, delinquency rates, cost to service and discount rates.

	March 31, 2024		December 31, 2023	
Significant unobservable assumptions	**Agency**	**Non-Agency**	**Agency**	**Non-Agency**
Weighted average prepayment speed	6.5 %	7.9 %	7.7 %	7.9 %
Weighted average lifetime delinquency rate	1.3 %	10.3 %	1.3 %	10.0 %
Weighted average discount rate	10.1 %	10.9 %	9.2 %	11.4 %
Weighted average cost to service (in dollars)	$ 71	$ 195	$ 71	$ 192

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 March 31, 2024 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	$ (54.8)	$ (109.0)
Change in weighted average discount rate (in percentage points)	1.0	2.0
Change in fair value due to change in weighted average discount rate	$ (80.1)	$ (153.4)

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	**March 31, 2024**	**December 31, 2023**
Life in years		
Range	0.8 to 8.0	0.8 to 7.9
Weighted average	5.1	5.2
Conditional prepayment rate		
Range	11.6% to 35.5%	12.0% to 35.4%
Weighted average	17.5 %	17.2 %
Discount rate	5.1 %	4.9 %

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 following a similar approach as for the associated transferred MSRs. Fair value of the pledged MSR liability in connection with the MSR capital partner transactions (including MAV) is determined using the fair value mark provided by third-party valuation expert, consistent with the associated MSR, using the same methodology and assumptions, while considering cash flows contractually retained by PHH and expected life of subservicing agreement, when applicable. Fair value for the portion of the borrowing attributable to the MSRs underlying the Rights to MSRs in connection with Rithm transactions is determined using the fair value mark provided by the third-party valuation experts.

Significant unobservable assumptions	**March 31, 2024**	**December 31, 2023**
Weighted average prepayment speed	5.4 %	6.5 %
Weighted average delinquency rate	2.8 %	2.8 %
Weighted average subservicing life (in years)	4.6	4.3
Weighted average discount rate	10.6 %	9.6 %
Weighted average cost to service (in dollars)	$ 132	$ 130

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, to incorporate discount rate assumption updates for the underlying MSR or other factors, as provided by third-party valuation expert. At March 31, 2024 and December 31, 2023, the weighted average discount rate of the ESS financing liability was 9.4% and 9.4%, 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 - Fair Value

The following table presents the estimated fair value of Loans held for sale for which we elected the fair value option:

	March 31, 2024	December 31, 2023
Unpaid principal balance	$ 1,065.2	$ 678.8
Premium (discount)	(34.7)	(2.4)
Unrealized gain (loss)	(4.8)	(2.2)
Total fair value	$ 1,025.7	$ 674.2

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

	March 31, 2024	December 31, 2023
GSE loans	$ 408.9	$ 219.3
Government- Forward loans	339.0	254.0
Forward loans repurchased from Ginnie Mae guaranteed securitization (1)	19.7	19.1
Reverse loans (2)	250.9	166.6
Other residential mortgage loans	7.2	15.2
Total	$ 1,025.7	$ 674.2

(1) Pursuant to Ginnie Mae servicing guidelines.
(2) Includes government-insured 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. As of March 31, 2024 and December 31, 2023, the balance includes $241.5 million and $119.5 million, respectively, of loans pledged as collateral for the Asset-Backed Notes issued by OLIT. Also see Note 2 – Securitizations and Variable Interest Entities and Note 13 – Borrowings.

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

	Three Months Ended March 31,	
	2024	2023
Beginning balance	$ 674.2	$ 617.8
Originations and purchases	2,988.9	2,552.4
Proceeds from sales	(2,581.0)	(2,296.1)
Principal collections	(23.1)	(15.4)
Transfers from (to):		
Loans held for investment, at fair value	1.0	1.6
Receivables, net	(10.6)	1.1
REO (Other assets)	(3.0)	(4.2)
Advances (capitalization upon Ginnie Mae modifications)	2.1	2.0
Fair value gain (loss) on loans held for sale, at fair value (1)	(27.5)	(17.2)
Other	4.7	3.1
Ending balance	$ 1,025.7	$ 845.2

(1) Excludes retained MSR upon securitization. See below table of gain (loss) on loans held for sale, net.

The following table presents the components of Gain (loss) of loans held for sale at fair value, net:

	Three Months Ended March 31,	
Gain (Loss) on Loans Held for Sale, Net	**2024**	**2023**
MSRs retained on transfers of forward mortgage loans	$ 34.7	$ 31.1
Gain (loss) on sale of forward mortgage loans (1)	(24.2)	(22.1)
Gain (loss) on sale of repurchased Ginnie Mae loans (1)	(0.8)	0.2
Change in fair value of loans held for sale	(2.5)	4.8
Gain on loans held for sale, at fair value	7.2	13.9
Gain (loss) on economic hedge derivative instruments	4.6	(16.4)
Change in fair value of IRLCs	(0.6)	5.7
Provision for representation and warranty obligations	(0.3)	(0.3)
	$ 10.9	$ 2.8

(1) Realized gain (loss) on sale of loans, excluding retained MSRs.

Note 5 - Reverse Mortgages

The following table presents the estimated fair value of reverse mortgage loans held for investment for which we elected the fair value option:

	March 31, 2024	December 31, 2023
Unpaid principal balance	$ 7,764.3	$ 7,664.7
Fair value adjustments	360.7	305.3
Total fair value	$ 8,125.0	$ 7,970.0

The following table presents the composition of reverse mortgage loans held for investment, at fair value by type:

	March 31, 2024	December 31, 2023
HECM loans - securitized, pledged to HMBS-related borrowings (1)	$ 8,018.2	$ 7,868.5
New HECM loan originations and HECM loan tails (2) - unsecuritized	106.8	101.5
Total fair value	$ 8,125.0	$ 7,970.0

(1) The Ginnie Mae securitization of conventional, HECM loans does not qualify for sale accounting treatment and is accounted for as a secured financing transaction, with the recognition of both loans and HMBS-related borrowing on the consolidated balance sheets.

(2) Tails represent the fair value of future scheduled and unscheduled draw commitments for HECM loans, mortgage insurance premium, servicing fee and other advances which we subsequently securitize.

The following table summarizes the activity in reverse mortgage loans held for investment and HMBS related borrowings that do not qualify for sale accounting and for which we elected the fair value option:

	Three Months Ended March 31,			
	2024		2023	
	Loans Held for Investment - Reverse Mortgages	HMBS - Related Borrowings	Loans Held for Investment - Reverse Mortgages	HMBS - Related Borrowings
Beginning balance	$ 7,970.0	$ (7,797.3)	$ 7,504.1	$ (7,326.8)
Originations	250.3	—	235.3	—
Securitization of HECM loans accounted for as a financing	—	(247.4)	—	(231.2)
Additional proceeds from securitization of HECM loans and tails	—	(3.4)	—	(6.4)
Repayments (principal payments received)	(276.9)	272.1	(235.6)	235.3
Transfers to:				
Loans held for sale, at fair value	(1.0)	—	(1.6)	—
Receivables, net	(0.9)	—	(0.9)	—
Fair value gains (losses) included in earnings (1)	183.5	(169.0)	161.5	(141.5)
Ending balance	$ 8,125.0	$ (7,945.0)	$ 7,662.8	$ (7,470.6)

(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 March 31,	
	2024	2023
Gain on new originations (1)	$ 5.9	$ 6.3
Net interest income (servicing fee) (2)	6.0	5.9
Other change in fair value of securitized loans held for investment and HMBS-related borrowings, net (3)	2.6	8.2
Fair value gains (losses) included in earnings (3) (4)	14.5	20.4
Loan fees and other	0.9	0.8
	$ 15.4	$ 21.2

(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 interest income on loans held for investment less the interest expense on HMBS-related borrowings. The net interest income includes the servicing fee Ocwen is contractually entitled to on securitized loans.

(3) Includes the cash realized gains upon securitization of tails (previously reported separately in the table above).

(4) See breakdown between Loans held for investment and HMBS-related borrowings in the table above within Fair value gains (losses) included in earnings.

Note 6 – Advances

	March 31, 2024	December 31, 2023
Principal and interest	$ 190.1	$ 212.5
Taxes and insurance	295.2	343.3
Foreclosures, bankruptcy, REO and other	125.1	130.3
	610.5	686.1
Allowance for losses	(7.7)	(7.3)
Advances, net	$ 602.7	$ 678.8

The following table summarizes the activity in net advances:

	Three Months Ended March 31,	
	2024	2023
Beginning balance - before Allowance for Losses	$ 686.1	$ 725.1
New advances	199.4	188.9
Transfer from (to) Receivables	2.9	8.9
Sales of advances	(1.0)	(4.2)
Collections of advances and other	(276.9)	(255.6)
Ending balance - before Allowance for Losses	610.5	663.1
Beginning balance - Allowance for Losses	(7.3)	$ (6.2)
Provision expense	(2.9)	(1.7)
Net charge-offs and other	2.5	1.7
Ending balance - Allowance for Losses	(7.7)	(6.2)
Ending balance, net	$ 602.7	$ 656.9

Note 7 – Mortgage Servicing

The following table presents the composition of our MSR portfolio:

	March 31, 2024		December 31, 2023	
MSR UPB and Fair Value	**Fair Value**	**UPB ($ billions)**	**Fair Value**	**UPB ($ billions)**
Owned MSRs	$ 1,707.3	$ 124.5	$ 1,604.6	$ 122.7
Rithm and others transferred MSRs (1) (2)	253.8	18.5	244.8	18.1
MAV transferred MSRs (1)	413.6	28.4	422.8	28.8
Total transferred MSR, subject to Pledged MSR liability, at fair value (1)	667.4	46.8	667.6	46.9
Total MSRs	$ 2,374.7	$ 171.3	$ 2,272.2	$ 169.7

(1) MSRs subject to sale agreements that do not meet sale accounting criteria. See Note 8 — Other Financing Liabilities, at Fair Value.
(2) At March 31, 2024, the UPB of MSRs transferred to Rithm for which title is retained by Ocwen was $9.7 billion.

Mortgage Servicing Rights – At Fair Value	Three Months Ended March 31,	
	2024	2023
Beginning balance	$ 2,272.2	$ 2,665.2
Sales	—	—
Additions:		
Recognized on the sale of residential mortgage loans	34.7	31.1
Purchases of MSRs	27.0	25.0
Servicing transfers and adjustments	(1.3)	—
Net additions (sales)	60.4	56.0
Changes in fair value recognized in earnings:		
Changes in valuation inputs or assumptions	101.8	(83.6)
Realization of cash flows	(59.8)	(57.1)
Fair value gains (losses) recognized in earnings	42.0	(140.7)
Ending balance	$ 2,374.7	$ 2,580.6

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

	March 31, 2024				December 31, 2023			
Delinquent loans	**GSE**	**GNMA**	**Non - Agency**	**Total**	**GSE**	**GNMA**	**Non - Agency**	**Total**
Total MSR UPB *(in billions)*	$ 128.4	$ 19.9	$ 23.0	$ 171.3	$ 127.3	$ 18.6	$ 23.8	$ 169.7
30 days	1.1 %	5.8 %	8.8 %	3.4 %	1.2 %	6.1 %	9.4 %	3.7 %
60 days	0.2	1.9	3.4	1.1	0.2	2.0	3.6	1.2
90 days or more	0.5	4.4	7.6	2.6	0.5	3.7	8.2	2.6
Total 30-60-90 days or more	1.9 %	12.0 %	19.8 %	7.1 %	1.9 %	11.8 %	21.2 %	7.5 %

The following table summarizes the components of our servicing and subservicing fee revenue:

Servicing Revenue	Three Months Ended March 31, 2024	2023
Loan servicing and subservicing fees		
Servicing fee	$ 90.4	$ 90.0
Subservicing fee (4)	27.5	19.7
MAV Subservicing fee	2.0	1.8
MAV Servicing fee / Transferred MSR (1)	18.0	16.4
Rithm and Others Servicing fee / Transferred MSR (1) (3)	18.6	59.6
	156.6	187.5
Ancillary income		
Custodial accounts (float earnings)	27.2	20.2
Late charges	8.0	9.6
Reverse subservicing ancillary fees	6.7	8.1
Loan collection fees	1.8	2.6
Recording fees	1.1	1.2
Boarding and deboarding fees	0.7	0.9
GSE forbearance fees	0.1	0.2
Other, net	2.3	2.0
	48.0	44.7
Total Servicing and subservicing fees	$ 204.5	$ 232.2
Owned MSR and Subservicing	164.3	151.0
Transferred MSR (1) (2)	40.2	81.1

(1) Includes servicing fees collected on behalf of respective parties related to transferred MSRs that do not achieve sale accounting. See Note 8 — Other Financing Liabilities, at Fair Value.

(2) Includes \$3.6 million and \$5.2 million of ancillary income in the three months ended March 31, 2024 and 2023, respectively, associated with transferred MSRs that do not achieve sale accounting.

(3) Includes \$45.7 million of servicing fee in the three months ended March 31, 2023 related to MSRs previously sold to Rithm for which the sale accounting criteria were met effective December 31, 2023. See Note 8 — Other Financing Liabilities, at Fair Value.

(4) Includes \$11.9 million of subservicing fee in the three months ended March 31, 2024 related to MSRs previously sold to Rithm for which the sale accounting criteria were met effective December 31, 2023. 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 and tax and insurance payments) are held in escrow by unaffiliated banks and are excluded from our unaudited consolidated balance sheets. Float balances amounted to \$1.89 billion and \$1.56 billion at March 31, 2024 and December 31, 2023, respectively.

Note 8 — Other Financing Liabilities, at Fair Value

The following table 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 13 – Borrowings for ESS financing liability carried at amortized cost).

Borrowing Type	Collateral	Maturity	Outstanding Balance March 31, 2024	Outstanding Balance December 31, 2023
MSR transfers not qualifying for sale accounting (1):				
Pledged MSR liability, at fair value - MAV	MSRs	(1)	$ 402.7	$ 409.2
Rights to MSRs Agreements, at fair value - Rithm	MSRs	(1)	119.8	121.0
Pledged MSR liability, at fair value - Others	MSRs	(1)	125.3	115.3
Total Pledged MSR liability, at fair value			647.9	645.5
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	5.5	5.6
ESS financing liability, at fair value (3)	MSRs (3)	(3)	253.4	248.9
Total Other financing liabilities, at fair value			$ 906.8	$ 900.0

(1) MSRs transferred, subservicing retained, or sold in transactions which do not qualify for sale accounting treatment are accounted for as secured financings. Until such time as the transaction qualifies as a sale for accounting purposes, we continue to recognize the MSRs and the related financing liability (referred as Pledged MSR liability) on our consolidated balance sheets, as well as the full amount of servicing fee collected as revenue and the servicing fee remitted as Pledged MSR liability expense in our consolidated statements of operations. Fair value gains and losses of the Pledged MSR liability are recognized in MSR valuation adjustments, net in the consolidated statements of operations - See Note 7 – Mortgage Servicing and Note 9 – MSR Valuation Adjustments, Net.
(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 servicing spread remittance is reported in Pledged MSR liability expense and fair value gains and losses of the ESS financing liability are reported in MSR valuation adjustment, net.

$33.4 billion UPB of MSR and Pledged MSR liability associated with Rithm servicing agreements were derecognized on December 31, 2023 as MSR sale accounting criteria were met. Effective January 1, 2024, as PHH continues to subservice the portfolio, the statement of operations reflects subservicing fee revenue as opposed to the gross presentation of servicing fee revenue and separate offsetting presentation of servicing fee remittances within Pledged MSR liability expense prior to January 1, 2024.

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

Pledged MSR Liability	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Beginning balance	$ 645.5	$ 931.7
MSR transfers		
MSR transfers to MAV	0.2	0.1
MSR transfers to Rithm	(0.1)	—
MSR transfers to others	6.9	4.3
Total MSR transfers	7.0	4.4
Fair value (gain) loss		
Changes in fair value due to inputs and assumptions	7.9	(38.3)
Realization of expected cash flows	(12.5)	(14.5)
Total fair value (gain) loss	(4.7)	(52.8)
Ending balance (1)	$ 647.9	$ 883.2

(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 PHH (shared between PHH and MAV) and other contractual cash flows.

The following table presents the Pledged MSR liability expense recorded in connection with the MSR sale agreements with MAV and other unrelated parties (including Rithm) that do not qualify for sale accounting and the ESS financing liabilities.

	Three Months Ended March 31,					
	2024			2023		
	Rithm and Others	MAV	Total	Rithm and Others (1)	MAV	Total
Servicing fees collected on behalf of MAV, Rithm and others	$ 18.6	$ 18.0	$ 36.6	$ 59.6	$ 16.4	$ 76.0
Less: Subservicing fee retained by Ocwen	(4.6)	(2.5)	(7.1)	(17.3)	(2.2)	(19.5)
Ancillary fee/income and other settlement (including expense reimbursement)	2.4	(0.1)	2.3	3.3	—	3.3
Transferred MSR net servicing fee remittance	$ 16.5	$ 15.3	31.8	$ 45.6	$ 14.2	59.8
ESS servicing spread remittance			13.1			10.5
Pledged MSR liability expense			$ 44.9			$ 70.3

(1) Includes $45.7 million of servicing fees collected on behalf of Rithm, $13.1 million of subservicing fee retained and $32.6 million of net servicing fee remittance in the three months ended March 31, 2023 related to MSRs previously sold to Rithm for which the sale accounting criteria were met effective December 31, 2023.

MAV (Related Party) Transactions

PHH entered into agreements to sell MSR portfolios to its related party MAV, on a bulk and flow basis, for which PHH has been retained as subservicer. While MSR legal title has transferred to MAV, the transactions do not qualify for sale accounting treatment primarily due to the termination restrictions of the subservicing agreement. See Note 11 - Investment in Equity Method Investee and Related Party Transactions. Accordingly, we continue to report the MSR and an associated Pledged MSR liability on our consolidated balance sheet.

Rithm Transactions

Starting in 2012, Ocwen and PHH entered into agreements to sell MSRs and the related servicing advances to Rithm, and in all cases have been retained by Rithm as subservicer. As of March 31, 2024, all transactions met sale accounting treatment except for the agreement to sell a $9.7 billion MSR portfolio to Rithm, referred to as Rights to MSRs (or RMSR). While most of the economics and risks of the MSR and related advances have contractually transferred to Rithm, the MSR legal title was retained by Ocwen and the third-party consents required for title transfer were not obtained, causing the transactions to be accounted for as secured financings. Accordingly, we continue to report the MSR and an associated Pledged MSR liability on our consolidated balance sheet.

Prior to December 31, 2023, while MSR legal title had transferred to Rithm, other MSR sale transactions with a UPB of $33.4 billion did not qualify for sale accounting treatment, primarily due to the length of the non-cancellable term of the subservicing agreements. On December 31, 2023, we derecognized $421.7 million non-Agency MSRs and Pledged MSR liability associated with Rithm servicing agreements with a UPB of $33.4 billion for which MSR sale accounting criteria was met. Specifically, with the amendments described below, starting on December 31, 2023, the parties have the right to cancel or decline to renew the servicing agreements within a reasonable period of time.

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 and Rithm did not provide notice of termination in 2023. Accordingly, all servicing agreements with Rithm, including the $9.7 billion of RMSR and $34.4 billion of subservicing, are extended through December 31, 2024, with subsequent, automatic one-year renewals.

Rithm has the right to terminate the $9.7 billion RMSRs 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 specified in the RMSR Agreements. 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 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.

Other MSR Capital Partner Transactions

PHH entered into agreements to sell MSR portfolios to different unrelated third parties, referred to as MSR capital partners, on a bulk and flow basis, for which PHH has been retained as subservicer. While MSR legal title has transferred to the MSR capital partners, the transactions do not qualify for sale accounting treatment primarily due to the termination restrictions of the subservicing agreements. Accordingly, we continue to report the MSR and an associated Pledged MSR liability on our consolidated balance sheet.

Note 9 – MSR Valuation Adjustments, Net

The table below presents the components of MSR valuation adjustments, net, that include four MSR related instruments which we account for at fair value with changes in fair value recorded in earnings:

(i) the fair value changes of the total MSR portfolio (Total MSRs) recorded on our consolidated balance sheets ($2.4 billion fair value asset at March 31, 2024). Total MSRs include owned MSRs and MSRs that have been sold or transferred to third parties in transactions that do not achieve sale accounting criteria. Owned MSRs include MSRs subject to ESS financing transactions;

(ii) the fair value changes of the Pledged MSR liabilities recorded as liabilities on our consolidated balance sheets when MSR sale accounting criteria are not achieved ($647.9 million fair value liability at March 31, 2024;

(iii) the fair value changes of the ESS financing liabilities for which we elected the fair value option ($253.4 million fair value liability at March 31, 2024; and

(iv) the fair value changes of the derivative instruments economically hedging the MSR exposure.

	Three Months Ended March 31,	
	2024	2023
Total MSRs (1)	$ 42.0	$ (140.5)
Pledged MSR liabilities (2) (3)	4.7	52.8
ESS financing liabilities (2)	(4.5)	4.7
Derivative fair value gain (loss) (MSR economic hedges) (4)	(53.7)	14.1
MSR valuation adjustments, net	$ (11.6)	$ (69.0)

(1) Also refer to Note 7 – Mortgage Servicing.
(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 years.
(3) MSR transfers that do not achieve sale accounting.
(4) Also refer to Note 15 – Derivative Financial Instruments and Hedging Activities.

MSR valuation adjustments, net exclude fair value changes of reverse mortgage loans net of HMBS related-borrowings which are included in our economic MSR interest rate risk hedge strategy (refer to Note 15 – Derivative Financial Instruments and Hedging Activities), and are separately presented as Gain on reverse loans held for investment and HMBS-related borrowings, net within our consolidated statement of operations (refer to Note 5 - Reverse Mortgages).

Note 10 – Receivables

	March 31, 2024	December 31, 2023
Servicing-related receivables:		
Government-insured loan claims - Forward	$ 38.9	$ 43.6
Government-insured loan claims - Reverse	61.3	64.5
Due from custodial accounts	14.6	13.8
Subservicing fees and reimbursable expenses	12.8	14.3
Receivable from sale of MSRs (holdback)	6.7	5.1
Subservicing fees, reimbursable expenses and other - Due from MAV	0.6	3.4
Other	8.8	4.5
	143.7	149.2
Income taxes receivable (1)	27.0	27.1
Other receivables	4.1	3.6
	174.8	179.9
Allowance for losses	(22.7)	(25.1)
	$ 152.1	$ 154.8

(1) Includes $25.6 million and $25.2 million at March 31, 2024 and December 31, 2023, respectively, from the USVI Bureau of Internal Revenue (BIR) for a refund of income taxes paid in prior years. In December 2022, we executed an agreement with the BIR for payment of the income tax refunds related to tax years 2013 through 2015, plus accrued interest, over a two-year period ending December 31, 2024. The BIR did not make the payment that was due on December 31, 2023 pursuant to the agreement. On February 8, 2024, we filed a lawsuit against the USVI for the refund of income taxes paid in prior years and for the USVI's breach of the above-referenced agreement.

	Three Months Ended March 31,	
Allowance for Losses	**2024**	**2023**
Beginning balance	$ 25.1	$ 34.3
Provision	4.0	4.0
Charge-offs and other, net	(6.4)	(8.8)
Ending balance	$ 22.7	$ 29.5

At March 31, 2024 and December 31, 2023, the allowance for losses related to FHA-, VA- or USDA insured loans repurchased from Ginnie Mae guaranteed securitizations (government-insured claims) was $22.1 million and $24.6 million, respectively.

Note 11 - Investment in Equity Method Investee and Related Party Transactions

We account for our 15% investment in MAV Canopy under the equity method. Under the Amended & Restated Limited Liability Company Agreement with MAV Canopy, Ocwen is entitled to receive its 15% percentage interest share of MAV Canopy's earnings, subject to certain adjustments. In addition, upon MAV Canopy liquidation or upon determination of the MAV Canopy Board of Directors to make advance distributions, Ocwen is entitled to receive a specified portion of the distribution amount available (Promote Distribution), after satisfaction of required distribution thresholds, including a specified internal rate of return threshold on the Oaktree member's gross adjusted capital contributions. We determined that the Promote Distribution represents an incentive fee under our various service agreements with MAV with a variable consideration and is recognized in earnings when it is probable that a significant reversal will not occur. As of March 31, 2024, Ocwen has not recognized any such Promote Distribution income.

PHH entered into a Subservicing Agreement with MAV for exclusive rights to service the mortgage loans underlying MSRs owned by MAV. The Subservicing Agreement will continue until terminated by mutual agreement of the parties or for cause, as defined. MAV is permitted to sell the underlying MSR, in whole or in part, without Ocwen's consent after May 3, 2024. As of March 31, 2024, PHH subserviced a total of $53.4 billion UPB on behalf of MAV under the Subservicing Agreement, of which $28.4 billion of MSRs were previously sold by PHH to MAV and do not qualify for sale accounting and thus remain reported on the consolidated balance sheet of PHH, with a fair value of $413.6 million MSR and $402.7 million Pledged MSR liability - see Note 8 — Other Financing Liabilities, at Fair Value. The fair value of the Pledged MSR liability is determined using the fair value mark provided by third-party valuation experts, consistent with the associated MSR, using the same methodology and assumptions, while considering cash flows contractually retained by PHH during the expected life of the Subservicing Agreement. We are exposed to a risk of loss of this net $10.9 million asset value if, and to the extent that MAV sells the $28.4 billion MSR portfolio, in whole or in part at a faster pace than anticipated or if prepayments exceeds expectations, among other factors. If MAV sells its whole portfolio, we would be entitled to a Promote Distribution, if any, depending on the then return distribution thresholds, as discussed above. In April 2024, MAV entered into a letter of intent with an unrelated third party to sell approximately $10 billion of its MSR portfolio.

During the three months ended March 31, 2024 and 2023, PHH transferred UPB of $18.0 million and $8.0 million under a flow MSR sale agreement (Recapture Agreement), respectively. During the three months ended March 31, 2024 and 2023, PHH transferred no MSRs to MAV under the various MSR purchase and sale agreements. These MSR sale transactions between PHH and MAV do not qualify for sale accounting primarily due to the termination restrictions of the subservicing agreement, and are accounted for as secured financings. 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 and our 15% equity investment in MAV Canopy, Ocwen issued common stock, warrants and senior secured notes to Oaktree in 2021. See also Note 13 – Borrowings and Note 16 – Interest Expense. In the ordinary course, we regularly share information with Oaktree and discuss various aspects of our relationship. At times, we discuss alternatives to the outcomes contemplated under our agreements when they were originally executed as facts and circumstances change over time. We also discuss modifications to our relationship that we believe could be to our mutual benefit as our respective businesses evolve over time, including alternatives to partially repay our senior secured notes.

Note 12 – Other Assets

	March 31, 2024	December 31, 2023
Contingent loan repurchase asset	$ 416.3	$ 343.0
REO	21.8	18.3
Prepaid expenses	21.3	24.2
Derivatives, at fair value	11.9	21.6
Prepaid lender fees, net	8.5	10.1
Intangible assets, net (net of accumulated amortization of $11.0 million and $10.1 million)	5.3	6.2
Prepaid representation, warranty and indemnification claims - Agency MSR sale	5.0	5.0
Deferred tax asset, net	3.4	3.1
Derivative margin deposit	2.6	12.8
Other	4.6	5.0
	$ 500.6	$ 449.2

Note 13 – Borrowings

Advance Match Funded Liabilities

Borrowing Type	Expected Repayment Date (1)	Available Borrowing Capacity		Outstanding Balance	
		Uncommitted	Committed	March 31, 2024	December 31, 2023
$500 million Ocwen Master Advance Receivables Trust (OMART) - Advance Receivables Backed Notes - Series 2015-Variable Funding (VF) 5 (2)	August 2025	$ 50.0	$ 74.5	$ 375.5	$ 409.8
$200 million Ocwen GSE Advance Funding (OGAF) - Advance Receivables Backed Notes, Series 2015-VF1 (2)	August 2025	—	136.0	64.0	89.1
$14.4 million EBO Advance facility (3)	May 2026	13.7	—	0.7	0.9
Total Advance match funded liabilities		$ 63.7	$ 210.5	$ 440.2	$ 499.7
Weighted average interest rate (4)				7.96 %	8.07 %

(1) The Expected Repayment Date of our facilities, as defined, is the date on which the revolving period ends under each advance facility note and repayment of the outstanding balance is required if the note is not renewed or extended. In certain of our advance facilities, there are multiple notes outstanding.

(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 March 31, 2024, 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) At March 31, 2024, 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 excludes the effect of the amortization of prepaid lender fees. At March 31, 2024 and December 31, 2023, the balance of unamortized prepaid lender fees was $4.6 million and $5.5 million, respectively, and are included in Other assets in our consolidated balance sheets. At March 31, 2024 and December 31, 2023, 1-Month (1M) Term Secured Overnight Financing Rate (SOFR) was 5.33% and 5.35%, respectively.

Mortgage Loan Financing Facilities

Borrowing Type	Collateral	Maturity	Available Borrowing Capacity		Outstanding Balance	
			Uncommitted	Committed (1)	March 31, 2024	December 31, 2023
$200 million Master repurchase agreement (2)	LHFS, Receivables and REO	April 2024	$ 200.0	$ —	$ —	$ —
$204 million Mortgage warehouse agreement (3)	LHFS and LHFI	May 2024	174.6	—	29.4	71.1
$40 million Mortgage warehouse agreement (4)	LHFI	June 2024	—	40.0	—	—
Master repurchase agreement	LHFS	June 2024	—	1.0	—	—
$50 million Loan and security agreement (5)	LHFS and Receivables	June 2024	—	50.0	—	—
$400 million Participation agreement	LHFS	September 2024	200.6	—	199.4	83.9
$200 million Master repurchase agreement	LHFS, LHFI and Receivables	September 2024	—	131.4	68.6	64.2
$30 million Loan and security agreement	LHFI	September 2024	—	30.0	—	—
$175 million Master repurchase agreement	Loans held for sale (LHFS), Receivables and REO	October 2024	125.0	43.7	6.3	15.7
$500 million Master repurchase agreement (6)	LHFS and LHFI	January 2025	172.1	—	327.9	168.4

Mortgage Loan Financing Facilities			Available Borrowing Capacity		Outstanding Balance	
Borrowing Type	Collateral	Maturity	Uncommitted	Committed (1)	March 31, 2024	December 31, 2023
OLIT Asset-Backed Notes, Series 2023-HB1 (7)	Reverse LHFS, Receivables and REO	June 2036	—	—	143.6	164.4
OLIT Asset-Backed Notes, Series 2024-HB1 (7)	Reverse LHFS, Receivables and REO	February 2037	—	—	212.3	—
$350 million Mortgage warehouse agreement (8)	LHFS	N/A	350.0	—	—	—
$230 million Mortgage warehouse agreement (9)	LHFS and Receivables	(9)	218.6	—	11.4	12.2
Master repurchase agreement (10)	LHFS	(10)	—	—	150.2	151.7
Total Mortgage loan financing facilities			$ 1,440.8	$ 296.1	$ 1,149.2	$ 731.6
Unamortized discount and debt issuance costs - OLIT Notes					(40.2)	(21.0)
Total Mortgage loan financing facilities, net					$ 1,108.9	$ 710.6
Weighted average interest rate (11)					5.80 %	6.15 %

(1) Of the borrowing capacity on mortgage loan financing facilities extended on a committed basis, $33.9 million of the available borrowing capacity could be used at March 31, 2024 based on the amount of eligible collateral that could be pledged on a committed basis.
(2) On April 1, 2024, we voluntarily allowed the facility to mature.
(3) In April 2024, the maturity date was extended to May 30, 2024.
(4) In April 2024, the maturity date was extended to June 28, 2024.
(5) This revolving facility agreement provides committed borrowing capacity secured by eligible HECM loans that are active buyouts, as defined in the agreement. In March 2024, the maturity date was extended to June 30, 2024.
(6) In January 2024, the maturity date was extended to January 3, 2025.
(7) In June 2023 and February 2024, OLIT issued different classes of Asset-Backed Notes with an initial principal amount of $264.9 million and $$268.6 million, at a discount and a mandatory call date of June 2026 and February 2027, respectively, both with a stated interest rate of 3.0%. 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.
(8) This agreement has no stated maturity date.
(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 90-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. In April 2024, we voluntarily increased the trust certificates by $50.0 million to $200.0 million. See Note 2 – Securitizations and Variable Interest Entities for additional information.
(11) The weighted average interest rate excludes the effect of the amortization of prepaid lender fees. At March 31, 2024 and December 31, 2023, unamortized prepaid lender fees were $0.6 million and $1.0 million, respectively, and are included in Other assets in our consolidated balance sheets.

MSR Financing Facilities			Available Borrowing Capacity		Outstanding Balance	
Borrowing Type	**Collateral**	**Maturity**	**Uncommitted**	**Committed (1)**	**March 31, 2024**	**December 31, 2023**
$365 million GSE MSR financing facility (2)	MSRs	June 2024	$ —	$ 106.7	$ 258.3	$ 242.9
$300 million Ginnie Mae MSR financing facility (3)	MSRs, Advances	February 2025	80.9	—	219.1	212.5
Ocwen Excess Spread-Collateralized Notes, Series 2022-PLS1 (4)	MSRs	February 2025	—	—	35.6	39.2
2022-PLS1 Notes Issuer Membership Interest Master repurchase agreement (5)	MSRs	February 2025	—	—	34.0	—
$400 million GSE MSR financing facility (6)	MSRs	December 2025	—	9.0	391.0	393.9
Secured Notes, Ocwen Asset Servicing Income Series Notes, Series 2014-1	MSRs	February 2028	—	—	26.7	28.1
Total MSR financing facilities			$ 80.9	$ 115.7	$ 964.7	$ 916.6
Unamortized debt issuance costs - PLS Notes (7)					(0.6)	(0.4)
Total MSR financing facilities, net					$ 964.1	$ 916.2
Weighted average interest rate (8)					8.24%	8.18%

(1) Of the borrowing capacity on MSR financing facilities extended on a committed basis, none of the available borrowing capacity could be used at March 31, 2024 based on the amount of eligible collateral that could be pledged on a committed basis.
(2) PHH's obligations under this facility are secured by a lien on certain related MSRs. Ocwen guarantees the obligations of PHH 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.
(3) PHH's obligations under this facility are secured by a lien on the related Ginnie Mae MSRs and servicing advances. Ocwen guarantees the obligations of PHH under the facility. We are subject to daily margining requirements under the terms of the facility. In March 2024, the maturity date was extended to February 25, 2025 and the uncommitted borrowing capacity was increased to $300.0 million.
(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) On March 4, 2024, PHH entered into a $34.0 million repurchase agreement pursuant to which PHH sold the membership interest certificate representing 100% of the limited liability company interests in PLS Issuer and has agreed to repurchase such membership interest certificate at a specified future date at the price set forth in the repurchase agreement. Ocwen guarantees the obligations of PHH under the facility subject to the terms and conditions set forth in the guaranty. We are subject to daily margining requirements under the terms of the facility. Refer to Note 2 – Securitizations and Variable Interest Entities for additional information regarding PLS Issuer and the PLS Notes.
(6) This facility is secured by a lien on certain of PHH'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 March 31, 2024 and December 31, 2023, unamortized prepaid lender fees related to revolving-type MSR financing facilities were $3.3 million and $3.6 million, respectively, and are included in Other assets in our consolidated balance sheets.
(8) Weighted average interest rate excludes the effect of the amortization of debt issuance costs and prepaid lender fees.

Senior Notes	Interest Rate (1)	Maturity	Outstanding Balance March 31, 2024	December 31, 2023
PMC Senior Secured Notes (2)	7.875%	March 2026	$ 312.6	$ 360.0
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			597.6	645.0
Unamortized discount			(0.7)	(0.9)
Unamortized debt issuance costs			(2.4)	(3.0)
PMC Senior Secured Notes			(3.1)	(3.9)
Unamortized discount			(36.7)	(39.1)
Unamortized debt issuance costs			(5.8)	(6.2)
OFC Senior Secured Notes			(42.6)	(45.3)
			$ 552.0	$ 595.8

(1) Excludes the effect of the amortization of debt issuance costs and discount.
(2) Redeemable at 101.969% before March 15, 2025, at par thereafter. The Indenture contains customary covenants for debt securities of this type that limit the ability of PHH Corporation and its restricted subsidiaries (including PHH) to, among other things, (i) incur or guarantee additional indebtedness, (ii) incur liens, (iii) pay dividends on or make distributions in respect of PHH Corporation'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 a pledge of the equity of Ocwen's directly held subsidiaries.

During March 2024, we repurchased a total of $47.4 million of the PMC Senior Secured Notes in the open market for a price of $45.5 million and recognized a $1.4 million gain on debt extinguishment, net of the respective write-off of unamortized discount and debt issuance costs.

Credit Ratings

Credit ratings are intended to be an indicator of the creditworthiness of a company's debt obligations. On January 25, 2024, S&P affirmed the issuer credit rating for Ocwen of "B-" and the "B" rating of the PMC Senior Secured Notes. On April 12, 2024, Moody's upgraded PHH's long-term corporate family ratings to "B3" from "Caa1" and revised their outlook to Stable from Positive. Moody's also affirmed its "B2" rating of the PMC Senior Secured Notes.

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 Corporation or PHH 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 March 31, 2024, excluding additional Agency minimum requirements, is a minimum of $275.0 million and $300.0 million, tangible net worth for Ocwen and PHH, respectively. The most restrictive liquidity requirement under our debt agreements with borrowings outstanding at March 31, 2024, excluding additional Agency minimum requirements, is for a minimum of $75.0 million for both Ocwen and PHH consolidated liquidity. The minimum tangible net worth and liquidity requirements at PHH contained in some debt agreements are also subject to the minimum requirements set forth by the Agencies. See Note 19 – 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 March 31, 2024:

	Assets	Pledged Assets	Collateralized Borrowings	Unencumbered Assets (1)
Cash	$ 185.1	$ —	$ —	$ 185.1
Restricted cash	66.1	66.1	19.5	—
Loans held for sale	1,028.9	980.3	986.1	48.6
Loans held for investment - securitized (2)	8,018.2	8,018.2	7,945.0	—
Loans held for investment - unsecuritized	106.8	69.7	61.0	37.1
MSRs (3)	1,708.6	1,713.4	1,181.4	0.3
Advances, net	602.7	507.8	476.6	95.0
Receivables, net	152.1	55.2	61.7	96.9
REO	21.8	19.2	20.9	2.6
Total (4)	$ 11,890.5	$ 11,430.1	$ 10,752.2	$ 465.5

(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 PHH'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 PHH in connection with certain claims relating to the performance and obligations of PHH 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 summarized 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 Corporation and MAV; cash and investment accounts at OFC; and certain other assets, including receivables.

	March 31, 2024
Specified net servicing advances	$ 167.3
Specified deferred servicing fee	4.2
Specified MSR value less borrowings	631.6
Specified unrestricted cash balances	111.1
Specified advance facility reserves	11.7
Specified loan value	79.6
Specified residual value	—
Total	$ 1,005.5

Note 14 – Other Liabilities

	March 31, 2024	December 31, 2023
Contingent loan repurchase liability	$ 416.3	$ 343.0
Other accrued expenses	59.0	67.5
Checks held for escheat	53.7	52.0
Due to Rithm - Advance collections and servicing fees	50.0	50.3
Servicing-related obligations	37.1	48.4
Liability for indemnification obligations	37.8	35.5
Liability for uncertain tax positions	12.5	12.2
Liability for unfunded pension obligation and India gratuity plan	9.5	9.2
Lease liability	9.4	10.2
Accrued legal fees and settlements	9.2	8.3
Accrued interest payable	8.2	14.3
Income taxes payable	9.3	8.2
Derivatives, at fair value	7.1	7.0
Derivative related payables	5.7	10.7
Mortgage insurance premium payable	5.0	5.0
MSR purchase price holdback	4.4	3.8
Excess servicing fee spread payable	3.4	3.6
Other	3.5	3.2
	$ 741.0	$ 692.3

Note 15 – 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 three months ended March 31, 2024 and 2023.

	March 31, 2024			December 31, 2023		
	Maturities	Notional	Fair value	Maturities	Notional	Fair value
Derivative Assets (Other assets)						
Forward sales of Reverse loans	April 2024	$ 40.0	$ 0.2	N/A	$ —	$ —
Forward loans IRLCs	April - July 2024	1,176.6	4.5	January - May 2024	592.5	5.1
Reverse loans IRLCs	May 2024	25.5	0.6	February 2024	22.1	0.6
TBA forward MBS trades	April - June 2024	1,665.7	5.9	January - March 2024	1,818.6	10.1
Forward sales of Forward loans	April 2024	130.0	0.1	January 2024	5.5	—
Interest rate swap futures	June 2024	215.0	0.7	March 2024	790.0	3.9
Interest rate option contracts	N/A	—	—	January 2024	750.0	1.9
Total		$ 3,252.9	$ 11.9		$ 3,978.7	$ 21.6
Derivative Liabilities (Other liabilities)						
Forward sales of Reverse loans	N/A	—	—	January 2024	50.0	(0.1)
TBA forward MBS trades	April - June 2024	2,097.7	(5.3)	January - March 2024	854.9	(6.8)
Forward sales of Forward loans	April 2024	50.0	(0.3)	N/A	—	—
Interest rate swap futures	June 2024	635.0	(1.4)	N/A	—	—
Other	N/A	—	—	N/A	15.3	(0.1)
Total		$ 2,782.7	$ (7.1)		$ 920.2	$ (7.0)

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

	Three Months Ended March 31,		
Gain (Loss)	2024	2023	Financial Statement Line
Derivative Instruments			
Forward loans IRLCs	$ (0.6)	$ 5.7	Gain on loans held for sale, net
Reverse loans IRLCs	—	(0.1)	Gain on reverse loans held for investment and HMBS-related borrowings, net
Forward trades (economically hedging forward pipeline trades and EBO pipeline)	(0.3)	—	Gain on loans held for sale, net (Economic hedge)
TBA trades (economically hedging forward pipeline trades and EBO pipeline)	4.9	(16.4)	Gain on loans held for sale, net (Economic hedge)
Interest rate swap futures, TBA trades and interest rate option contracts (economically hedging MSR)	(53.7)	14.1	MSR valuation adjustments, net
Forward sales of Reverse loans	0.3	—	Gain on reverse loans held for investment and HMBS-related borrowings, net
Other	—	0.3	Other, net
Total	$ (49.3)	$ 3.5	

Interest Rate Risk

MSR Hedging

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 MSR interest rate risk management and hedging policy is to protect shareholders’ equity and earnings against the fair value volatility of interest-rate sensitive MSR portfolio exposure, considering market, liquidity, cost and other 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 MAV, Rithm and others, also referred to as Pledged MSR liabilities (See Note 8 — Other Financing Liabilities, at Fair Value),
- less the asset value for securitized HECM loans, net of the corresponding HMBS-related borrowings,
- other interest-rate sensitive exposures, including our ESS financing liabilities, as deemed appropriate by the Market Risk Committee.

The hedge coverage ratio, defined as the ratio of hedge and asset rate sensitivity (referred to as DV01) is subject to lower and upper target thresholds under our policy. We regularly 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, liquidity impacts under shock scenarios and other factors. As the market dictates, management may choose to maintain the hedge coverage ratio at different thresholds, with approval of the Market Risk Committee, in order to preserve liquidity and/or optimize asset returns.

Effective September 2022, a minimum 25% and 30% hedge coverage ratios were required for interest rate declines less than, and more than 50 basis points, respectively. During the second quarter of 2023, management raised its minimum hedge coverage ratio to 60%. Effective December 2023, we established a targeted hedge coverage ratio range between 95% and 105%.

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, the convexity of the MSR, the basis risk inherent in the MSR profile and hedging instruments, and hedge costs 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 18 – 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 75 days, with the majority of our commitments to borrowers for 40 to 60 days and our commitments to correspondent sellers for 5 to 30 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.

Note 16 – Interest Expense

	Three Months Ended March 31,	
	2024	2023
Mortgage loan financing facilities	$ 18.7	$ 13.6
MSR financing facilities	17.9	17.5
OFC Senior Secured Notes (1)	11.2	10.8
Advance match funded liabilities	10.4	10.7
PMC Senior Secured Notes	7.4	7.8
Escrow	1.8	1.9
	$ 67.4	$ 62.3

(1) Notes issued to Oaktree affiliates, inclusive of amortization of debt issuance costs and discount of $2.7 million and $2.3 million for the three months ended March 31, 2024 and 2023, respectively.

Note 17 – Basic and Diluted Earnings (Loss) 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 three months ended March 31, 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 March 31,	
	2024	2023
Basic earnings (loss) per share		
Net income (loss)	$ 30.1	$ (40.2)
Weighted average shares of common stock outstanding	7,711,534	7,533,561
Basic earnings (loss) per share	$ 3.91	$ (5.34)
Diluted earnings (loss) per share		
Net income (loss)	$ 30.1	$ (40.2)
Weighted average shares of common stock outstanding	7,711,534	7,533,561
Effect of dilutive elements		
Common stock warrants	68,584	—
Stock option awards	—	—
Common stock awards	266,070	—
Dilutive weighted average shares of common stock	8,046,188	7,533,561
Diluted earnings (loss) per share	$ 3.74	$ (5.34)
Stock options and common stock awards excluded from the computation of diluted earnings (loss) per share		
Anti-dilutive (1)	31,944	34,657
Market-based (2)	188,344	56,281

(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 18 – Business Segment Reporting

Our business segments reflect the internal reporting that our Chief Executive Officer uses to evaluate our operating and financial performance and to assess the allocation of our resources. Our current reportable business segments consist of Servicing, Originations, and Corporate Items and Other. During the three months ended March 31, 2024, 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, 2023. Effective in the fourth quarter of 2023, the Servicing segment includes CR Limited (CRL), our wholly-owned captive reinsurance subsidiary previously included in the Corporate Items and Other segment. Segment results for the three months ended March 31, 2023 have been recast to conform to the current segment presentation.

Financial information for our segments is as follows:

	Three Months Ended March 31, 2024			
Results of Operations	**Servicing**	**Originations**	**Corporate Items and Other**	**Business Segments Consolidated**
Servicing and subservicing fees	$ 204.2	$ 0.3	$ —	$ 204.5
Gain on reverse loans held for investment and HMBS-related borrowings, net	8.6	6.8	—	15.4
Gain on loans held for sale, net	1.8	9.1	—	10.9
Other revenue, net	4.5	3.8	—	8.3
Revenue	219.1	20.0	—	239.1
MSR valuation adjustments, net	(12.5)	0.9	—	(11.6)
Operating expenses				
Compensation and benefits	25.3	10.2	18.1	53.6
Servicing and origination	13.3	1.4	0.3	15.0
Technology and communications	6.1	1.7	4.9	12.7
Professional services	7.1	0.3	4.6	12.0
Occupancy, equipment and mailing	6.8	0.5	0.4	7.7
Corporate overhead allocations	10.9	3.9	(14.8)	—
Other expenses	1.1	1.0	1.3	3.4
Operating expenses	70.6	19.0	14.8	104.4
Other income (expense):				
Interest income	6.7	9.7	1.1	17.5
Interest expense	(45.8)	(10.4)	(11.2)	(67.4)
Pledged MSR liability expense	(44.9)	—	—	(44.9)
Earnings of equity method investee	2.7	—	—	2.7
Gain on extinguishment of debt	—	—	1.4	1.4
Other, net	(0.5)	(0.1)	—	(0.6)
Other income (expense), net	(81.8)	(0.8)	(8.6)	(91.3)
Income (loss) before income taxes	$ 54.2	$ 1.1	$ (23.4)	$ 31.8

Results of Operations	Three Months Ended March 31, 2023			
	Servicing	Originations	Corporate Items and Other	Business Segments Consolidated
Servicing and subservicing fees	$ 231.8	$ 0.4	$ —	232.2
Gain on reverse loans held for investment and HMBS-related borrowings, net	14.0	7.2	—	21.2
Gain (loss) on loans held for sale, net	(1.3)	4.1	—	2.8
Other revenue, net	2.5	3.1	—	5.6
Revenue	247.0	14.8	—	261.8
MSR valuation adjustments, net	(70.9)	1.9	—	(69.0)
Operating expenses				
Compensation and benefits	29.4	9.6	19.0	58.0
Servicing and origination	15.2	0.2	0.3	15.7
Technology and communications	6.3	1.7	5.4	13.4
Professional services	7.9	0.4	4.9	13.3
Occupancy, equipment and mailing	7.7	0.5	0.6	8.8
Corporate overhead allocations	11.5	4.8	(16.3)	—
Other expenses	2.3	1.5	1.2	4.9
Operating expenses	80.3	18.7	15.1	114.1
Other income (expense):				
Interest income	4.1	9.0	1.0	14.1
Interest expense	(41.6)	(9.9)	(10.8)	(62.3)
Pledged MSR liability expense	(70.3)	—	—	(70.3)
Earnings of equity method investee	0.3	—	—	0.3
Gain on extinguishment of debt	—	—	—	—
Other, net	(0.4)	0.2	1.4	1.2
Other income (expense), net	(107.9)	(0.7)	(8.4)	(117.0)
Income (loss) before income taxes	$ (12.0)	$ (2.7)	$ (23.6)	$ (38.3)

Total Assets	Servicing	Originations	Corporate Items and Other	Business Segments Consolidated
March 31, 2024	$ 12,003.9	$ 835.2	$ 250.9	$ 13,090.1
December 31, 2023	11,687.6	551.9	274.3	12,513.7

Note 19 – 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 Home Mortgage Disclosure Act (HMDA), 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, liquidity requirements, 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. PHH's minimum financial eligibility requirements for GSE seller/servicers and Ginnie Mae issuers were updated by the GSEs and Ginnie Mae effective September 30, 2023.

We believe our licensed entities were in compliance with all of their minimum net worth and liquidity requirements at March 31, 2024. 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 and liquidity requirements for licensing and seller/servicer obligations referenced above are mostly based on the UPB of assets serviced by PHH. Under the applicable formula, the required minimum net worth was $447.9 million at March 31, 2024. PHH's adjusted net worth was $546.7 million at March 31, 2024. The most restrictive of the various liquidity requirements for licensing and seller/servicer obligations referenced above pertains to PHH and the required minimum liquidity was $121.1 million at March 31, 2024. PHH's eligible liquidity, as defined, for licensing and seller/servicer obligations was $233.5 million at March 31, 2024.

Ginnie Mae announced a new risk-based capital ratio effective on December 31, 2024 for Ginnie Mae issuers. PHH would not be in compliance with the upcoming risk-based capital requirements if they were in effect as of March 31, 2024. We are currently implementing certain actions intended to achieve compliance with the requirements. We intend to operate our Ginnie Mae issuer activities through a dedicated, wholly owned subsidiary subject to the risk-based capital rules. We are in the process of applying for regulatory approvals necessary to operate. If we are unable to execute this solution in a manner satisfactory to Ginnie Mae and other regulators, we may be required to sell all Ginnie Mae related forward mortgage assets under uncertain conditions before December 31, 2024 and incur transition costs; as a result, our financial results, liquidity, financing activities and reputation could be negatively impacted. In addition, we continuously evaluate our capital allocation based on investment returns and market conditions among other factors; we may determine that the sale of the Ginnie Mae related mortgage portfolio provides the best outcome for our shareholders and we may re-evaluate our participation in the Ginnie Mae lending programs overall. As of March 31, 2024, our forward owned servicing portfolio included government-insured loans with a UPB of $19.5 billion, 11% of our total forward owned MSR servicing portfolio or 6% 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 Corporation. The conditional approval 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 Ocwen legacy 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 have not serviced any loans on the REALServicing system since then. 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 Corporation acquisition conditional approval. We believe we have complied with all terms of the PHH Corporation acquisition conditional approval and the NY Consent Order to date.

Note 20 — 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 March 31, 2024. This additional borrowing capacity is available on a scheduled or unscheduled payment basis. During the three months ended March 31, 2024, we funded $59.5 million out of the $1.8 billion borrowing capacity as of December 31, 2023. We also had short-term commitments to lend $1.2 billion and $25.5 million in connection with our forward and reverse mortgage loan IRLCs, respectively, outstanding at March 31, 2024. We finance originated and purchased forward and reverse mortgage loans with repurchase and participation agreements, also 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 March 31, 2024.

Securitized HECM loans at less than 92% MCA	$ 7,163.9
Securitized HECM loans at equal to or greater than 92% and less than 95% MCA	259.9
Securitized HECM loans at equal to or greater than 95% MCA and less than 98% MCA	198.0
Total Securitized HECM loans UPB	$ 7,621.8

For the three months ended March 31, 2024 and 2023, we repurchased HECM loans from Ginnie Mae securitizations in the amount of $41.9 million and $91.9 million, respectively. Activity with regard to HMBS repurchases for the three months ended March 31, 2024 is as follows:

	Active	Inactive	Total
Beginning balance	$ 55.4	$ 130.6	$ 186.0
Additions	26.1	15.8	41.9
Recoveries, net (1)	(36.6)	(14.5)	(51.1)
Transfers	0.8	(0.8)	—
Changes in value	—	(1.1)	(1.1)
Ending balance	$ 45.7	$ 130.0	$ 175.7

(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 of loans we subservice.

Client Concentration

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

For the three months ended March 31, 2024, servicing and subservicing fees from Rithm amounted to $24.9 million, or 16% of total servicing and subservicing fees (excluding ancillary income). As of March 31, 2024, Rithm represented 15% and 25%, respectively, of UPB and loan count of our total servicing and subservicing portfolio, and approximately 66% of all delinquent loans that Ocwen services. Our Subservicing Agreements and Servicing Addendum with Rithm provide for automatic one-year renewals, unless Ocwen or Rithm provide advance notice of termination. Ocwen and Rithm did not provide their respective notice of termination in 2023. Accordingly, the servicing agreements with Rithm are extended through December 31, 2024, with subsequent, automatic one-year renewals. If Rithm exercises its right to terminate all or some of the agreements (for convenience by October 2024 or for cause at any time), we might need to right-size certain aspects of our servicing business as well as the related corporate support functions, and we may need to adjust our daily liquidity management due to the reduction of servicing float balances associated with the Rithm servicing agreements. 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. Other liabilities recorded on our consolidated balance sheets are disclosed in Note 14 – Other Liabilities.

In addition, for the three months ended March 31, 2024, servicing and subservicing fees from MAV amounted to $20.0 million or 13% of total servicing and subservicing fees (excluding ancillary income). As of March 31, 2024, our servicing and subservicing portfolio with MAV represented $53.4 billion UPB, or 18% of the UPB and 14% of the loan count in our total servicing and subservicing portfolio. 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 11 - Investment in Equity Method Investee and Related Party Transactions and Note 8 — Other Financing Liabilities, at Fair Value.

Note 21 – 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 $9.2 million at March 31, 2024. We cannot currently estimate the amount, if any, of reasonably possible losses above amounts that have been recorded at March 31, 2024.

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 a class action lawsuit challenging, under state and federal law, our practice of charging borrowers a fee to use certain optional payment methods, in *Jones v. PHH Mortg. Corp., et al.* (D. NJ), which we have filed a motion to dismiss. In addition, between November 2022 and June 2023, we settled the previously disclosed cases of *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), and *Williams v. PHH Mortg. Corp., et al.* (S.D. TX).

In addition, we continue to be involved in legacy matters arising prior to Ocwen's October 2018 acquisition of PHH Corporation, 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 Corporation'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 Corporation'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 in February 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 $9.2 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. In October 2023, the parties reached a tentative settlement to resolve the lawsuit prior to trial. A hearing on the parties' motion for preliminary approval was scheduled for February 29, 2024, but the court postponed that hearing pending the submission of certain additional briefing, which the parties filed on March 8, 2024. On March 29, 2024, the district court entered an order granting preliminary approval of the parties' settlement agreement, and directing notice to the settlement class. The notice process will commence 30 days from entry of the March 29 order, and the court also set a Final Fairness Hearing for September 5, 2024. If the proposed settlement is not ultimately approved, Ocwen will vigorously defend itself. Ocwen is unable to predict the outcome of this lawsuit, the possible loss or range of loss, if any, associated with the resolution of such lawsuit or the potential impact on us or our operations. If our efforts to settle or 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). 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. In September 2023, the Court granted in part Ocwen's motion for summary judgment, dismissing Nomura's "failure to notify" claim in its entirety; the Court, however, denied Ocwen's motion with respect to Nomura's second claim alleging failure to service loans in accordance with accepted standards. We are currently considering our appellate options. The scope of any resulting trial is uncertain, and thus 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.

We regularly 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 licensed 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 received 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 March 31, 2024 and March 31, 2023, we had outstanding representation and warranty repurchase demands of $25.3 million UPB (75 loans) and $31.0 million UPB (127 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:

	Three Months Ended March 31,	
	2024	2023
Beginning balance (1)	$ 32.9	$ 41.6
Provision for (reversal of) representation and warranty obligations	(0.3)	2.7
Provision for representation and warranty obligations - New production liability	0.3	0.3
Charge-offs and other (2)	1.8	(2.7)
Ending balance (1)	$ 34.7	$ 41.9

(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 reclassification of principal and interest losses 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 March 31, 2024.

Other

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.

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 is one of the largest non-bank servicers in the country based on UPB, focused on delivering a variety of servicing and lending programs. PHH is one of the largest correspondent lenders in the U.S. based on origination UPB. Liberty is one of the nation's largest reverse mortgage lenders and servicer based on origination and securitization UPB, dedicated to education and providing loans that help customers meet their personal and financial needs. We serviced or subserviced 1.4 million loans with a total UPB of $302.3 billion on behalf of more than 3,900 investors and 116 subservicing clients as of March 31, 2024. 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 first quarter of 2024, compared with the volume of the preceding quarter and the corresponding quarter 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 first quarter of 2024, we added $23.2 billion of new volume, mainly $17.8 billion of new subservicing and $4.6 billion of non-bulk new servicing, as further detailed in the below table.

$ In billions	UPB			$ Change	
	Three Months Ended				
	March 31, 2024	December 31, 2023	March 31, 2023	Q1 2024 vs Q4 2023	Q1 2024 vs Q1 2023
Mortgage servicing originations					
Retail - Consumer Direct MSR (1)	$ 0.1	$ 0.1	$ 0.1	$ —	$ 0.1
Correspondent MSR (1)	2.7	2.8	2.4	(0.1)	0.2
Flow and Agency Cash Window MSR purchases (2)	1.6	2.5	1.8	(0.9)	(0.2)
Reverse mortgage servicing (3)	0.2	0.2	0.1	—	—
Total servicing	4.6	5.6	4.5	(1.0)	0.1
Bulk purchases (2)	0.8	0.1	0.2	0.7	0.5
Total servicing additions	5.4	5.7	4.7	(0.3)	0.7
Interim forward subservicing	1.7	1.9	1.2	(0.3)	0.5
Other new forward subservicing	16.1	1.8	11.5	14.2	4.6
Reverse subservicing	—	0.1	0.1	(0.1)	—
Total Subservicing additions (4)	17.8	3.9	12.8	13.9	5.0
Total servicing and subservicing UPB additions	$ 23.2	$ 9.5	$ 17.5	$ 13.6	$ 5.7

(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 first quarter of 2024, compared with the preceding quarter and the corresponding quarter 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. Our average total servicing and subservicing UPB remained flat at $291 billion during the first quarter of 2024 as compared to prior quarter, and the composition of owned MSR and subservicing remained constant, as further detailed in the below table.

$ In billions	Average UPB			$ Change	
	Three Months Ended				
	March 31, 2024	December 31, 2023	March 31, 2023	Q1 2024 vs Q4 2023	Q1 2024 vs Q1 2023
Owned MSR	$ 123.2	$ 121.4	$ 127.0	$ 1.8	$ (3.7)
Rithm	44.6	45.5	48.6	(0.9)	(4.0)
MAV	54.6	56.3	49.3	(1.7)	5.4
Subservicing (including reverse subservicing)	51.6	52.0	60.6	(0.5)	(9.0)
Reverse mortgage loans (owned)	8.1	7.9	7.6	0.2	0.5
Other servicing (including whole loans)	0.7	0.8	0.8	(0.1)	—
Other MSR capital partners	8.5	8.2	0.2	0.3	8.3
Total servicing and subservicing UPB (average)	$ 291.4	$ 292.2	$ 294.1	$ (0.8)	$ (2.7)

As of March 31, 2024 and December 31, 2023, the total servicing and subservicing UPB amounted to $302.3 billion and $288.4 billion, respectively, a net increase of $13.9 billion or 5%.

The following table presents key market interest rates and respective changes in the periods presented. As further discussed, the 30-year fixed rate mortgage is a key driver of the Originations volumes, the 10-year Treasury rate is a key benchmark for MSR valuation and hedging activities, and the 1-month SOFR is a key benchmark for the profitability of our Servicing segment (including float earnings and asset-backed financing cost). The average 30-year fixed rate mortgage rate declined 56 basis points quarter over quarter. The 10-year Treasury rate increased by 32 basis points quarter-over-quarter. Average 1-month SOFR remained constant in the current quarter as compared to the fourth quarter of 2023.

	Three Months Ended		
	March 31, 2024	December 31, 2023	March 31, 2023
30-year fixed rate mortgage (1)			
Average	6.74%	7.30%	6.38%
End of period	6.79%	6.61%	6.32%
10-year Treasury rate (end of period)	4.20%	3.88%	3.48%
1-month Term SOFR (average)	5.33%	5.34%	4.61%

(1) Source: Freddie Mac PMMS - Primary Mortgage Market Survey

Financial Highlights

Results of operations for the first quarter of 2024

- Net income of $30.1 million, or $3.91 per share basic and $3.74 per share diluted
- Servicing and subservicing fee revenue of $204.5 million
- Originations gain on sale of $9.1 million
- $28.3 million MSR valuation gain attributable to rate and assumption changes, net of hedging

Financial condition at the end of the first quarter of 2024

- Stockholders' equity of $432.1 million, or $55.51 book value per common share
- MSR investment of $2.4 billion, up $102.4 million, and a $0.8 billion decrease in the average servicing and subservicing UPB as compared with the previous quarter
- Cash position of $185.1 million
- Total assets of $13.1 billion

Business Initiatives

We established the following key operating objectives to return to sustainable profitability and create long-term 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 through a continued focus on servicing and maintaining agility to address market-cycle opportunities;
- Driving prudent growth adapted for the environment, including emphasis on subservicing to drive capital-light servicing portfolio UPB growth and expansion of higher margin originations products and clients to drive accretive MSR investments;
- Reducing cost structure across the organization to achieve industry cost leadership by maintaining continuous cost improvement discipline and optimizing technology, global operations, and scale;
- Delivering industry top-tier servicing operational performance and driving increased borrower and client satisfaction;
- Optimizing liquidity, diversifying capital sources, including our multi-investor partnership model to fund new MSR originations which enables capital-light servicing portfolio growth and interest rate risk mitigation, and allocating capital to deliver value for shareholders, including deleveraging through opportunistic repurchases of our senior secured notes.

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, 2023.

Condensed Statements of Operations	Three Months Ended March 31, 2024	Three Months Ended December 31, 2023	% Change	Three Months Ended March 31, 2023	% Change
Revenue	$ 239.1	$ 277.3	(14)%	$ 261.8	(9)%
MSR valuation adjustments, net	(11.6)	(98.0)	(88)	(69.0)	(83)
Operating expenses	104.4	103.7	1	114.1	(8)
Other income (expense), net	(91.3)	(121.2)	(25)	(117.0)	(22)
Income (loss) before income taxes	31.8	(45.6)	(170)	(38.3)	(183)
Income tax expense	1.7	1.8	(7)	1.9	(11)
Net income (loss)	$ 30.1	$ (47.4)	(163)%	$ (40.2)	(175)%
Segment income (loss) before income taxes					
Servicing	$ 54.2	$ (17.8)	(404)%	$ (12.0)	(550)%
Originations	1.1	0.2	507	(2.7)	(139)
Corporate Items and Other	(23.4)	(28.0)	(16)	(23.6)	(1)
	$ 31.8	$ (45.6)	(170)%	$ (38.3)	(183)%

Ocwen reported $30.1 million net income in the first quarter of 2024, an increase of $77.5 million as compared to the $47.4 million net loss in the fourth quarter of 2023, mostly driven by the following:

- A $38.2 million decrease in revenue, with a $41.2 million decrease in Servicing revenue partially offset by an increase in Originations revenue. The Servicing revenue decrease is primarily due to the effects of our derecognition of MSRs previously sold to Rithm for which the sale accounting criteria were met effective December 31, 2023. The decrease in servicing revenue was fully offset by a decrease in Pledged MSR liability expense resulting in no impact to Ocwen's profitability - further discussed below.
- An $86.4 million lower loss on MSR valuation adjustments, net primarily due to favorable rate and assumption updates, net of hedging, mostly driven by an increase in market interest rates in the current quarter vs. a decline in the prior quarter (the 10-year Treasury rate increased by 32 basis points in the first quarter of 2024 and declined by 71 basis points in the fourth quarter of 2023).
- A $30.0 million decrease in Other expense, net, primarily due to a $31.6 million decrease in Pledged MSR liability expense largely attributed to the effects of our derecognition of MSRs previously sold to Rithm for which the sale accounting criteria were met effective December 31, 2023, as discussed above, and a $1.4 million gain on extinguishment of $47.4 million PMC Senior Secured Notes repurchased in the first quarter of 2024.

On December 31, 2023, we derecognized from our balance sheet $421.7 million non-Agency MSRs and Pledged MSR liability associated with Rithm servicing agreements with a UPB of $33.4 billion for which MSR sale accounting criteria was met. As PHH continues to subservice the portfolio, our statement of operations in 2024 reflects subservicing fee revenue as opposed to the gross presentation of servicing fee revenue and offsetting servicing fee remittances within Pledged MSR liability expense, a component of Other income (expense), net, prior to December 31, 2023. These required presentation changes do not affect the amount of net fee retained by Ocwen in connection with the Rithm servicing agreements. For comparison purposes, the statement of operations for the three months ended December 31, 2023 reflects $29.6 million servicing fee collected on behalf of and remitted to Rithm and reported both as Revenue (Servicing and subservicing fees) and as Other income (expense), net (Pledged MSR liability expense) associated with the MSR that achieved sale accounting treatment on December 31, 2023, with no impact on Net income (loss). Similarly, the servicing fee collected on behalf of and remitted to Rithm amounted to $32.6 million for the three months ended March 31, 2023.

Total Revenue

The below table presents total revenue by segment:

Revenue	Three Months Ended March 31, 2024	Three Months Ended December 31, 2023	% Change	Three Months Ended March 31, 2023	% Change
Servicing	$ 219.1	$ 260.3	(16)%	$ 247.0	(11)%
Originations	20.0	17.0	18	14.8	35
Corporate	—	—	(100)	—	n/m
Total segment revenue	$ 239.1	$ 277.3	(14)%	$ 261.8	(9)%

n/m: not meaningful

Total segment revenue for the three months ended March 31, 2024 decreased $38.2 million, or 14% as compared to the three months ended December 31, 2023, mostly due to the accounting presentation change of Rithm servicing fees upon MSR derecognition discussed above:

- The $41.2 million decrease in Servicing revenue is mostly driven by a $35.1 million decrease in servicing and subservicing fees largely due to the effects of our derecognition of MSRs previously sold to Rithm for which the sale accounting criteria were met effective December 31, 2023 ($29.6 million fees collected and remitted to Rithm recognized in the three months ended December 31, 2023), and a seasonal reduction of float earnings. Gain on reverse loans held for investment and HMBS-related borrowings, net decreased $11.1 million attributed to higher market interest rates, partially offset by tighter yield spread. These declines were partially offset by $4.5 million additional gains on loans held for sale mostly driven by reverse mortgage loan buyouts.
- The $3.0 million increase in Originations revenue is mostly driven by higher margins across all of our channels. Our forward channels reported a $2.1 million increase in gains on sale mostly attributed to our Consumer Direct channel due to both an increase of volume and an increase of margin. The increase in margin is the result of our disciplined pricing management and execution. Our reverse channels reported a $1.2 million increase in gains driven by higher margins in all three channels, partially offset by lower origination volume in our correspondent and wholesale channels.

As compared to the three months ended March 31, 2023, total segment revenue for the three months ended March 31, 2024 was $22.7 million or 9% lower, due to a $28.0 million decline in Servicing revenue offset by a $5.2 million increase in Originations revenue.

- The decline in Servicing revenue is mostly due to a $27.6 million decrease in servicing and subservicing fees largely due to the effects of our derecognition of MSRs previously sold to Rithm for which the sale accounting criteria were met effective December 31, 2023, as discussed above ($32.6 million fees collected and remitted to Rithm recognized in the three months ended March 31, 2023), and a $5.5 million decline in Gain on reverse loans held for investment and HMBS-related borrowings, net due to a decline in unrealized fair value gains mostly attributable to an increase in market interest rates (vs. a decrease during the three months ended March 31, 2023) and a less significant yield spread tightening in the current period as compared to the corresponding quarter of the prior year. These declines were partially offset by a gain recognized in the first quarter of 2024 on reverse mortgage loan buyouts.
- The increase in Originations revenue is primarily driven by a $4.9 million increase in gain on sale of forward loans due to an increase in margin and volume for both our Correspondent and Consumer Direct channels.

MSR Valuation Adjustments, Net

The table below presents the key components of MSR valuation adjustments, net which include MSRs, MSR pledged liabilities and ESS financing liabilities at fair value, together with MSR hedging derivatives:

	Three Months Ended		
	March 31, 2024	**December 31, 2023**	**March 31, 2023**
Realization of expected cash flows (runoff)	$ (39.9)	$ (36.6)	$ (35.7)
Fair value gains (losses) due to rate and assumption changes	82.0	(148.0)	(47.4)
MSR hedging derivative fair value gain (loss)	(53.7)	86.6	14.1
Sub-total fair value gains (losses) due to rates and assumptions, net of hedging (1)	28.3	(61.4)	(33.3)
MSR valuation adjustments, net	$ (11.6)	$ (98.0)	$ (69.0)

(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. Refer to the MSR Hedging Strategy section of Item 3. Quantitative and Qualitative Disclosures about Market Risks for further detail.

The $11.6 million loss on MSR valuation adjustments, net for the three months ended March 31, 2024 is comprised of $39.9 million runoff, $82.0 million fair value gain attributed to rate and assumption changes and $53.7 million loss on MSR hedging derivatives. MSR valuation adjustments, net increased by $86.4 million (lower loss) in the three months ended March 31, 2024 as compared to the three months ended December 31, 2023 largely driven by interest rates, as discussed below.

- MSRs are subject to runoff, a fair value decline due to the realization of expected cash flows and yield based on projected borrower behavior, including scheduled amortization of the loan UPB together with projected voluntary prepayments. As our owned MSR remained flat quarter over quarter, the unfavorable $3.3 million increase in runoff quarter-over-quarter is mostly due to lower average market rates in the first quarter 2024 as compared to the fourth quarter of 2023 resulting in shorter projected MSR life.
- The $82.0 million fair value gain due to rate and assumption changes is attributed to a rise of interest rates in the quarter and favorable assumption updates to reflect market participant perspectives on MSRs with actual trade pricing levels. The 10-year Treasury rate increased 32 basis points in the three months ended March 31, 2024. The change from a $148.0 million fair value loss in the three months ended December 31, 2023 to a gain in the three months ended March 31, 2024 is mostly driven by changes in market interest rates as the 10-year Treasury rate decreased 71 basis points in three months ended December 31, 2023.
- MSR hedging derivative fair value gains or losses are designed to partially offset the expected fair value losses or gains, respectively, of the net MSR, MSR pledged liabilities and ESS exposure, commensurate with our target hedge coverage ratio. The $53.7 million derivative loss recognized in the three months ended March 31, 2024 is primarily driven by rate increase with the 10-year Treasury rate increase of 32 basis points. The change from $86.6 million hedging gains in the three months ended December 31, 2023 is mainly due to respective changes in interest rates. Also refer to Item 3. Quantitative and Qualitative Disclosures about Market Risk for further detail on our hedging strategy and its effectiveness.

Operating Expenses

The table below presents the key components of operating expenses:

	Three Months Ended March 31, 2024	Three Months Ended December 31, 2023	% Change	Three Months Ended March 31, 2023	% Change
Compensation and benefits	$ 53.6	$ 57.8	(7)%	$ 58.0	(8)%
Servicing and origination	15.0	8.5	77	15.7	(4)
Technology and communications	12.7	13.1	(3)	13.4	(5)
Professional services	12.0	12.4	(3)	13.3	(9)
Occupancy, equipment and mailing	7.7	7.6	1	8.8	(12)
Other expenses	3.4	4.3	(20)	4.9	(33)
Total operating expenses	$ 104.4	$ 103.7	1 %	$ 114.1	(8)%
Average headcount	4,486	4,588	(2)%	4,796	(6)%

Compensation and benefits expense for the three months ended March 31, 2024 decreased $4.2 million, or 7% as compared to the three months ended December 31, 2023, mostly due to lower incentive compensation attributed to a decrease in the fair value of cash-settled share-based awards in the quarter following the decline of our common stock price, as compared to an increase in the prior quarter, and a decrease in equity classified share-based awards expense.

As compared to the three months ended March 31, 2023, Compensation and benefits expense for the three months ended March 31, 2024 decreased $4.4 million, or 8% largely due to a $2.9 million decrease in salaries and benefits and a $1.3 million decrease in severance expense. Our total average headcount declined 6%, mostly driven by a 15% reduction in our average U.S. based Servicing headcount, reflecting our ongoing goal to improve efficiencies and create an industry leading cost structure.

Servicing and origination expense for the three months ended March 31, 2024 increased $6.5 million as compared to the three months ended December 31, 2023, mostly due to favorable adjustments recognized in the three months ended December 31, 2023. The $4.6 million increase in Servicing expense is mostly driven by mortgage insurance premium refunds and favorable adjustments to captive reinsurance losses recognized during the three months ended December 31, 2023. The $1.9 million increase in Originations expense is largely driven by a provision release for representation and warranty indemnification recorded in the three months ended December 31, 2023 due to favorable resolution of demands.

As compared to the three months ended March 31, 2023, Servicing and origination expenses for the three months ended March 31, 2024 was mostly flat, with a lower provision for indemnification in Servicing in the three months ended March 31, 2024, largely offset by the effect of a release of provision for representation and warranty indemnification recorded in the first quarter of 2023 in Originations.

The other operating expenses in the table above (excluding Compensation and benefits and Servicing and originations expense) for the three months ended March 31, 2024 were mostly flat as compared to the three months ended December 31, 2023 and the three months ended March 31, 2023.

Other Income (Expense)

	Three Months Ended March 31, 2024	Three Months Ended December 31, 2023	% Change	Three Months Ended March 31, 2023	% Change
Net interest expense	$ (49.9)	$ (50.9)	(2)%	$ (48.2)	4 %
Pledged MSR liability expense	(44.9)	(76.5)	(41)	(70.3)	(36)
Earnings of equity method investee	2.7	1.4	95	0.3	978
Gain on extinguishment of debt	1.4	0.1	n/m	—	n/m
Other, net	(0.6)	4.7	(112)	1.2	(158)
Other income (expense), net	$ (91.3)	$ (121.2)	(25)%	$ (117.0)	(22)%

Net interest expense for the three months ended March 31, 2024 remained mostly flat as compared to the three months ended December 31, 2023. As compared to the three months ended March 31, 2023, Net interest expense for the three months ended March 31, 2024 increased $1.7 million, mostly driven by the additional financing cost incurred in connection with our acquisition and private label securitization of reverse mortgage buyouts.

During the three months ended March 31, 2024, we repurchased a total of $47.4 million of the PMC Senior Secured Notes in the open market for a price of $45.5 million and recognized a $1.4 million gain on debt extinguishment, net of the respective write-off of unamortized discount and debt issuance costs.

Other, net for the three months ended March 31, 2024 decreased $5.2 million, as compared to the three months ended December 31, 2023, largely due to the recognition in the fourth quarter of 2023 of $5.7 million of compensation from a subservicer related to a negotiated subservicing termination on a company-owned MSR. The payment received offset an unfavorable impact to the fair value of the associated MSRs (reported as a loss in MSR valuation adjustments, net). As compared to the three months ended March 31, 2023, Other, net for the three months ended March 31, 2024 decreased $1.8 million driven by an increase in early payoff protection expense, among other factors.

Refer to Servicing segment for discussion of Pledged MSR liability expense (primarily impacted by the accounting presentation change of the derecognized Rithm MSR on December 31, 2023) and Earnings of equity method investee (primarily impacted by the fair value changes of MAV's MSR portfolio).

Income Tax Expense (Benefit)

	Three Months Ended			Three Months Ended March 31,	
	March 31, 2024	December 31, 2023	% Change	2023	% Change
Income tax expense (benefit)	$ 1.7	$ 1.8	(7)%	$ 1.9	(11)%
Income (loss) before income taxes	$ 31.8	$ (45.6)	(170)	$ (38.3)	(183)
Effective tax rate	5.2 %	(3.9)%	(234)%	(5.0)%	(206)%

Our effective tax rate for the periods is lower than the 21% 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 March 31, 2024. 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 taxable 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 March 31, 2024 remains appropriate. The income tax expense (benefit) is primarily comprised of income taxes in foreign jurisdictions. Also refer to Note 20 - Income Taxes to the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2023 for further details on deferred tax assets.

Income tax expense for three months ended March 31, 2024 decreased by $0.1 million and $0.2 million as compared to the three months ended December 31, 2023 and the three months ended March 31, 2023, respectively. Our income tax expense is primarily driven by the jurisdictional mix of our earnings. The increase in the effective tax rate is primarily due to the increase in pre-tax earnings.

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	**March 31, 2024**	**December 31, 2023**	**$ Change**	**% Change**
Cash and cash equivalents	$ 185.1	$ 201.6	$ (16.5)	(8)%
Restricted cash	66.1	53.5	12.6	24
MSRs, at fair value	2,374.7	2,272.2	102.4	5
Advances, net	602.7	678.8	(76.1)	(11)
Loans held for sale	1,028.9	677.3	351.6	52
Loans held for investment, at fair value	8,130.5	7,975.5	155.0	2
Receivables, net	152.1	154.8	(2.7)	(2)
Investment in equity method investee	37.6	37.8	(0.2)	—
Premises and equipment, net	11.8	13.1	(1.3)	(10)
Other assets	500.6	449.2	51.4	11
Total assets	$ 13,090.1	$ 12,513.7	$ 576.4	5 %
Total Assets by Segment				
Servicing	$ 12,003.9	$ 11,687.6	$ 316.3	3 %
Originations	835.2	551.9	283.4	51
Corporate Items and Other	250.9	274.3	(23.3)	(9)
	$ 13,090.1	$ 12,513.7	$ 576.4	5 %
HMBS-related borrowings, at fair value	$ 7,945.0	$ 7,797.3	$ 147.7	2 %
Other financing liabilities, at fair value	906.8	900.0	6.8	1
Advance match funded liabilities	440.2	499.7	(59.5)	(12)
Mortgage loan financing facilities, net	1,108.9	710.6	398.3	56
MSR financing facilities, net	964.1	916.2	47.9	5
Senior notes, net	552.0	595.8	(43.8)	(7)
Other liabilities	741.0	692.3	48.7	7
Total liabilities	12,658.0	12,111.9	546.1	5 %
Total stockholders’ equity	432.1	401.8	30.3	8
Total liabilities and equity	$ 13,090.1	$ 12,513.7	$ 576.4	5 %
Total Liabilities by Segment				
Servicing	$ 11,607.1	$ 11,276.5	$ 330.6	3 %
Originations	788.3	517.5	270.9	52
Corporate Items and Other	262.6	318.0	(55.4)	(17)
	$ 12,658.0	$ 12,111.9	$ 546.1	5 %
Book value per share	$ 55.51	$ 52.29	$ 3.23	6 %

Total assets increased $576.4 million, or 5%, between December 31, 2023 and March 31, 2024 due to a $351.6 million increase in our Loans held for sale portfolio as originations and purchases exceeded sales, including our acquisition of reverse mortgage buyouts, a $155.0 million fair value increase in reverse Loans held for investment mostly driven by capitalization of interest, a $102.4 million increase in our MSR portfolio due to fair value gains attributed to rates and assumptions, and a $51.4 million increase in Other assets mostly due to an increase in the contingent loan repurchase asset. These increases were offset in part by a $76.1 million decline in servicing advances that was mainly due to seasonal reduction of escrow balances.

Total liabilities increased by $546.1 million, or 5%, as compared to December 31, 2023, with similar effects as described above. Our borrowings under Mortgage loan financing facilities increased $398.3 million due to the higher loans held for sale balance at March 31, 2024, including the issuance of OLIT Notes in February in connection with the securitization of reverse mortgage loan buyouts. Our HMBS-related borrowings increased by $147.7 million mostly due to fair value changes attributable to interest, MSR financing facilities increased $47.9 million consistent with the increase in MSRs, and Other liabilities increased $48.7 million mostly due to an increase in the contingent loan repurchase liability. Partially offsetting these increases, Advance match funded liabilities decreased $59.5 million consistent with the decline in servicing advances discussed above and Senior notes, net decreased $43.8 million mostly due to our repurchases of PMC Senior Secured Notes during the quarter.

Total equity increased $30.3 million during the three months ended March 31, 2024 due to $30.1 million net income 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, 2023, 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 grow our servicing and subservicing portfolio through our multi-channel Originations platform and through MSR capital partners, with an emphasis on subservicing.

Gain on sale of loans held for sale - Our gain on sale is driven by both volume and margin and is channel-sensitive. The updated industry forecasts suggest an increase in loan origination in 2024 as compared to historical low origination volumes in 2023. We anticipate growth in our Consumer Direct channel considering the updated industry forecast and our increased recapture capabilities. We expect to continue to prudently manage our Correspondent volume at margins that are accretive to the business. We expect continued competitive pressure on margins across all channels.

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 and spread, 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 or size of our MSR portfolio net of ESS financing liabilities and pledged MSR liabilities with our MSR capital partners. 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. 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 with productivity gains. We expect to continue to 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.

Stockholders' equity - With the above considerations, we expect our businesses to generate net income and increase our equity in 2024, absent any significant adverse change in interest rates or other factors.

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 subservicing arrangements with banks and other institutions, that are typically on a per-loan basis and vary based on loan delinquency status.

As of March 31, 2024, we serviced 1.4 million mortgage loans with an aggregate UPB of $302.3 billion, an increase of 3% and 5%, respectively, from December 31, 2023. The average UPB during the first quarter of 2024 was mostly flat compared to the fourth quarter of 2023, and compared to the three months ended March 31, 2023.

Effective in the fourth quarter of 2023, the Servicing segment includes CR Limited (CRL), our wholly-owned captive reinsurance subsidiary previously included in the Corporate Items and Other segment. Segment results for the first quarter of 2023 have been recast to conform to the current segment presentation. CRL provides re-insurance related to coverage on foreclosed real estate properties owned or serviced by us. CRL assumes a 90% (60% through January 2024) quota share of REO insurance coverage written by a third-party insurer under a blanket policy issued to PHH. The underlying REO policy provides coverage for direct physical loss on commercial and residential properties, subject to certain limitations.

Concentration

Rithm is one of our largest subservicing clients accounting for 15% and 25%, respectively, of UPB and loan count of our total servicing and subservicing portfolio as of March 31, 2024, and approximately 66% of all delinquent loans that Ocwen serviced. The servicing agreements automatically renew annually unless notice of termination is provided. Refer to Note 8 — Other Financing Liabilities, at Fair Value.

MAV represented 18% and 14%, respectively, of UPB and loan count of our total servicing and subservicing portfolio as of March 31, 2024. In May 2021, PHH entered into a subservicing agreement with MAV for 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 PHH. Although the servicing agreement is not cancellable without mutual agreement, MAV is permitted to sell its MSR portfolio, in whole or in part, without Ocwen's consent after May 3, 2024. Refer to Note 11 - 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 and MAV, provide for prompt reimbursement of any advances from the owner of the servicing rights.

MSR Valuation Adjustments

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 MSR portfolio typically decreases as a result of higher anticipated prepayment speeds. Conversely, as interest rates increase, the value of the servicing portfolio typically increases as a result of lower anticipated prepayment speeds. Prepayments do not vary linearly with interest rates resulting in the convexity of the MSR, i.e., the interest rate sensitivity of the MSR changes when interest rates change. Specifically, as interest rates further increase, the lower the fair value of the MSR increases. 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 MSR hedging policy is designed to reduce the expected volatility of the MSR portfolio fair value due to market interest rates commensurate with the target hedge coverage ratio determined by our Market Risk Committee. Refer to Item 3. Quantitative and Qualitative Disclosures about Market Risk for further detail on our hedging strategy.

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 and the ESS financing liabilities for which we elected the fair value option and that is collateralized by MSRs.

To determine fair value, 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.

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 subservice will directly impact our revenue contributed by our Servicing segment. Aggregate UPB and loan count decline over time as a result of portfolio run-off or sales 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.

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 to decrease 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. Prepayments do not vary linearly with interest rates resulting in the convexity of the MSR, i.e., the interest rate sensitivity of the MSR changes when interest rates change. Specifically, as interest rates further increase, the lower the fair value of the MSR increases.

Interest rates. In addition to the impact of interest rate changes on prepayment speeds, the fair value of the MSR and associated hedging activities, float earnings on float balances, and the funding cost of servicing advances and MSR financing facilities are directly impacted by interest rate changes.

Reverse Mortgages

Our reverse 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 our owned portfolio of reverse mortgage loans that are securitized and classified as held for investment, at fair value, together with the HMBS-related borrowings, at fair value are reflected in the Servicing segment. For reference, the activities and financial performance related to our owned portfolio of reverse mortgage loans prior to securitization are reflected in the Originations segment. 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 March 31, 2024. 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 buyouts). Active 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 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, or HECM loans, net of interest expense on HMBS-related borrowings, that is, on a net basis, the servicing fee we are contractually entitled to and collect on a monthly basis under the Ginnie Mae MBS Guide regarding servicing HMBS; and
- other fair value changes of the net balance of securitized loans held for investment and HMBS-related borrowings, that effectively represents servicing and tails. 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;

The fair value of our Ginnie Mae securitized HECM loan portfolio generally decreases as market interest rates rise and increases as market rates fall (see Item 3 - Quantitative and qualitative disclosures about market risk, Loans Held for Investment and HMBS-related Borrowings and the associated interest rate sensitivity disclosure).

Gain (loss) on reverse loans held for investment and HMBS-related borrowings, net strictly reflects the financial performance of owned loans/servicing and excludes any subservicing activity. The financial performance associated with the subservicing of reverse mortgage loans on behalf of investors is primarily reflected within Servicing and subservicing fees, net.

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		
	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	Stable
Date of last action	August 10, 2023	March 22, 2023	February 15, 2024
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 February 13, 2024, Fitch affirmed PHH’s residential servicer ratings and revised its outlook from Positive to Stable for Prime and Subprime products. The rating outlook remains Stable for the other products. The rating actions reflect PHH’s comprehensive enterprise-wide internal control environment, extensive industry experience and highly-developed global loan servicing platform, competitive loan servicing performance metrics, and effective technology platform. The ratings also consider the financial condition of PHH’s parent, Ocwen Financial Corporation. The affirmed ratings and Stable outlook on PHH’s residential servicer ratings are reflective of the company’s continued business growth, diversified sourcing strategies and overall loan servicing performance.

On February 15, 2024, Fitch affirmed PHH's Master Servicer rating and Stable outlook, reflecting the company's effective enterprise-wide risk environment and compliance management framework, satisfactory loan servicing performance metrics and efficient servicing technology. The ratings also consider the financial condition of PHH's parent, Ocwen Financial Corporation.

Operating Metrics

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

Selected Operating Statistics	**March 31, 2024**	**December 31, 2023**	**% Change**	**March 31, 2023**	**% Change**
Assets Serviced					
Unpaid principal balance (UPB) in billions:					
Performing loans (1)	$ 290.8	$ 276.5	5 %	$ 285.3	2 %
Non-performing loans	11.0	11.4	(4)	12.7	(13)
Non-performing real estate	0.5	0.5	(4)	0.5	(12)
Total	$ 302.3	$ 288.4	5 %	$ 298.5	1 %
Non-performing to total %	3.8 %	4.1 %	(8)%	4.4 %	(14)%
Conventional loans (2)	$ 200.6	$ 187.4	7 %	$ 192.3	4 %
Government-insured loans	34.5	33.3	4	36.9	(6)
Non-Agency loans	67.1	67.6	(1)	69.3	(3)
Total	$ 302.3	$ 288.4	5 %	$ 298.5	1 %
Conventional loans to total %	66.4 %	65.0 %	2 %	64.4 %	3 %
Servicing portfolio (3)	$ 133.5	$ 131.4	2 %	$ 136.1	(2)%
Subservicing portfolio					
Subservicing - forward	47.0	30.8	53 %	40.3	17 %
Subservicing - reverse	15.5	17.1	(9)	21.7	(28)
Total subservicing	62.5	47.9	30	62.0	1
MAV (4) (5)	53.4	55.9	(4)	51.8	3
Rithm (5) (6)	44.1	45.0	(2)	48.1	(8)
Other MSR capital partners (5)	8.8	8.2	7	0.5	n/m
Total	$ 302.3	$ 288.4	5 %	$ 298.5	1 %
Prepayment speed (CPR) (7):					
% Voluntary CPR	3.7 %	3.5 %	5 %	3.5 %	5 %
% Involuntary CPR	0.3	0.3	10	0.3	10
% Total CPR	7.3 %	7.0 %	3 %	7.2 %	1 %
Number of completed modifications *(in thousands)*	3.9	3.5	13 %	3.4	15 %

(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 38,343 and 37,893 prime loans with a UPB of $10.1 billion and $9.7 billion at March 31, 2024 and December 31, 2023, respectively, that we service or subservice. This compares to 66,919 prime loans with a UPB of $13.4 billion at March 31, 2023. Prime loans are generally good credit quality loans that meet GSE underwriting standards.

(3) Includes 35,805 reverse mortgage loans with a UPB of $8.2 billion that are recognized in our consolidated balance sheet at March 31, 2024.

(4) Includes $25.0 billion UPB subserviced and $28.4 billion UPB of MSRs sold to MAV that did not achieve sale accounting treatment at March 31, 2024.

(5) Loans serviced pursuant to our sale or transfer agreements with MAV, Rithm or others for which sale accounting is not achieved, and loans subserviced.

(6) Includes $34.4 billion UPB of subserviced loans on behalf of Rithm at March 31, 2024.

(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)	
	2024	2023	2024	2023
Portfolio at January 1	$ 288.4	$ 289.7	1,344.5	1,378.9
Additions (1) (2)	23.1	17.5	74.0	59.5
MSR sales	—	—	(0.1)	(0.1)
Servicing transfers (1)	(2.6)	(2.2)	(9.7)	(7.7)
Runoff	(6.6)	(6.5)	(25.8)	(26.9)
Portfolio at March 31	$ 302.3	$ 298.5	1,382.9	1,403.7

(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) Additions include purchased MSRs on portfolios consisting of 1,997 and 889 loans with a UPB of $638.0 million and $251.0 million that have not yet transferred to the PHH servicing system as of March 31, 2024 and March 31, 2023, respectively, but for which we have legal title. The seller continues to subservice the loans on an interim basis until servicing transfer.

The following table provides a breakdown of our servicer advances, net of allowance for losses:

	March 31, 2024				December 31, 2023			
Advances by investor type	**Principal and Interest**	**Taxes and Insurance**	**Foreclosures, Bankruptcy, REO and Other**	**Total**	**Principal and Interest**	**Taxes and Insurance**	**Foreclosures, Bankruptcy, REO and Other**	**Total**
Conventional	$ 1.9	$ 69.8	$ 6.1	$ 77.7	$ 3.5	$ 91.2	$ 6.2	$ 100.8
Government-insured	2.3	34.3	20.4	57.1	3.3	37.7	19.3	60.2
Non-Agency	185.7	191.1	91.2	467.9	205.5	214.3	97.9	517.7
Total, net	$ 189.9	$ 295.2	$ 117.7	$ 602.7	$ 212.2	$ 343.2	$ 123.3	$ 678.8

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

	March 31, 2024	December 31, 2023	% Change	March 31, 2023	% Change
Reverse Mortgage Loans					
Unpaid principal balance (UPB) in millions:					
Loans held for investment (1)	$ 7,700.9	$ 7,605.5	1 %	$ 7,290.7	6 %
Active Buyouts (2)	98.7	68.4	44	83.7	18
Inactive Buyouts (2)	288.2	198.1	45	136.7	111
Total	$ 8,087.8	$ 7,872.1	3 %	$ 7,511.2	8 %
Inactive buyouts % to total	3.6 %	2.5 %	1.0 %	1.8 %	1.7 %
Future draw commitments (UPB) in millions:	1,793.4	1,782.0	1 %	1,769.6	1 %
Fair value in millions:					
Loans held for investment (1)	$ 8,018.2	$ 7,868.5	2 %	$ 7,545.2	6 %
HMBS related borrowings	7,945.0	7,797.3	2	7,470.6	6
Net asset value (HECM or reverse MSR)	$ 73.2	$ 71.2	3 %	$ 74.6	(2)%
Net asset value to UPB	0.95 %	0.94 %		1.02 %	

(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.

Financial Performance

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 March 31, 2024	Three Months Ended December 31, 2023	% Change	Three Months Ended March 31, 2023	% Change
Revenue					
Servicing and subservicing fees	$ 204.2	$ 239.3	(15)%	$ 231.8	(12)%
Gain (loss) on loans held for sale, net	1.8	(2.7)	(169)	(1.3)	(241)
Gain (loss) on reverse loans held for investment and HMBS-related borrowings, net	8.6	19.6	(56)	14.0	(39)
Other revenue, net	4.5	4.1	10	2.5	78
Total revenue	219.1	260.3	(16)%	247.0	(11)%
MSR valuation adjustments, net	(12.5)	(101.5)	(88)%	(70.9)	(82)%
Operating expenses					
Compensation and benefits	25.3	25.9	(3)%	29.4	(14)%
Servicing expense	13.3	8.7	53	15.2	(13)
Professional services	7.1	7.6	(7)	7.9	(11)
Occupancy, equipment and mailing	6.8	6.4	7	7.7	(11)
Technology and communications	6.1	6.0	2	6.3	(3)
Corporate overhead allocations	10.9	11.5	(5)	11.5	(4)
Other expenses	1.1	1.4	(15)	2.3	(54)
Total operating expenses	70.6	67.4	5 %	80.3	(12)%
Other income (expense)					
Interest income	6.7	5.7	18 %	4.1	61 %
Interest expense	(45.8)	(45.2)	1	(41.6)	10
Pledged MSR liability expense	(44.9)	(76.5)	(41)	(70.3)	(36)
Earnings of equity method investee	2.7	1.4	95	0.3	978
Other, net	(0.5)	5.5	(110)	(0.4)	23
Other income (expense), net	(81.8)	(109.1)	(25)%	(107.9)	(24)%
Income (loss) before income taxes	$ 54.2	$ (17.8)	(405)%	$ (12.0)	(550)%

Servicing and Subservicing Fees

	Three Months Ended March 31, 2024	Three Months Ended December 31, 2023	% Change	Three Months Ended March 31, 2023	% Change
Loan servicing and subservicing fees:					
Servicing and subservicing fees	156.6	183.5	(15)%	187.5	(16)%
Ancillary income	47.6	55.8	(15)	44.3	7
Total	$ 204.2	$ 239.3	(15)%	$ 231.8	(12)%

The following tables and discussion present the respective drivers of servicing and subservicing fees and ancillary income.

	Three Months Ended March 31, 2024	Three Months Ended December 31, 2023	% Change	Three Months Ended March 31, 2023	% Change
Servicing Fees					
Average servicing UPB (1) (6)	$ 170.9	$ 204.9	(17)%	$ 202.5	(16)%
Average servicing fee (2)	0.30	0.32	(8)	0.33	(9)
Servicing fees (3)	127.1	$ 165.3	(23)	166.0	(23)
Subservicing Fees					
Average number of subserviced loans (4) (7)	547.0	282.0	94	306.0	79
Average monthly fee per loan (5)	18	22	(17)	23	(23)
Subservicing fees (3)	29.5	18.2	62	21.5	37
Servicing and Subservicing Fees (excluding Ancillary income)	$ 156.6	$ 183.5	(15)%	$ 187.5	(16)%

(1) In $ billions, (2) In % of UPB, annualized, (3) In $ millions, (4) In thousands, (5) In dollars.

(6) Includes $33.7 billion and $36.1 billion average UPB of MSRs in the three months ended December 31, 2023 and March 31, 2023, respectively, previously sold to Rithm for which the sale accounting criteria were met effective December 31, 2023.

(7) Includes an average 264 thousand loans subserviced under Rithm agreements in the three months ended March 31, 2024 of MSRs previously sold to Rithm for which the sale accounting criteria were met effective December 31, 2023.

Servicing and subservicing fees (excluding ancillary income) for the three months ended March 31, 2024 decreased $26.9 million, or 15% as compared to the three months ended December 31, 2023, with a $38.2 million decrease in servicing fees partially offset by an $11.3 million increase in subservicing fees. These variances are largely due to the effects of our derecognition of MSRs previously sold to Rithm for which the sale accounting criteria were met effective December 31, 2023 ($29.6 million servicing fees remitted to Rithm recognized in the three months ended December 31, 2023). Effective January 1, 2024, as PHH continues to subservice the portfolio, the statement of operations reflects subservicing fee revenue as opposed to the previous gross presentation of servicing fee revenue (collections) and separate offsetting presentation of servicing fee remittances within Pledged MSR liability expense (see further discussion below). These required presentation changes do not affect the amount of net fee retained by Ocwen in connection with the Rithm servicing agreements (Loan servicing and subservicing fees less Pledged MSR liability expense).

The $38.2 million decrease in servicing fees as compared to the three months ended December 31, 2023 is driven by the effects of our derecognition of MSRs previously sold to Rithm, as discussed above with $41.9 million servicing fee collected on behalf of Rithm recognized in the fourth quarter of 2023, partially offset by $2.1 million increased collection of previously deferred non-Agency servicing fee and $2.0 million higher servicing fee on higher relative average balance of Ginnie Mae servicing UPB (yielding a higher servicing fee percentage). The increase in subservicing fees is primarily driven by the effects of our derecognition of MSRs previously sold to Rithm, as discussed above.

As compared to the three months ended March 31, 2023, our servicing and subservicing fees (excluding ancillary income) for the three months ended March 31, 2024 decreased $30.9 million, or 16% with a $38.9 million decrease in servicing fees partially offset by an $8.0 million increase in subservicing fees. These variances are largely due to the same factors discussed above, notably the effects of our derecognition of MSRs previously sold to Rithm for which the sale accounting criteria were met effective December 31, 2023 ($32.6 million servicing fees remitted to Rithm recognized in the three months ended March 31, 2023).

The $38.9 million decrease in servicing fees as compared to the three months ended March 31, 2023 is primarily attributed to $45.7 million servicing fees collected on behalf of Rithm recorded in the first quarter of 2023 related to the previously sold MSRs derecognized on December 31, 2023, offset in part by higher fees in the first quarter of 2024 attributed to other MSR capital partners. The $8.0 million increase in subservicing fees is mostly due to the effects of our derecognition of MSRs previously sold to Rithm as discussed above, with $12.1 million higher forward subservicing fees, partially offset by a $4.1 million reduction in reverse mortgage subservicing fees due to portfolio runoff.

The following table presents the detail of our ancillary income:

Ancillary Income	Three Months Ended March 31, 2024	Three Months Ended December 31, 2023	% Change	Three Months Ended March 31, 2023	% Change
Custodial accounts (float earnings)	$ 27.2	$ 32.8	(17)%	$ 20.2	35 %
Late charges	8.0	9.4	(15)	9.6	(16)
Reverse subservicing ancillary fees	6.7	7.4	(9)	8.1	(17)
Loan collection fees	1.8	2.2	(20)	2.6	(30)
Recording fees	1.1	1.1	6	1.2	(4)
Boarding and deboarding fees	0.4	0.6	(41)	0.6	(35)
GSE forbearance fees	0.1	0.1	(18)	0.2	(67)
Other	2.2	2.1	6	1.9	19
Ancillary income	$ 47.6	$ 55.8	(15)%	$ 44.3	7 %

Ancillary income for the three months ended March 31, 2024 declined by $8.2 million, or 15% as compared to the three months ended December 31, 2023 primarily because of a $5.6 million decline in float earnings due to seasonally lower average float balances, a $1.4 million decrease in late charges and a $0.6 million decline in reverse subservicing ancillary fees due to a lower volume of claims filed on behalf of clients consistent with a decrease in the portfolio.

As compared to the three months ended March 31, 2023, ancillary income for the three months ended March 31, 2024 increased by $3.3 million, or 7% largely driven by a $7.0 million increase in float earnings due to higher short-term market interest rates partially offset by a $1.5 million reduction in late charges and a $1.4 million decline in reverse subservicing ancillary fees related to lower claim volume.

Gain (Loss) on Loans Held for Sale, Net

We recognized a $1.8 million gain on loans held for sale, net for the three months ended March 31, 2024, as compared to a $2.7 million loss for the three months ended December 31, 2023. The gain reported in the three months ended March 31, 2024 is mostly attributable to gains on reverse mortgage buyouts. The losses reported in the three months ended December 31, 2023 and the three months ended March 31, 2023 are mostly driven by losses on repurchased loans in connection with Ginnie Mae loan modifications and EBO activities, including HECM loans, due to the unfavorable impact of higher market interest rates on redelivery gains and loan fair value.

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. It 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 key component of our compensation for servicing the portfolio, which is generally a percentage of the outstanding UPB.

- Other fair value changes are primarily driven by changes in market-based inputs or assumptions. Market interest rates and yield spreads directly impact projected asset life and the tail value of the HECM reverse mortgage 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, shortening the life of the servicing net asset and resulting in a lower fair value. Conversely, lower interest rates generally result in favorable net fair value impacts on our HECM reverse mortgage loans and the related HMBS financing liability. Fair value changes are also impacted by market conditions including spreads.
- 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 and its effectiveness in Item 3. Quantitative and Qualitative Disclosures about Market Risk.

	Three Months Ended				
	March 31, 2024	December 31, 2023	% Change	Three Months Ended March 31, 2023	% Change
Net interest income (servicing fee)	$ 6.0	$ 5.9	1 %	$ 5.9	2 %
Other fair value gains (losses)	2.6	13.7	(81)	8.2	(68)
Gain (loss) on reverse loans held for investment and HMBS-related borrowings, net (Servicing)	$ 8.6	$ 19.6	(56)%	$ 14.0	(39)%

Gain on reverse loans held for investment and HMBS-related borrowings, net decreased $11.1 million for the three months ended March 31, 2024 as compared to the three months ended December 31, 2023 due to higher market interest rates, partially offset by tighter yield spread. While not the only benchmark for the reverse mortgage exposure, the 10-year Treasury rate increased 32 basis points during the three months ended March 31, 2024 and decreased 71 basis points during the three months ended December 31, 2023. Net interest income remained flat, consistent with the portfolio growth.

As compared to the three months ended March 31, 2023, Gain on reverse loans held for investment and HMBS-related borrowings, net for the three months ended March 31, 2024 declined $5.5 million. The $5.6 million decline in unrealized fair value gains is mostly attributable to an increase in market interest rates during the three months ended March 31, 2024 as compared to a decrease during the three months ended March 31, 2023 and a less significant yield spread tightening in the current period as compared to the same period of the prior year. The 10-year Treasury rate increased 32 basis points during the three months ended March 31, 2024 as compared to a decrease of 40 basis points during the three months ended March 31, 2023 (from December 31, 2022 to March 31, 2023).

MSR Valuation Adjustments, Net

Refer to the discussion above within Overview-Results of Operations and Financial Condition-MSR Valuation Adjustments, Net.

Compensation and Benefits

	Three Months Ended				
	March 31, 2024	December 31, 2023	% Change	Three Months Ended March 31, 2023	% Change
Compensation and benefits	$ 25.3	$ 25.9	(3)%	$ 29.4	(14)%
Average Employment - Servicing	3,276	3,335	(2)%	3,520	(7)%

Compensation and benefits expense for the three months ended March 31, 2024 decreased $0.7 million or 3% as compared to the three months ended December 31, 2023 primarily as a result of lower headcount and a decrease in incentive compensation. The fair value of cash-settled share-based awards decreased in the quarter following the decline of our common stock price, as compared to an increase in the prior quarter.

As compared to the three months ended March 31, 2023, Compensation and benefits expense for the three months ended March 31, 2024 decreased $4.1 million or 14%, driven by a $2.4 million decrease in salary and benefits expense and a $1.7 million decrease in severance expense. Average Servicing headcount decreased 7% overall, with a 15% reduction in the U.S., reflecting our ongoing goal to improve efficiencies and create an industry leading cost structure, also driven by the further integration of reverse servicing.

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 increased $4.6 million in the three months ended March 31, 2024 as compared to the three months ended December 31, 2023, primarily as a result of $2.9 million mortgage insurance recovery and a favorable $1.3 million captive reinsurance loss adjustment recognized in the three months ended December 31, 2023.

As compared to the three months ended March 31, 2023, Servicing expense for the three months ended March 31, 2024 declined $1.9 million or 13%, primarily due to higher servicing-related indemnification provision expense recognized in the three months ended March 31, 2023, largely driven by the PLS subservicing portfolio.

Other Operating Expenses

Other operating expenses (total operating expenses less Compensation and benefits and Servicing expense) for the three months ended March 31, 2024 were mostly flat as compared to the three months ended December 31, 2023. A $0.5 million decline in Professional services, primarily legal expenses, and a $0.6 million decline in Corporate Overhead allocations due to lower total corporate overhead expenses, were offset in part by $0.5 million increase in Occupancy, equipment and mailing primarily as a result of costs related to annual customer tax statements and other notices in the first quarter.

As compared to the three months ended March 31, 2023, other operating expenses for the three months ended March 31, 2024 decreased by $3.7 million primarily driven by lower headcount and cost saving initiatives, with a $0.9 million decline in Professional services, a $0.9 million reduction in Occupancy, equipment and mailing expense, and a $1.2 million reduction in other expenses. The reduction in other expenses is mostly driven by lower amortization expense related to intangible assets and discount on servicing advances.

Other Income (Expense)

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

	Three Months Ended				
	March 31, 2024	**December 31, 2023**	**% Change**	**Three Months Ended March 31, 2023**	**% Change**
Interest Expense					
Advance match funded liabilities	$ 10.4	$ 10.4	1 %	$ 10.7	(2)%
Mortgage loan financing facilities	8.4	6.1	38	3.8	120
MSR financing facilities	17.9	18.7	(4)	17.5	2
Corporate debt interest expense allocation	7.3	7.4	(1)	7.7	(5)
Escrow	1.8	2.6	(32)	1.9	(5)
Total interest expense	$ 45.8	$ 45.2	1 %	$ 41.6	10 %
Average balances					
Advance match funded liabilities	442.2	425.6	4 %	460.6	(4)%
Mortgage loan financing facilities	282.2	239.4	18	221.3	28
MSR financing facilities	861.4	901.3	(4)	932.2	(8)
Total asset-backed financing	1,585.9	1,566.2	1 %	1,614.1	(2)%
Effective average interest rate					
Advance match funded liabilities	9.45%	9.77%	(3)%	9.30%	2 %
Mortgage loan financing facilities	11.92	10.17	17	6.90	73
MSR financing facilities	8.29	8.29	—	7.52	10
Average 1-month Term SOFR	5.33%	5.34%	— %	4.61%	16 %

Interest expense for the three months ended March 31, 2024 was mostly flat (increased 1%) as compared to the three months ended December 31, 2023 with some offsetting factors. The $2.3 million increase in interest expense on mortgage loan financing facilities was mostly driven by our reverse buyout acquisition in the first quarter of 2024. Interest expense decreased due to seasonally lower escrow balances and lower MSR financing average balances associated with higher liquidity in the quarter (resulting in lower drawdowns on MSR facilities with a flat owned MSR balance).

As compared to the three months ended March 31, 2023, interest expense for the three months ended March 31, 2024 increased $4.2 million, or 10%, mostly driven by a $4.6 million increase in interest expense on mortgage loan financing facilities. The increase in mortgage loan financing facilities relates to our OLIT securitization of reverse buyout acquisitions in the first quarter of 2024 and second quarter of 2023. The increase in short-term market interest rates by 72 basis points in the first quarter of 2024 as compared to the first quarter of 2023 was mostly offset by the decline in our average debt balances for servicing advances and MSRs.

Interest income for the three months ended March 31, 2024 increased $1.0 million and $2.5 million as compared to the three months ended December 31, 2023 and three months ended March 31, 2023, respectively, primarily due to the reverse mortgage buyouts acquired in the first quarter of 2024 and second quarter of 2023.

Pledged MSR liability expense includes the servicing fee remittance related to the MSR sales or 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				
	March 31, 2024	**December 31, 2023**	**% Change**	**Three Months Ended March 31, 2023**	**% Change**
Servicing fees collected on behalf of third parties	$ 36.6	$ 78.9	(54)%	$ 76.0	(52)%
Less: Subservicing fee retained	(7.1)	(19.5)	(64)	(19.5)	(64)
Ancillary fee/income and other settlement (including expense reimbursement)	2.3	3.7	(36)	3.3	(28)
Net servicing fee remittance (1)	31.8	63.1	(50)	59.8	(47)
ESS servicing spread remittance	13.1	13.4	(2)	10.5	24
Pledged MSR liability expense	$ 44.9	$ 76.5	(41)%	$ 70.3	(36)%

(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 March 31, 2024 decreased $31.6 million, as compared to the three months ended December 31, 2023, and $25.3 million as compared to the three months ended March 31, 2023, largely due to the derecognition of MSRs previously sold to Rithm for which sale accounting criteria were met effective December 31, 2023 ($33.4 billion UPB), partially offset by the increase in the portfolio of MSRs sold to MSR capital partners. Effective January 1, 2024, as PHH continues to subservice the portfolio, the statement of operations reflects subservicing fee revenue as opposed to the previous gross presentation of servicing fee revenue (collections) and separate offsetting presentation of servicing fee remittances within Pledged MSR liability expense.

Servicing fee and Pledged MSR liability expense continues to be presented on a gross basis after January 1, 2024 for the MSRs sold to Rithm but for which title has not transferred, also referred to as Right to MSR ($9.7 billion UPB at March 31, 2024). The following table presents a subset of the above table related to Rithm, specifically the subservicing fees retained by Ocwen together with the associated serviced UPB on behalf of Rithm:

Rithm Servicing and Subservicing Fees	Three Months Ended				
	March 31, 2024	**December 31, 2023**	**% Change**	**Three Months Ended March 31, 2023**	**% Change**
Servicing fees collected on behalf of Rithm	$ 13.0	$ 55.1	(76)%	$ 59.6	(78)%
Less: Subservicing fee retained	(3.9)	(16.3)	(76)	(17.3)	(78)
Pledged MSR liability expense (Net servicing fees remitted to Rithm) (1) (2)	9.1	38.8	(77)%	42.3	(79)%
Average Rithm UPB ($ in billions)	$ 9.8	$ 45.5	(78)%	$ 48.6	(80)%
Average annualized retained subservicing fees as a % of Rithm UPB	0.16%	0.14%	10 %	0.14%	11 %

(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.

Earnings of equity method investee represents our 15% share of MAV Canopy. Earnings for the three months ended March 31, 2024 increased $1.3 million and $2.5 million as compared to the three months ended December 31, 2023 and three months ended March 31, 2023, respectively. The changes are largely attributed to the impact of changes in market interest rates on the underlying MSR portfolio held by MAV.

Other, net for the three months ended March 31, 2024 decreased $6.0 million, as compared to the three months ended December 31, 2023, mostly due to the recognition of $5.7 million compensation from a subservicer relating to a negotiated subservicing termination on a company-owned MSR in the three months ended December 31, 2023. The payment received offsets an unfavorable impact to the fair value of the associated MSRs (reported as a loss in MSR valuation adjustments, net). As compared to the three months ended March 31, 2023, Other, net for the three months ended March 31, 2024 was mostly flat.

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. We originate non-Agency loans to applicable investor guidelines that we sell on a whole loan basis to investors.

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 March 31, 2024, we have relationships with 715 approved correspondent sellers.

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 generally sell the loans in the secondary mortgage market, through GSE and Ginnie Mae securitizations on a servicing retained basis, or to investors on a whole loan basis, i.e., servicing released. 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 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 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 March 31, 2024, we have relationships with 453 approved sellers through the Agency Cash Window co-issue programs.

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, with 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.

Significant Variables

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

Mortgage Rates. Changes in mortgage rates, primarily the 30-year fixed rate mortgage, directly impact the demand for both purchase and refinance forward mortgages and therefore impact the production volumes and 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.

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.

Operating Metrics

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

	Three Months Ended				
	March 31, 2024	December 31, 2023	% Change	Three Months Ended March 31, 2023	% Change
Loan Production by Channel *(in billions)*					
Forward loans					
Correspondent	$ 2.69	$ 2.81	(4)%	$ 2.44	10 %
Consumer Direct	0.11	0.09	20	0.06	83
	$ 2.80	$ 2.90	(4)%	$ 2.50	12 %
% Purchase production	81 %	84 %	(3)	85 %	(5)
% Refinance production	19	16	14	15	29
Reverse loans (1)					
Correspondent	$ 0.12	$ 0.13	(4)%	$ 0.08	51 %
Wholesale	0.02	0.03	(14)	0.04	(41)
Retail	0.02	0.02	(2)	0.02	(2)
	$ 0.17	$ 0.18	(5)%	$ 0.14	17 %
MSR Purchases by Channel *(in billions)*					
Agency Cash Window / Flow MSR	$ 1.63	$ 2.50	(35)%	$ 1.81	(10)%
Bulk purchases	0.62	0.08	655	0.24	160
Bulk reverse purchases	0.14	—	n/m	—	n/m
	$ 2.39	$ 2.58	(7)	$ 2.05	17
Total	$ 5.36	$ 5.66	(5)%	$ 4.69	14%
Short-term loan commitment *(at period end; in millions)*					
Forward loans	$ 1,176.6	$ 592.5	99 %	$ 612.1	92 %
Reverse loans	25.5	22.1	15 %	21.9	16 %
Average Headcount - Originations	462	497	(7)%	511	(10)%

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

Financial Performance

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				
	March 31, 2024	December 31, 2023	% Change	Three Months Ended March 31, 2023	% Change
Revenue					
Gain on loans held for sale, net	$ 9.1	$ 7.0	30 %	$ 4.1	119 %
Gain on reverse loans held for investment and HMBS-related borrowings, net	6.8	5.6	21	7.2	(6)
Other revenue, net (1)	4.1	4.4	(7)	3.5	17
Total revenue	20.0	17.0	18 %	14.8	35 %
MSR valuation adjustments, net	0.9	3.5	(74)	1.9	(53)
Operating expenses					
Compensation and benefits	10.2	10.9	(6)%	9.6	6 %
Technology and communications	1.7	1.6	4	1.7	(1)
Origination expense	1.4	(0.4)	(434)	0.2	640
Occupancy, equipment and mailing	0.5	0.6	(8)	0.5	4
Professional services	0.3	0.5	(28)	0.4	(13)
Corporate overhead allocations	3.9	4.3	(10)	4.8	(19)
Other expenses	1.0	1.3	(21)	1.5	(32)
Total operating expenses	19.0	18.7	2 %	18.7	2 %
Other income (expense)					
Interest income	9.7	11.0	(12)%	9.0	8 %
Interest expense	(10.4)	(12.5)	(17)	(9.9)	5
Other, net	(0.1)	(0.1)	64	0.2	(142)
Other income (expense), net	(0.8)	(1.6)	(50)%	(0.7)	15 %
Income (loss) before income taxes	$ 1.1	$ 0.2	512 %	$ (2.7)	(142)%

(1) Includes ancillary fee income related to MSR acquisitions reported as Servicing and subservicing fees at the consolidated level of \$0.4 million for the three months ended March 31, 2024, \$0.5 million for the three months ended December 31, 2023 and \$0.4 million for the three months ended March 31, 2023.

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 volumes and margins (excluding fees that are presented in Other revenue, net):

	Three Months Ended				
	March 31, 2024	December 31, 2023	% Change	Three Months Ended March 31, 2023	% Change
Origination UPB (1) *(in billions)*					
Correspondent	$ 2.69	$ 2.81	(4)%	$ 2.44	10 %
Consumer Direct	0.11	0.09	20	0.06	83
	$ 2.80	$ 2.90	(4)%	$ 2.50	12 %
% Gain on Sale Margin (2)					
Correspondent	0.18 %	0.15 %	18 %	0.09 %	102 %
Consumer Direct	3.75	2.85	31	3.18	18
	0.32 %	0.24 %	34 %	0.17 %	96 %
Gain on Loans Held for Sale					
Correspondent	$ 4.9	$ 4.3	12 %	$ 2.2	122 %
Consumer Direct	4.2	2.7	58	1.9	116
	$ 9.1	$ 7.0	30 %	$ 4.1	119 %

(1) Defined as the UPB of loans funded in the period.
(2) Ratio of gain on Loans held for sale to funded UPB. Note that the ratio differs from the day-one gain on sale margin upon lock.

Gain on loans held for sale, net for the three months ended March 31, 2024 increased by $2.1 million as compared to the three months ended December 31, 2023, with a $1.5 million increase in our Consumer Direct channel and a $0.5 million increase in our Correspondent channel. The increase of Consumer Direct gain is due to both an increase of volume and an increase of margin. The increase in margin is the result of our disciplined pricing management and execution. The margin increase in Correspondent is also due to the significant increase in commitments outstanding but not yet funded at March 31, 2024 (see Operating metrics above).

As compared to the three months ended March 31, 2023, Gain on loans held for sale, net for the three months ended March 31, 2024 increased $4.9 million, with a $2.7 million increase in our Correspondent channel and a $2.3 million increase in our Consumer Direct channel. The gain increase is due to an increase in margin and volume for both channels. The increase in Consumer Direct gain is driven by an 83% increase in loan production volume, and to a lesser extent higher margin. 2023 was the historically lowest production year for refinance over the past twenty years. In our Correspondent channel, the increase gain is mostly due to the increased margin as well as a 10% increase in loan production volume. While impacted by market conditions, we determine our target volume in the Correspondent channel based on our investment objectives. We have expanded higher margin products such as Ginnie Mae loans and best efforts deliveries.

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 (including loan fees):

	Three Months Ended				
	March 31, 2024	December 31, 2023	% Change	Three Months Ended March 31, 2023	% Change
Origination UPB (1) *(in billions)*	$ 0.17	$ 0.18	(5)%	$ 0.14	17 %
Origination margin (2)	4.06 %	3.17 %	28	5.02 %	(19)
Gain on reverse loans held for investment and HMBS-related borrowings, net (Originations)	$ 6.8	$ 5.6	21 %	$ 7.2	(6)%

(1) Defined as the UPB of loans funded in the period.
(2) Ratio of origination gain to funded UPB. Note that the ratio includes loan fees.

Gain on reverse loans held for investment and HMBS-related borrowings, net for the three months ended March 31, 2024 increased $1.2 million as compared to the three months ended December 31, 2023, driven by higher margins in all three channels, partially offset by lower origination volume in our correspondent and wholesale channels. The higher margins were driven by HECM spreads tightening in the first quarter of 2024 mostly due to economic conditions and investors' interest for reverse mortgage products.

As compared to the three months ended March 31, 2023, Gain on reverse loans held for investment and HMBS-related borrowings, net for the three months ended March 31, 2024 were mostly flat (decreased $0.4 million), with the offsetting impact of lower margins and higher volume. Industry-wide HECM securitization volume saw a 15% decrease in volumes when comparing these two periods, and industry-wide HECM endorsements were similarly down 28%.

Other Revenue, net

Other revenue, net consists primarily of correspondent and broker fees, and also includes setup fees earned for loans boarded on our servicing platform. Quarter over quarter changes in Other revenue, net are primarily attributed to production volume changes.

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 March 31, 2024 were flat as compared to the three months ended December 31, 2023, with some offsets. Originations expense increased $1.9 million mostly driven by a provision release for representation and warranty indemnification recorded in the fourth quarter of 2023 due to favorable resolution of demands. Most other operating expenses decreased as a result of lower volume and our continued cost saving initiatives, driven by Compensation and benefits with a 7% decrease in average headcount quarter-over-quarter.

As compared to the three months ended March 31, 2023, Operating expenses for the three months ended March 31, 2024 were flat, with some offsets. Originations expense increased $1.2 million driven by a provision release for representation and warranty indemnification recorded in the first quarter of 2023 due to favorable resolution of demands. Compensation and benefits increased driven by commissions with higher production volume, partially offset by a 10% decrease in average headcount. Overhead allocations declined due to lower total corporate overhead expenses and a lower allocation percentage to Originations as a result of lower average headcount.

Other Income (Expense)

Interest income consists primarily of interest earned on newly-originated and purchased loans during the pipeline period prior to securitization or sale to investors. Interest expense is incurred to finance the mortgage loans during the same pipeline period, which is generally less than 30 days. We finance mortgage loans with repurchase and participation agreements, commonly referred to as warehouse lines. Our net interest margin is driven by the difference between the average mortgage note rate and the average warehouse line cost of funds, and by the average number of days loans remain in the pipeline.

Interest income for the three months ended March 31, 2024 decreased $1.4 million as compared to the three months ended December 31, 2023 primarily due to lower average loans held for sale balances. Similarly, interest expense decreased $2.2 million primarily due to the decrease in average mortgage loan financing debt balances.

CORPORATE ITEMS AND OTHER

Corporate Items and Other includes revenues and expenses of corporate support services, 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 PHH 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, corporate development 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.

Effective in the fourth quarter of 2023, CRL, our wholly-owned captive reinsurance subsidiary, is reported in the Servicing segment. Segment results for the first quarter of 2023 have been recast to conform to the current segment presentation.

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				
	March 31, 2024	December 31, 2023	% Change	Three Months Ended March 31, 2023	% Change
Revenue	$ —	$ —	—	$ —	—
Operating expenses					
Compensation and benefits	18.1	21.0	(13)%	19.0	(5)%
Technology and communications	4.9	5.5	(10)	5.4	(8)
Professional services	4.6	4.3	6	4.9	(7)
Occupancy, equipment and mailing	0.4	0.7	(44)	0.6	(35)
Servicing and origination	0.3	0.2	21	0.3	11
Other expenses	1.3	1.7	(24)	1.2	5
Total operating expenses before corporate overhead allocations	29.6	33.4	(11)%	31.4	(6)%
Corporate overhead allocations					
Servicing segment	(10.9)	(11.5)	(5)%	(11.5)	(4)%
Originations segment	(3.9)	(4.3)	(10)	(4.8)	(19)
Total operating expenses	14.8	17.5	(16)%	15.1	(2)%
Other income (expense), net					
Interest income	1.1	1.1	1 %	1.0	18 %
Interest expense	(11.2)	(11.0)	2	(10.8)	4
Gain on extinguishment of debt	1.4	0.1	n/m	—	n/m
Other, net	—	(0.7)	(98)	1.4	(101)
Other income (expense), net	(8.6)	(10.5)	(18)%	(8.4)	2 %
Income (loss) before income taxes	$ (23.4)	$ (28.0)	(16)%	$ (23.5)	— %

Operating Expenses

Operating expenses are primarily driven by Compensation and benefits which declined $2.8 million, or 13%, for the three months ended March 31, 2024 as compared to the three months ended December 31, 2023. The decrease in Compensation and benefits is mostly due to lower incentive compensation as the fair value of cash-settled share-based awards decreased in the quarter following the decline of our common stock price, as compared to an increase in the prior quarter, and a decrease in equity classified share-based awards.

As compared to the three months ended March 31, 2023, Compensation and benefits expense for the three months ended March 31, 2024 remained mostly flat (decreased 5%).

LIQUIDITY AND CAPITAL RESOURCES

Overview

In the normal course of business, we are actively engaged with existing and potential lenders and as a result add, terminate, replace or extend our debt agreements to the extent necessary to finance our operations and optimize our financing costs.

In addition, we completed the following transactions during the three months ended March 31, 2024:

- Repurchased $47.4 million of our PMC Senior Secured Notes in the open market for a price of $45.5 million, and recognized a $1.4 million net gain on debt extinguishment;
- Completed a private placement securitization of HECM loans that are insured by the FHA, and related receivables and REO properties, also referred to as reverse mortgage buyouts. Different classes of asset-backed notes with an initial principal amount of $268.6 million were issued at a discount, with a stated interest rate of 3.0% and a mandatory call date of February 2027;
- Entered into a $34.0 million second-lien repurchase financing arrangement for the membership interest in our PLS MSR, pursuant to which PHH sold the membership interest certificate representing 100% of the limited liability company interests in PMC PLS ESR Issuer LLC (PLS Issuer) and agreed to repurchase such membership interest certificate at a specified future date at the price set forth in the repurchase agreement. The termination date of the facility is February 25, 2025.

A summary of borrowing capacity under our advance facilities, mortgage warehouse facilities and MSR financing facilities is as follows (see Note 13 – Borrowings to the Unaudited Consolidated Financial Statements for additional information):

	March 31, 2024			December 31, 2023		
	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	$ 714	$ 211	$ 64	$ 714	$ 151	$ 64
Mortgage loan financing facilities	2,530	296	1,441	2,696	373	1,592
MSR financing facilities	1,099	116	81	1,082	128	38
Total	$ 4,344	$ 622	$ 1,585	$ 4,493	$ 652	$ 1,693

(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 March 31, 2024, 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 March 31, 2024 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 March 31, 2024, we had $33.9 million committed borrowing capacity under our mortgage loan financing facilities and no 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 March 31, 2024, our $219.0 million total liquidity included $185.1 million unrestricted cash position and total $33.9 million available borrowing capacity discussed above. With total liquidity of $241.6 million at December 31, 2023, the decrease is driven by our $47.4 million corporate debt repurchases (PMC Senior Secured Notes) in the quarter, partially offset by our second lien PLS financing and OLIT securitization.

Effective September 30, 2023, we implemented the revised minimum tangible net worth and liquidity requirements for GSE and Ginnie Mae seller/servicers. We believe that we are in compliance with these requirements as of March 31, 2024.

Ginnie Mae announced a new risk-based capital ratio effective on December 31, 2024 for Ginnie Mae issuers. PHH would not be in compliance with the upcoming risk-based capital requirements if they were in effect as of March 31, 2024. We are currently implementing certain actions intended to achieve compliance with the requirements. We intend to operate our Ginnie Mae issuer activities through a dedicated, wholly owned subsidiary subject to the risk-based capital rules. We are in the process of applying for regulatory approvals necessary to operate. If we are unable to execute this solution in a manner satisfactory to Ginnie Mae and other regulators, we may be required to sell all Ginnie Mae related forward mortgage assets under uncertain conditions before December 31, 2024 and incur transition costs; as a result, our financial results, liquidity, financing activities and reputation could be negatively impacted. In addition, we continuously evaluate our capital allocation based on investment returns and market conditions among other factors; we may determine that the sale of the Ginnie Mae related mortgage portfolio provides the best outcome for our shareholders and we may re-evaluate our participation in the Ginnie Mae lending programs overall. Also refer to Note 19 – Regulatory Requirements.

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 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 servicing advances in excess of collections;
- Investment in MSRs (purchased and originated), other asset acquisitions and MAV Canopy equity contributions;
- Originated, purchased and repurchased loans, including reverse mortgage buyouts;
- Payment of margin calls under our MSR financing facilities and derivative instruments;
- Debt service and 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 short-term commitments to lend $1.2 billion in connection with our forward and reverse mortgage loan IRLCs outstanding at March 31, 2024. In addition, we have originated floating-rate reverse mortgage loans under which the borrowers have additional borrowing capacity of $1.8 billion at March 31, 2024. During the three months ended March 31, 2024, we funded $59.5 million out of the $1.8 billion borrowing capacity available as of December 31, 2023. As an HMBS issuer, we are required to repurchase loans out of the Ginnie Mae securitization pools once the outstanding principal balance of the loan 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.

Regarding the current maturities of our borrowings, as of March 31, 2024, we have approximately $1.3 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 $793.2 million of borrowings under forward and reverse mortgage loan warehouse facilities, $477.4 million outstanding under GSE and Ginnie Mae MSR financing facilities maturing in the next 12 months, $35.6 million of scheduled principal amortization on the PLS Notes secured by PLS MSRs and $34.0 million outstanding under a PHH repurchase agreement.

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 certain servicing advances.

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. Refer to the sensitivity analysis in Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

- Payment of interest and principal repayment of our PLS Notes that mature in 2025, our PMC Senior Secured Notes that mature in 2026 and our OFC Senior Secured notes owed to Oaktree that mature in 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.

In addition, we evaluate investment and capital allocation opportunities for any excess liquidity, including opportunistic debt repurchases to continue to de-risk and deleverage our balance sheet. We also intend to extend debt maturities and are evaluating various refinancing alternatives, which include debt, junior securities or other structures, in anticipation of the maturity of PMC and OFC senior secured notes. We may pursue any such transactions considering market conditions and other factors. Our capital structure and leverage ratios may be summarized as follows:

Capital Structure Summary	**March 31, 2024**	**December 31, 2023**	**$ Change**	**% Change**
MSR financing facilities	$ 964	$ 916	$ 48	5 %
ESS financing liability, at fair value	253	249	4	2
$313 million PMC Senior Secured Notes due 2026	310	356	(46)	(13)
$285 million OFC Senior Secured Notes due 2027	242	240	2	1
Total corporate debt and MSR related debt (1)	$ 1,769	$ 1,761	$ 8	— %
Stockholders’ common equity	$ 432	$ 402	$ 30	8 %
Corporate debt to stockholders’ common equity	1.3x	1.5x		
Corporate and MSR debt to stockholders’ common equity	4.1x	4.4x		

(1) Corporate debt includes PMC and OFC senior secured notes. MSR related debt includes MSR financing facilities and ESS financing liability, and excludes MSR pledged liabilities - See Note 8 — Other Financing Liabilities, at Fair Value. All amounts presented above are net of discount and debt issuance costs.

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 purchased 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. 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 or purchased 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 and a three-year mandatory call date, expanding our access to capital markets and reducing our reliance on warehouse financing facilities. As disclosed above, in February 2024, we successfully issued a second private placement securitization of reverse mortgage buyouts with an initial principal amount of $268.6 million and a three-year mandatory call date.

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 strive to diversify our sources of funds and reduce our reliance on existing asset-backed financing facilities. We continuously evaluate the allocation of our capital to MSR and other investments, the related returns, funding and liquidity requirements. The relationships with MAV and other MSR capital partners may continue to provide PHH with additional means to grow servicing volume and finance MSRs while maintaining capital and liquidity.

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 13 – Borrowings to the Unaudited Consolidated Financial Statements for additional information regarding our covenants. The most restrictive liquidity requirement under our debt agreements, excluding additional Agency minimum liquidity requirements, is for a minimum of $75.0 million in consolidated liquidity, as defined, under certain of our mortgage loan financing and MSR financing facilities agreements. At March 31, 2024, we held unrestricted cash in excess of this minimum amount. The minimum liquidity requirements for PHH contained in some debt agreements are also subject to the minimum requirement set forth by the Agencies. Refer to Note 19 – Regulatory Requirements.

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 March 31, 2024.

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	Rated Entity	Long-term Corporate Rating	Review Status / Outlook	Date of last action
Moody’s	PHH	B3	Stable	April 12, 2024
S&P	Ocwen	B-	Stable	January 25, 2024

On January 25, 2024, S&P affirmed the long-term corporate rating of Ocwen at “B-” and affirmed the “B” rating of the PMC Senior Secured Notes. In affirming the ratings, S&P noted Ocwen's leverage has improved due to improving operating margins and continued subservicing growth. However, S&P also noted a reliance on warehouse facilities that continues to weigh on the rating.

On April 12, 2024 Moody’s upgraded PHH’s long-term corporate family ratings from “Caa1” to “B3" and revised their outlook to Stable from Positive. Moody’s also affirmed its “B2” rating of the PMC Senior Secured Notes. In its ratings rationale, Moody’s noted the upgrade of the corporate family rating reflects PHH's progress towards achieving sustainable profitability. Moody’s further noted the upgrade also reflects the company's sound liquidity and funding profile. PHH's Stable outlook reflects Moody's expectation that Ocwen will report improved earnings and capitalization over the next 12-18 months. Moody’s noted the affirmation of the “B2” Senior Secured Notes rating reflects the volume and priority of the PHH notes within Ocwen's debt capital structure.

Cash Flows

Our operating cash flow is primarily impacted by operating results, 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. As one of the main differences between proceeds from sale and origination or purchase of loans held for sale, newly originated MSRs are effectively classified as operating cash flows. Purchases of MSRs through flow purchase agreements, Agency Cash Window and bulk acquisitions are classified as investing activity. MSR investments, whether originated or purchased, represent a key indicator of our ability to generate future income in our Servicing business.

We classify changes in HECM loans held for investment as investing activity and changes in the related HMBS borrowings as financing activity. Our MSR transfer agreements with MAV, Rithm and others have a significant impact on our consolidated statements of cash flows. Because the payments we received in connection with the HECM loan securitizations and MSR transfer agreements are recorded as secured financings, additions to, and reductions in, the balance of those secured financings are presented as financing activity in our consolidated statements of cash flows, excluding the changes in fair value attributable to inputs and assumptions.

Our cash flows are summarized as follows:

$ in millions	**Three Months Ended March 31,**	
	2024	**2023**
Net cash used in operating activities	$ (297)	$ (207)
Net cash used in investing activities	(4)	(20)
Net cash provided by financing activities	297	209
Net decrease in cash, cash equivalents and restricted cash	$ (4)	$ (18)
Cash, cash equivalents and restricted cash at end of period	$ 251	$ 256

Cash flows for the three months ended March 31, 2024

Our operating activities used $297.1 million of cash primarily due to net cash paid on loans held for sale of $384.8 million as loan production volume exceeded sales, including $95.0 million for the purchase of reverse mortgage buyouts (government-insured loans and claim receivables), and $34.7 million originated MSRs. Offsetting operating cash inflows include net collections of servicing advances of $73.5 million driven by seasonal activity and our increased collection efforts on legacy advances.

Our investing activities used $3.6 million of cash. The primary use of cash in our investing activities was $26.4 million to purchase MSRs and $11.9 million to purchase real estate in connection with our reverse mortgage buyout transaction. Offsetting cash inflows include $26.6 million net cash inflows in connection with our HECM reverse mortgages and $7.0 million proceeds from sales of real estate as part of our asset recovery strategy.

Our financing activities provided $296.8 million of cash. Financing cash inflows are primarily comprised of $396.8 million net from borrowings under our mortgage loan financing facilities due to the increase in loans held for sale, including $247.8 million with the issuance of the OLIT securitization of reverse mortgage buyouts, and $48.7 million of net proceeds from MSR financing facilities. Offsetting cash outflows include $59.5 million of net repayments on advance match funded liabilities due to the decline in servicing advances, and $19.9 million of net payments on the financing liabilities related to MSRs transferred and ESS financings due to runoff. We also paid $45.5 million to repurchase $47.4 million of our 7.875% PMC Senior Secured Notes.

Cash flows for the three months ended March 31, 2023

Our operating activities used $207.4 million of cash primarily due to net cash paid on loans held for sale of $240.1 million as loan production volume exceeded sales. Offsetting operating cash inflows include net collections of servicing advances of $62.8 million.

Our investing activities used $19.9 million of cash. The primary use of cash in our investing activities was $30.4 million to purchase MSRs, Offsetting cash inflows include $5.5 million of capital contributions, net of distributions, from our equity method investee MAV Canopy and $4.6 million proceeds from the sale of advances.

Our financing activities provided $209.0 million of cash. Financing cash inflows are primarily comprised of $206.7 million net from borrowings under our mortgage loan financing facilities and MSR financing facilities due to the increase in loans held for sale, and $68.7 million of proceeds from the ESS financing. Offsetting cash outflows include $43.8 million of net repayments on advance match funded liabilities due to the decline in servicing advances, and $21.2 million of net payments on the financing liabilities related to MSRs transferred and ESS financings due to runoff. Cash inflows include $231.2 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 $235.3 million.

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, and loss 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, Loans held for sale, Loans held for investment-Reverse mortgages, and HMBS-related borrowings. As of March 31, 2024, 88% of our assets and 70% 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, 2023 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 duration and interest rate sensitivity measures, limits, targeted hedge coverage 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 15 – 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 MSR interest rate risk management and hedging policy is to protect shareholders' equity and earnings against the fair value volatility of interest-rate sensitive MSR portfolio exposure, considering market, liquidity, cost and other 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 MAV, Rithm and others, also referred to as Pledged MSR liabilities (See Note 8 — Other Financing Liabilities, at Fair Value),
- less the asset value for securitized HECM loans, net of the corresponding HMBS-related borrowings,
- other interest-rate sensitive exposures, including our ESS financing liabilities, as deemed appropriate by the Market Risk Committee.

The hedge coverage ratio, defined as the ratio of hedge and asset rate sensitivity (referred to as DV01) is subject to lower and upper target thresholds under our policy. We regularly 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, liquidity impacts under shock scenarios, and other factors. As the market dictates, management may choose to maintain the hedge coverage ratio at different thresholds, with approval of the Market Risk Committee, in order to preserve liquidity and/or optimize asset returns.

Effective September 2022, a minimum 25% and 30% hedge coverage ratios were required for interest rate declines less than, and more than 50 basis points, respectively. During the second quarter of 2023, management raised its minimum hedge coverage ratio to 60%. Effective December 2023, we established a targeted hedge coverage ratio range between 95% and 105%. In April 2024, we changed the measure to a dollar DV01 that resulted in an equivalent range of approximately 90% to 110% .

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, the convexity of the MSR, the basis risk inherent in the MSR profile and hedging instruments, and hedge costs among other factors. We continuously evaluate the use of hedging instruments with the objective of enhancing the effectiveness of our interest rate hedging strategy.

The following table illustrates the interest rate sensitivity of our MSR portfolio exposure and associated hedges at March 31, 2024. 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 and other factors may apply, such as change in yield, spreads or other assumptions. The amounts based on market risk sensitive measures are hypothetical and presented for illustrative purposes only.

	Fair value at March 31, 2024	**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 MAV, Rithm and others)	$ 1,601	$ (36)	$ 30
Asset value of securitized HECM loans, net of HMBS-related borrowing (Reverse MSR)	73	4	(4)
MSR hedging derivative instruments	$ 4	33	(35)
Total hedge position		$ 37	$ (39)
Hypothetical hedge coverage ratio (2)		103 %	129 %
Hypothetical residual exposure to changes in interest rates		$ 1	$ (9)

(1) The baseline for the hypothetical change in fair value is based on a 10-year swap rate of 4.11% at March 31, 2024.
(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.

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.

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 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, 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 securitized HECM loan portfolio net of the fair value of the HMBS-related borrowings represent a reverse mortgage economic MSR (HMSR) for risk management purposes. The fair value of our HMSR 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. 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 or securitization of the resulting loan into the secondary mortgage market. Loan commitments for forward loans generally range from 5 to 75 days, with the majority of our commitments to borrowers for 40 to 60 days and our commitments to correspondent sellers for 5 to 30 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 preserving the initial gain on sale margin at lock date. 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 +/- 5%. 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.

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.

Sensitivity Analysis

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

We assess and manage our interest rate risk on a daily basis primarily using sensitivity analyses. We develop sensitivity analyses to determine the impact on our earnings and financial condition across various interest rate scenarios that could be expected over different time horizons. Our interest rate exposure spans from overnight rates to 30-year rates, with increased sensitivity related to the 5-, 10-, and 30-year rates. Sensitivity analyses are based on hypothetical change in values of different interest-rate sensitive assets and liabilities together with our hedges and are presented under a set instantaneous +/- 25 basis point parallel move in rates. Changes in fair value cannot be extrapolated because the relationship to the change in fair value may not be linear and other factors may apply, such as change in yield, spreads or other assumptions.

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 March 31, 2024, given hypothetical instantaneous parallel shifts in the yield curve. 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, among other factors.

	Change in Fair Value	
	Down 25 bps	Up 25 bps
Asset value of securitized HECM loans, net of HMBS-related borrowing	$ 4	$ (4)
Loans held for investment - Unsecuritized HECM loans and tails	—	—
Loans held for sale	13	(15)
Derivative instruments	21	(21)
Total MSRs - Agency and non-Agency (1)	(36)	30
IRLCs	(1)	1
Total, net	$ —	$ (9)

(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 increase in our upward net sensitivity from less than $(1) at December 31, 2023 to $(9) at March 31, 2024 for a 25 basis point parallel upward shift in the yield curve is primarily driven by the increased convexity profile of the portfolio at March 31, 2024 in a higher interest rate environment and associated hedging strategy.

Borrowings

The majority of the collateralized debt used to finance our operations is based on variable rates, but remains exposed to interest rate fluctuations between repricing dates. Our corporate debt is based on fixed interest rates. As servicer, we are also exposed to the impact of interest rate fluctuations on the float income we earn on balances held in trust from the date a loan payment is received from borrowers to the date funds are forwarded to investors.

Based on March 31, 2024 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 $0.5 million resulting from an increase of $20.7 million in annual interest income and other credits on deposits, and an increase of $21.2 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 three months ended March 31, 2024.

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 March 31, 2024.

Based on such evaluation, management concluded that our disclosure controls and procedures as of March 31, 2024 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 March 31, 2024 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 21 – 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, 2023. There have been no material changes to our risk factors since our Annual Report on Form 10-K for the year ended December 31, 2023. 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*	Form of 2024 Annual Performance-Based Cash Award Agreement (filed herewith)
10.2*	Form of 2024 Annual Performance-Based Stock Award Agreement (filed herewith)
10.3*	Form of 2024 Special Time-Based Stock Award Agreement (filed herewith)
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 March 31, 2024 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 March 31, 2024, 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.

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: May 2, 2024

CASH-SETTLED PERFORMANCE STOCK UNIT AWARD AGREEMENT

THIS CASH-SETTLED PERFORMANCE STOCK UNIT AWARD AGREEMENT (this "Agreement") is made as of [DATE] (the "Award Date") between Ocwen Financial Corporation, a Florida corporation (the "Corporation"), and [NAME], an employee of the Corporation or of a Subsidiary (the "Participant").

WHEREAS, the Corporation desires, by granting to the Participant an award of cash-settled stock units pursuant to the Corporation's 2021 Equity Incentive Plan (the "Plan"), to further the objectives of the Plan;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, and intending to be legally bound hereby, the parties hereto have agreed, and do hereby agree, as follows:

1. STOCK UNIT GRANT

The Corporation hereby grants to the Participant, pursuant to and subject to the Plan, an aggregate "target" of [AMOUNT] stock units (the "Stock Units"), on the terms and conditions herein set forth (the "Award"). As used herein, the term "stock unit" shall mean a non-voting unit of measurement which is deemed for bookkeeping purposes to be equivalent to one outstanding share of the Corporation's Common Stock (subject to adjustment as provided in Section 7.1 of the Plan) solely for purposes of the Plan and this Agreement. The Stock Units shall be used solely as a device for the determination of the payment to eventually be made to the Participant if such Stock Units vest pursuant to Paragraph 2 below. The Stock Units shall not be treated as property or as a trust fund of any kind. Capitalized terms used herein and not otherwise defined herein shall have the meaning assigned to such terms in the Plan.

2. VESTING OF STOCK UNITS

A. Generally

Subject to the following provisions of this Paragraph 2 and Paragraph 4, the extent to which the Stock Units become vested and payable will be determined in accordance with the performance-based vesting conditions as set forth in Appendix A hereto, incorporated herein by this reference. The "Vesting Date" applicable to the Stock Units is the third anniversary of the Award Date, subject to adjustment as set forth in Paragraph 2 hereof.

B. Retirement, Termination by the Corporation Without Cause, Death or Disability

If, at any time on or before the Vesting Date, the Participant's employment with the Corporation or any of its Subsidiaries terminates by reason of the Participant's (i) Retirement, (ii) termination by the Participant's employer without Cause (other than following a 409A Change of Control (as defined below)), (iii) death, or (iv) Disability occurring while employed by the Corporation or one of its Subsidiaries (in each case, such date of termination of the Participant's employment, the "Separation Date"), the Award shall immediately vest on a pro-rata basis in proportion to the percentage of the corresponding vesting period the Participant was employed by the Corporation or one of its Subsidiaries prior to the Separation Date, except as provided below and subject to the conditions below. In such circumstances, the performance-based vesting conditions shall be deemed to have been achieved as set forth in Appendix A and the Award shall vest as provided in Appendix A, provided that (i) the number of Stock Units eligible to vest shall be reduced such that the "target" number of Stock Units subject to the Award equals (x) such target number of Stock Units before giving effect to this adjustment multiplied by (y) the percentage of the three-year period between the Award Date and the original Vesting Date that the Participant was employed by the Corporation or one of its Subsidiaries prior to such termination of the Participant's employment; (ii) in the event of Retirement or termination by the Participant's employer without Cause, the Participant satisfies the release requirement set forth in the following sentence, and (iii) in the event of Retirement, the Participant complies with the conditions set forth in Paragraph 5 hereof through the Vesting Date. As a condition of any such vesting, in the event of Retirement or termination without Cause, the Participant shall, not later than 21 days after such termination of the Participant's employment (or such longer period as may be required under applicable law for the Participant to consider the release in order for the release to be effective) provide the Corporation with a valid, executed written release of claims in a form acceptable to the Corporation, and such release shall not have been revoked by the Participant pursuant to any revocation rights afforded by applicable law. Any such Stock Units that vest according to this Paragraph 2B shall be paid in accordance with Paragraph 7 hereof, provided that for the purposes of such payment the Vesting Date as to such Stock Units shall be deemed to be the Separation Date. Any remaining unvested portion of the Award after giving effect to such acceleration shall terminate and be cancelled as of the Separation Date without payment of any consideration by the Corporation and without any other action by the Participant, or the Participant's beneficiary or personal representative, as the case may be.

For purposes of this Agreement, "Retirement" shall mean termination (other than by reason of death, Disability (as defined below) or by the Participant's employer for Cause) of the Participant's employment with the Corporation or one of its Subsidiaries; provided, however, that for purposes of this Agreement only, the Participant must have attained the age of 60 and been an employee of the Corporation or any of its Subsidiaries for not less than 5 years as of the date of termination of employment by reason of Retirement.

For purposes of this Agreement, "Cause" shall mean that the Administrator, acting in good faith based on the information then available to it, determines that the Participant: (a) has been convicted of, or has pled guilty to, a felony (under the laws of the United States or any state thereof or other applicable jurisdiction); (b) has engaged in acts of fraud, material dishonesty or other acts of willful misconduct in the course of the Participant's duties for the Corporation or any of its Subsidiaries; (c) the Participant has willfully failed to substantially perform the Participant's duties for the Corporation or any of its Subsidiaries; (d) has materially breached any of the provisions of any agreement to which the Participant is a party with the Corporation or any of its Subsidiaries; or (e) has materially breached any written policy of the Corporation or any of its Subsidiaries that is applicable to the Participant in the course of the Participant's employment and has been communicated to the Participant; provided, however, as to clauses (c), (d) and (e) only, that Cause shall only exist if the Corporation or a Subsidiary (as the case may be) shall have provided written notice to the Participant of the condition(s) claimed to constitute Cause under such clause and the Participant shall have failed to remedy such circumstance(s) within 30 days following the date of such notice.

For purposes of this Agreement, "Disability" shall mean the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

The Stock Units subject to the Award remain subject to forfeiture should the applicable performance conditions as provided in Appendix A not be met as of the Vesting Date.

For clarity, for purposes of this Agreement no termination of the Participant's employment shall be deemed to have occurred if the Participant ceases to be employed by the Corporation or a Subsidiary but, immediately thereafter, continues in the employ of another Subsidiary or the Corporation.

C. Change of Control

If a 409A Change of Control occurs on or before the Vesting Date, the Award shall remain outstanding and eligible to vest on the Vesting Date, provided that the performance-based vesting conditions for any outstanding and incomplete Measurement Period set forth in Appendix A shall be measured with the Measurement Period end date being the date of the 409A Change in Control and deemed to have been achieved at the greater of actual results or "Target" as set forth in Appendix A (that is, following the 409A Change of Control, the Award will be subject to only time-based vesting based on the Participant's continued employment, and not any additional performance-based measure). Such Stock Units shall be paid in accordance with Paragraph 7 hereof. As used herein, "409A Change of Control" shall mean the occurrence of (a) a "change in the ownership" of the Corporation within the meaning of Treasury Regulation 1.409A-3(i)(5)(v) (which, for illustrative purposes, is generally triggered if any one person (or persons acting as a group) acquire ownership of Corporation stock which constitutes more than 50% of the total fair market value or total voting power of the stock of the Corporation), (b) a "change in the effective control" of the Corporation within the meaning of Treasury Regulation 1.409A-3(i)(5)(vi)(A)(1) (which, for illustrative purposes, is generally triggered if any one person (or persons acting as a group) acquire during a period of not more than twelve months ownership of stock of the Corporation possessing 30% or more of the total voting power of the stock of the Corporation; or certain majority changes in the membership of the Board occur over a period of not more than twelve months), or (c) a change "in the ownership of a substantial portion of the assets" of the Corporation within the meaning of Treasury Regulation 1.409A-3(i)(5)(vii) (which, for illustrative purposes, is generally triggered if any one person (or persons acting as a group) acquire during a period of not more than twelve months assets from the Corporation that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all assets of the Corporation immediately before such acquisition(s)).

Except as expressly otherwise provided in this Paragraph 2, the Participant's continued employment on the Vesting Date shall be a condition to the vesting of the Award and the rights and benefits under this Agreement.

If the Participant's employment terminated in the circumstances set forth in Paragraph 2.B prior to the 409A Change of Control and the conditions to vesting pursuant to Paragraph 2.B are satisfied, the performance-based vesting condition shall be deemed to have been achieved at "Target" as set forth in Appendix A as of the Vesting Date (including as to any otherwise-completed Measurement Period set forth in Appendix A) and such Stock Units shall be paid in accordance with Paragraph 7.

D. Post Change of Control Termination by the Corporation Without Cause or Resignation for Good Reason

If, following a 409A Change of Control and on or before the Vesting Date, (i) the Corporation (or Subsidiary that employs the Participant, as the case may be) terminates the Participant's employment for any reason other than Cause or (ii) the Participant resigns employment with the Corporation (or Subsidiary that employs the Participant, as the case may be) for Good Reason, the Stock Units subject to

the Award shall vest as of the date of such termination of the Participant's employment with the Corporation and its Subsidiaries (the Participant's "Separation Date"), with the performance-based vesting conditions for any outstanding and incomplete Measurement Period set forth in Appendix A deemed to have been achieved at "Target" as set forth in Appendix A, subject, however, to the Participant satisfying the release requirement set forth in the following sentence. As a condition of any such vesting, the Participant shall, not later than 21 days after such a termination of the Participant's employment (or such longer period as may be required under applicable law for the Participant to consider the release in order for the release to be effective) provide the Corporation with a valid, executed written release of claims in a form acceptable to the Corporation, and such release shall not have been revoked by the Participant pursuant to any revocation rights afforded by applicable law. If this Paragraph 2.E applies, payment of the Stock Units that vest shall be made in accordance with Paragraph 7, except that if the Separation Date occurs within two years following the 409A Change of Control the Vesting Date shall be deemed to be the Separation Date as to such Stock Units and such Stock Units shall be paid within 60 days following the Separation Date.
For the purposes of this Agreement, "Good Reason" means, a (1) a material reduction by the Corporation in Participant's base salary; (2) a material diminution in Participant's position; or (3) a relocation of Participant's location of employment by more than 50 miles from the office where Participant is located as of the Award Date; provided, however, that any such condition or conditions, as applicable, shall not constitute grounds for a termination for Good Reason unless both (x) the Participant provides written notice to the Corporation of the condition(s) claimed to constitute grounds for Good Reason within 60 days of the initial existence of such condition(s), and (y) the Corporation or Subsidiary (as the case may be) fails to remedy such condition(s) within 30 days after receiving such written notice thereof; and provided, further, that in all events the termination of the Participant's employment shall not constitute a termination for Good Reason unless such termination occurs not more than 180 days following the initial existence of the condition claimed to constitute grounds for Good Reason.

E. Continued Employment

Except as expressly otherwise provided in this Paragraph 2, continued employment through the Vesting Date is a condition to the vesting of the Award and the rights and benefits under this Agreement. Except as expressly otherwise provided in this Paragraph 2, employment for only a portion of the vesting period, even if a substantial portion, will not entitle the Participant to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment as provided in Paragraph 4 below or under the Plan. As used in this Agreement, references to the Participant's "employment" (and similar references to the Participant's being "employed" and an "employee") shall include any period when the Participant is either (i) an employee of the Corporation or any of its Subsidiaries or (ii) a member of the Board.

3. DIVIDEND AND VOTING RIGHTS

The Participant shall have no rights as a stockholder of the Corporation, no dividend rights, and no voting rights with respect to the Stock Units.

4. TERMINATION OF AWARD

If, on or before the Vesting Date, the Participant's employment with the Corporation or any of its Subsidiaries terminates other than under circumstances described in Paragraph 2, above (or if the termination occurs in circumstances described in Paragraph 2 above but a release or other condition to the treatment otherwise provided for in Paragraph 2 above in the circumstances is not satisfied), the Award shall terminate and be cancelled as of the last day of the Participant's employment with the Corporation or such Subsidiary. If the Award is terminated hereunder (including, without limitation, pursuant to Appendix A, Paragraph 2 or this Paragraph 4), the Stock Units shall automatically terminate and be cancelled as of the applicable termination date without payment of any consideration by the Corporation and without any other action by the Participant, or the Participant's beneficiary or personal representative, as the case may be.

5. CONDITIONS UPON RETIREMENT

If the Participant's employment with the Corporation or any of its Subsidiaries terminates by reason of Retirement, the rights of the Participant with respect to the Award shall be subject to the conditions that until the Award is vested, he/she shall (a) not engage, either directly or indirectly, in any manner or capacity as advisor, principal, agent, partner, officer, director, employee, member of any association or otherwise, in any business or activity which is at the time competitive with any business or activity conducted by the Corporation or any of its direct or indirect Subsidiaries, and (b) be available, unless he/she shall have died, at reasonable times for consultations at the request of the Corporation's management with respect to phases of the business with which he/she was actively connected during his/her employment, but such consultations shall not be required to be performed during usual vacation periods or periods of illness or other incapacity or without reasonable compensation and cost reimbursement. In the event that either of the above conditions is not fulfilled, the Participant shall forfeit all rights to the Award, as of the date of the breach of the conditions of this Paragraph 5. Any determination by the Board that the Participant is or has engaged in a competitive business or activity as aforesaid or has not been available for consultations as aforesaid shall be conclusive.

6. NO EMPLOYMENT COMMITMENT

Nothing contained in this Agreement or the Plan constitutes an employment or service commitment by the Corporation or any of its Subsidiaries, affects the Participant's status as an employee at will who is subject to termination with or without Cause, confers upon the Participant any right to remain employed by or in service to the Corporation or any Subsidiary, interferes in any way with the right of the Corporation or any Subsidiary at any time to terminate such employment or services, or affects the right of the Corporation or any Subsidiary to increase or decrease the Participant's other compensation or benefits. Nothing in this Agreement, however, is intended to adversely affect any independent contractual right of the Participant without his or her consent thereto.

7. TIMING AND MANNER OF PAYMENT OF STOCK UNITS

On or as soon as administratively practical following the Vesting Date as provided in Appendix A (or other applicable date determined pursuant to Paragraph 2 hereof), and in all events not later than 74 days after the Vesting Date (or such other period as may be provided for in Paragraph 2), the Corporation shall deliver to the Participant a cash payment (subject to any withholding for taxes pursuant to Paragraph 8) equal to the number of Stock Units that vested on the Vesting Date multiplied by the Payment Value. The "Payment Value" as of the Vesting Date is the sum of: (a) the closing price (in regular trading) for a share of Common Stock on the principal stock exchange on which the Common Stock is then listed or admitted to trade (the "Exchange") on the Vesting Date or, if no sales of Common Stock were reported on the Exchange on that date, the closing price (in regular trading) for a share of Common Stock on the Exchange for the next preceding day on which sales of Common Stock were reported on the Exchange, plus (b) the amount of regular cash dividends paid by the Corporation on a share of Common Stock as to which the applicable ex-dividend date(s) are after the Award Date and on or before the Vesting Date; provided, however, that if the Corporation's Common Stock is not listed or admitted to trade on any national securities exchange on the Vesting Date, the Payment Value with respect to the Vesting Date shall be either (i) if a 409A Change of Control has occurred on or prior to the Vesting Date and the Corporation's Common Stock has ceased to be so listed or admitted to trade in connection with such 409A Change of Control, the amount of the cash consideration paid for a share of Corporation Common Stock in such transaction plus the amount of regular cash dividends paid by the Corporation on a share of Common Stock as to which the applicable ex-dividend date(s) are after the Award Date and before the date of such 409A Change of Control, or (ii) if clause (i) is not applicable, such other amount as the Administrator determines, in its sole and absolute discretion, to be fair and reasonable and consistent with the purposes of the Award. The Participant shall have no further rights with respect to any Stock Units that are paid or that terminate pursuant to Appendix A, Paragraph 2 or Paragraph 4.

If the Participant is a "specified employee" within the meaning of Treasury Regulation Section 1.409A-1(i) as of the date of the Participant's separation from service with the Corporation, and payment pursuant to the preceding paragraph is to be made in connection with such separation from services, the Participant shall not be entitled to any payment or benefit pursuant to the preceding paragraph until the earlier of (i) the date which is six (6) months after the Participant's separation from service for any reason other than death, or (ii) the date of the Participant's death. The provisions of this paragraph shall only apply if, and to the extent, required to avoid the imputation of any tax, penalty or interest pursuant to Code Section 409A. Any amounts otherwise payable to the Participant upon or in the six (6) month period following the Participant's separation from service that are not so paid by reason of this paragraph shall be paid as soon as practicable (and in all events within thirty (30) days) after the date that is six (6) months after the Participant's separation from service (or, if earlier, as soon as practicable, and in all events within thirty (30) days, after the date of the Participant's death). If, in connection with the Participant's separation from service, the Participant is required to provide the Corporation with a release of claims and the maximum period in which the Participant has to consider, execute, and revoke such release of claims spans two calendar years, any payment of the Stock Units vesting in connection with such separation from service shall be made in the second of such two calendar years.

The timing of payment of any Stock Units may not be changed by the Corporation (including pursuant to any provision of the Plan), except as would satisfy Treasury Regulation Section 1.409A-3(j)(4).

8. TAX WITHHOLDING

Upon any payment in respect of the Stock Units, the Corporation shall be entitled to reduce the amount of the cash payment to the Participant with respect of the Award by the amount of any tax withholding obligations of the Corporation or its Subsidiaries with respect to such payment.

9. ADJUSTMENT UPON SPECIFIED EVENTS

Upon the occurrence of certain events relating to the Corporation's stock contemplated by Section 7.1 of the Plan (including, without limitation, an extraordinary cash dividend on such stock), the Administrator shall make adjustments in accordance with such section to the number of Stock Units (or the consideration that may become payable with respect to a vested Stock Unit) then outstanding in respect of the Award. No such adjustment shall be made, however, as to any cash dividend or distribution that has already been taken into account in determining the Payment Value pursuant to Section 7.

10. NON-TRANSFERABILITY OF THE AWARD

The Award shall not be transferable otherwise than by will or by the applicable laws of descent and distribution. More particularly (but without limiting the generality of the foregoing), the Award may not be assigned, transferred (except as aforesaid), pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Award contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon the Award, shall be null and void and without effect.

11. AMENDMENT

In the event that the Board amends the Plan and such amendment modifies or otherwise affects the subject matter of this Agreement, this Agreement shall, to that extent, be deemed to be amended by such amendment to the Plan. However, the timing of payment of the Award (to the extent it becomes vested) shall be as set forth in this Award Agreement and may not be changed (pursuant to the Plan, any amendment thereto, or otherwise) except as would be compliant with (and not result in any tax, penalty or interest under) Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”).

12. CONSTRUCTION

In the event of any conflict between the Plan and this Agreement, the provisions of the Plan shall control. If any provision of this Agreement is held to be invalid or unenforceable for any reason, such provision shall be conformed to prevailing law rather than voided, if possible, in order to achieve the intent of the parties and, in any event, the remaining provisions of this Agreement shall remain in full force and effect and shall be binding upon the parties hereto. This Agreement shall be governed in all respects by the laws of the State of Florida.

13. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement between the Corporation and the Participant and supersedes all other discussions, correspondence, representations, understandings and agreements between the parties, with respect to the subject matter hereof.

14. HEADINGS

The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed a part hereof.

15. CLAWBACK POLICY

The Stock Units are subject to the terms of the Corporation’s recoupment, clawback or similar policy as it may be in effect from time to time, as well as any similar provisions of applicable law, any of which could in certain circumstances require repayment or forfeiture of the Stock Units or cash received with respect to the Stock Units.

16. SECTION 409A

It is intended that any amounts payable under this Agreement shall either be exempt from or comply with Section 409A of the Code (including the Treasury regulations and other published guidance relating thereto) so as not to subject the Participant to payment of any additional tax, penalty or interest imposed under Code Section 409A. The provisions of this Agreement shall be construed and interpreted to avoid the imputation of any such additional tax, penalty or interest under Code Section 409A yet preserve (to the nearest extent reasonably possible) the intended benefit payable to the Participant.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

OCWEN FINANCIAL CORPORATION

By: ______________________

PARTICIPANT

By: ____________________________________

APPENDIX A

VESTING REQUIREMENTS

The Stock Units subject to the Award will be eligible to vest in a single installment on the Vesting Date based on the Corporation's achievement of certain performance goals as determined below and subject to the continued service requirements set forth in this Agreement.

The Stock Units that will be available to vest on the Vesting Date shall be determined based on the following four measurement periods (each, a "Measurement Period"), with the percentage of the "target" number of Stock Units allocated to each such Measurement Period as set forth in the chart below:

Measurement Period	**Period Dates**	**Percentage of Stock Units Allocated**
First Measurement Period	March 29, 2024 through March 29, 2025	15%
Second Measurement Period	March 29, 2025 through March 29, 2026	15%
Third Measurement Period	March 29, 2026 through March 29, 2027	15%
Fourth Measurement Period	March 29, 2024 through March 29, 2027	55%

For each Measurement Period, the target number of Stock Units subject to the Award that will be allocated to that Measurement Period will be determined by multiplying the total target number of Stock Units subject to the Award by the percentage of Stock Units allocated to that Measurement Period (as shown above) ("Allocated Stock Units").

The Stock Units for a particular Measurement Period that will be eligible to vest will be determined by multiplying the Allocated Stock Units for that Measurement Period by the percentage of Stock Units vesting based on the Relative TSR (as defined below) achieved by the Corporation for that Measurement Period as follows:

Relative TSR Achieved for the Measurement Period	**Performance Level**	**Percentage of Allocated Stock Units Vesting**
<25th percentile	Below Threshold	0%
25th percentile	Threshold	50%
50th percentile	Target	100%
100th percentile	Maximum	200%

Provided that the level of Relative TSR achieved for a Measurement Period is at least "Threshold," the percentage of the Allocated Stock Units for that Measurement Period that will be eligible to vest for a Relative TSR for that Measurement Period achieved between the levels set forth in the table above will be determined based on straight-line interpolation between points (for clarity, if the Relative TSR achieved for the Measurement Period was the 60th percentile, the percentage of the Allocated Stock Units for that Measurement Period that will be eligible to vest would be 120%). In no event will the vesting percentage exceed 200% for any Measurement Period.

In the event of a termination of employment described under Paragraph 2B of this Agreement, this paragraph shall apply. For any Measurement Period listed above that begins after the Separation Date, the performance level of that Measurement Period will be deemed to be achieved at "Target". In the event the Separation Date is earlier than the end date of a Measurement Period listed above, the Separation Date shall become the end date of that Measurement Period.

In the event of a 409A Change in Control described under Paragraph 2C of this Agreement, this paragraph shall apply. For any Measurement Period listed above that begins after the date of the 409A Change in Control, the performance level for that Measurement Period will be deemed to be achieved at "Target". In the event the date of the 409A Change in Control is earlier than the end date of a Measurement Period listed above, the date of the 409A Change in Control shall become the end date of that Measurement Period.

Definitions. For purposes of this Appendix A, the following definitions shall apply:

"Absolute Total Shareholder Return" (or "Absolute TSR") means, as to the applicable company for the applicable Measurement Period, the cumulative (non-compounded) total return (expressed as a percentage) of an investment in the company's common stock for the Measurement Period, determined using the Beginning Stock Price to value the company's common stock at the start of the Measurement Period and the Ending Stock Price to value the company's common stock at the end of the Measurement Period. For purposes of such determination, the Ending Price (or one or more of the Closing Stock Prices used to determine the Ending Price, as the Administrator may determine) shall be equitably and proportionately adjusted by the Administrator to the extent (if any) determined necessary by the Administrator to preserve the intended incentives of the award and mitigate the impact of any stock split, stock dividend or reverse stock split occurring during the Measurement Period and the Beginning Price (or one or more of the Closing Stock Prices used to determine the Beginning Price, as the Administrator may determine) shall be equitably and proportionately adjusted by the Administrator to the extent (if any) determined necessary by the Administrator to preserve the intended incentives of the award and mitigate the impact of any stock split, stock dividend or reverse stock split occurring during the thirty (30) consecutive trading day period used to determine the Beginning Stock Price.

"Beginning Stock Price" as to a Measurement Period means the average of the Closing Stock Prices for the applicable company for the thirty (30) consecutive trading days ending with the first trading day of the Measurement Period.

"Closing Stock Price" means, as of any calendar day as to the applicable company for the applicable Measurement Period, the sum of (a) the closing price (in regular trading) for a share of the company's common stock on the principal stock exchange on which the company's common stock is then listed or admitted to trade (the "Exchange") for the date in question or, if no sales of the company's common stock were reported on the Exchange on that date, the closing price (in regular trading) for a share of the company's common stock on the Exchange for the next preceding day on which sales of the company's common stock were reported on the Exchange, plus (b) (as of any date after the Award Date) the amount of cash dividends paid by the company on a share of its common stock as to which the applicable ex-dividend date(s) are after the Award Date and on or before the particular calendar day in question. If the applicable company's common stock is no longer listed or admitted to trade on a national securities exchange as of any particular date, the Closing Stock Price for that date as to that company shall be the value as reasonably determined by the Administrator for purposes of the award in the circumstances.

"Ending Stock Price" means, as to a particular Measurement Period, the average of the Closing Stock Prices for the applicable company for the thirty (30) consecutive trading days ending with the last trading day of the Measurement Period.

"Performance Peer Group" means the following companies:

- Annaly Capital Management, Inc.
- Better Home & Finance Holding Company
- Cherry Hill Mortgage Investment Corporation
- Finance of America Companies, Inc.
- Guild Holdings Company
- loanDepot, Inc.
- MGIC Investment Corporation
- Mr. Cooper Group Inc.
- PennyMac Financial Services, Inc.
- Radian Group Inc.
- Redwood Trust, Inc.
- Rithm Capital Corp.
- Rocket Companies, Inc.
- Two Harbors Investment Corp.
- UWM Holdings Corporation

To measure relative performance, the Performance Peer Group will consist of (1) companies that are in the Performance Peer Group and are publicly-traded for the entire Measurement Period and (2) companies that are initially in the Performance Peer Group and cease to be publicly-traded during the Measurement Period because of insolvency (with the Absolute TSRs of such companies being deemed equal to the lowest Absolute TSR of companies that are in the Performance Peer Group for the entire period). Companies that are initially included in the Performance Peer Group but that cease to be publicly-traded during the Measurement Period because they are acquired or for other reasons will not be included in assessing relative performance and shall be deemed to be excluded from the Performance Peer Group.

"Relative Total Shareholder Return" (or "**Relative TSR**") means the Corporation's Absolute TSR ranked relative to the Absolute TSR values of companies in its Performance Peer Group (as defined above), expressed as a percentile where the highest Absolute TSR achieved by the Corporation or other company in the Performance Peer Group is the 100^{th} percentile and the lowest Absolute TSR achieved by the Corporation or other company in the Performance Peer Group is the 0^{th} percentile.

Determination. Following the end of each Measurement Period, the Administrator shall make a determination as to the Corporation's achievement of the performance-based vesting requirements set forth in this Appendix A as to that Measurement Period. Any portion of the Allocated Stock Units subject to the Award for a particular Measurement Period that are outstanding at the end of that Measurement Period and are not eligible to vest in accordance with this Appendix A based on the Corporation's performance for that Measurement Period shall terminate as of the last day of that Measurement Period (except as provided in Paragraph 2 of the Agreement). In all events, the Administrator's determination of the Corporation's performance during each Measurement Period, and the number of Stock Units eligible to vest, pursuant to this Appendix A shall be final and binding.

* * *

PERFORMANCE STOCK UNIT AWARD AGREEMENT

THIS PERFORMANCE STOCK UNIT AWARD AGREEMENT (this "Agreement") is made as of [DATE] (the "Award Date") between Ocwen Financial Corporation, a Florida corporation (the "Corporation"), and [NAME], an employee of the Corporation or of a Subsidiary (the "Participant").

WHEREAS, the Corporation desires, by granting to the Participant an award of stock units pursuant to the Corporation's 2021 Equity Incentive Plan (the "Plan"), to further the objectives of the Plan;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, and intending to be legally bound hereby, the parties hereto have agreed, and do hereby agree, as follows:

1. STOCK UNIT GRANT

The Corporation hereby grants to the Participant, pursuant to and subject to the Plan, an aggregate "target" of [AMOUNT] stock units (the "Stock Units"), on the terms and conditions herein set forth (the "Award"). As used herein, the term "stock unit" shall mean a non-voting unit of measurement which is deemed for bookkeeping purposes to be equivalent to one outstanding share of the Corporation's Common Stock (subject to adjustment as provided in Section 7.1 of the Plan) solely for purposes of the Plan and this Agreement. The Stock Units shall be used solely as a device for the determination of the payment to eventually be made to the Participant if such Stock Units vest pursuant to Paragraph 2 below. The Stock Units shall not be treated as property or as a trust fund of any kind. Capitalized terms used herein and not otherwise defined herein shall have the meaning assigned to such terms in the Plan.

2. VESTING OF STOCK UNITS

A. Generally

Subject to the following provisions of this Paragraph 2 and Paragraph 4, the extent to which the Stock Units become vested and payable will be determined in accordance with the performance-based vesting conditions as set forth in Appendix A hereto, incorporated herein by this reference. The "Vesting Date" applicable to the Stock Units is the third anniversary of the Award Date, subject to adjustment as set forth in Paragraph 2 hereof.

B. Retirement, Termination by the Corporation Without Cause, Death or Disability

If, at any time on or before the Vesting Date, the Participant's employment with the Corporation or any of its Subsidiaries terminates by reason of the Participant's (i) Retirement, (ii) termination by the Participant's employer without Cause (other than following a 409A Change of Control (as defined below)), (iii) death, or (iv) Disability occurring while employed by the Corporation or one of its Subsidiaries (in each case, such date of termination of the Participant's employment, the "Separation Date"), the Award shall immediately vest on a pro-rata basis in proportion to the percentage of the corresponding vesting period the Participant was employed by the Corporation or one of its Subsidiaries prior to the Separation Date, except as provided below and subject to the conditions below. In such circumstances, the performance-based vesting conditions shall be deemed to have been achieved as set forth in Appendix A and the Award shall vest as provided in Appendix A, provided that (i) the number of Stock Units eligible to vest shall be reduced such that the "target" number of Stock Units subject to the

Award equals (x) such target number of Stock Units before giving effect to this adjustment multiplied by (y) percentage of the three-year period between the Award Date and the original Vesting Date that the Participant was employed by the Corporation or one of its Subsidiaries prior to such termination of the Participant's employment; (ii) in the event of Retirement or termination by the Participant's employer without Cause, the Participant satisfies the release requirement set forth in the following sentence, and (iii) in the event of Retirement, the Participant complies with the conditions set forth in Paragraph 5 hereof through the Vesting Date. As a condition of any such vesting, in the event of Retirement or termination without Cause, the Participant shall, not later than 21 days after such termination of the Participant's employment (or such longer period as may be required under applicable law for the Participant to consider the release in order for the release to be effective) provide the Corporation with a valid, executed written release of claims in a form acceptable to the Corporation, and such release shall not have been revoked by the Participant pursuant to any revocation rights afforded by applicable law. Any such Stock Units that vest according to this Paragraph 2B shall be paid in accordance with Paragraph 7 hereof, provided that for the purposes of such payment the Vesting Date as to such Stock Units shall be deemed to be the Separation Date. Any remaining unvested portion of the Award after giving effect to such acceleration shall terminate and be cancelled as of the Separation Date without payment of any consideration by the Corporation and without any other action by the Participant, or the Participant's beneficiary or personal representative, as the case may be.

For purposes of this Agreement, "Retirement" shall mean termination (other than by reason of death, Disability (as defined below) or by the Participant's employer for Cause) of the Participant's employment with the Corporation or one of its Subsidiaries; provided, however, that for purposes of this Agreement only, the Participant must have attained the age of 60 and been an employee of the Corporation or any of its Subsidiaries for not less than 5 years as of the date of termination of employment by reason of Retirement.

For purposes of this Agreement, "Cause" shall mean that the Administrator, acting in good faith based on the information then available to it, determines that the Participant: (a) has been convicted of, or has pled guilty to, a felony (under the laws of the United States or any state thereof or other applicable jurisdiction); (b) has engaged in acts of fraud, material dishonesty or other acts of willful misconduct in the course of the Participant's duties for the Corporation or any of its Subsidiaries; (c) the Participant has willfully failed to substantially perform the Participant's duties for the Corporation or any of its Subsidiaries; (d) has materially breached any of the provisions of any agreement to which the Participant is a party with the Corporation or any of its Subsidiaries; or (e) has materially breached any written policy of the Corporation or any of its Subsidiaries that is applicable to the Participant in the course of the Participant's employment and has been communicated to the Participant; provided, however, as to clauses (c), (d) and (e) only, that Cause shall only exist if the Corporation or a Subsidiary (as the case may be) shall have provided written notice to the Participant of the condition(s) claimed to constitute Cause under such clause and the Participant shall have failed to remedy such circumstance(s) within 30 days following the date of such notice.

For purposes of this Agreement, "Disability" shall mean the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

The Stock Units subject to the Award remain subject to forfeiture should the applicable performance conditions as provided in Appendix A not be met as of the Vesting Date.

For clarity, for purposes of this Agreement no termination of the Participant's employment shall be deemed to have occurred if the Participant ceases to be employed by the Corporation or a Subsidiary but, immediately thereafter, continues in the employ of another Subsidiary or the Corporation.

C. Change of Control

If a 409A Change of Control occurs on or before the Vesting Date, the Award shall remain outstanding and eligible to vest on the Vesting Date, provided that the performance-based vesting conditions for any outstanding and incomplete Measurement Period set forth in Appendix A shall be measured with the Measurement Period end date being the date of the 409A Change in Control and deemed to have been achieved at the greater of actual results or "Target" as set forth in Appendix A (that is, following the 409A Change of Control, the Award will be subject to only time-based vesting based on the Participant's continued employment, and not any additional performance-based measure). Such Stock Units shall be paid in accordance with Paragraph 7 hereof. As used herein, "409A Change of Control" shall mean the occurrence of (a) a "change in the ownership" of the Corporation within the meaning of Treasury Regulation 1.409A-3(i)(5)(v) (which, for illustrative purposes, is generally triggered if any one person (or persons acting as a group) acquire ownership of Corporation stock which constitutes more than 50% of the total fair market value or total voting power of the stock of the Corporation), (b) a "change in the effective control" of the Corporation within the meaning of Treasury Regulation 1.409A-3(i)(5)(vi)(A)(1) (which, for illustrative purposes, is generally triggered if any one person (or persons acting as a group) acquire during a period of not more than twelve months ownership of stock of the Corporation possessing 30% or more of the total voting power of the stock of the Corporation; or certain majority changes in the membership of the Board occur over a period of not more than twelve months), or (c) a change "in the ownership of a substantial portion of the assets" of the Corporation within the meaning of Treasury Regulation 1.409A-3(i)(5)(vii) (which, for illustrative purposes, is generally triggered if any one person (or persons acting as a group) acquire during a period of not more than twelve months assets from the Corporation that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all assets of the Corporation immediately before such acquisition(s)).

Except as expressly otherwise provided in this Paragraph 2, the Participant's continued employment on the Vesting Date shall be a condition to the vesting of the Award and the rights and benefits under this Agreement.

If the Participant's employment terminated in the circumstances set forth in Paragraph 2.B prior to the 409A Change of Control and the conditions to vesting pursuant to Paragraph 2.B are satisfied, the performance-based vesting condition shall be deemed to have been achieved at "Target" as set forth in Appendix A as of the Vesting Date (including as to any otherwise-completed Measurement Period set forth in Appendix A) and such Stock Units shall be paid in accordance with Paragraph 7.

D. Post Change of Control Termination by the Corporation Without Cause or Resignation for Good Reason

If, following a 409A Change of Control and on or before the Vesting Date, (i) the Corporation (or Subsidiary that employs the Participant, as the case may be) terminates the Participant's employment for any reason other than Cause or (ii) the Participant resigns employment with the Corporation (or Subsidiary that employs the Participant, as the case may be) for Good Reason, the Stock Units subject to the Award shall vest as of the date of such termination of the Participant's employment with the Corporation and its Subsidiaries (the Participant's "Separation Date"), with the performance-based vesting conditions for any outstanding and incomplete Measurement Period set forth in Appendix A

deemed to have been achieved at "Target" as set forth in Appendix A, subject, however, to the Participant satisfying the release requirement set forth in the following sentence. As a condition of any such vesting, the Participant shall, not later than 21 days after such a termination of the Participant's employment (or such longer period as may be required under applicable law for the Participant to consider the release in order for the release to be effective) provide the Corporation with a valid, executed written release of claims in a form acceptable to the Corporation, and such release shall not have been revoked by the Participant pursuant to any revocation rights afforded by applicable law. If this Paragraph 2.E applies, payment of the Stock Units that vest shall be made in accordance with Paragraph 7, except that if the Separation Date occurs within two years following the 409A Change of Control the Vesting Date shall be deemed to be the Separation Date as to such Stock Units and such Stock Units shall be paid within 60 days following the Separation Date.
For the purposes of this Agreement, "Good Reason" means, a (1) a material reduction by the Corporation in Participant's base salary; (2) a material diminution in Participant's position; or (3) a relocation of Participant's location of employment by more than 50 miles from the office where Participant is located as of the Award Date; provided, however, that any such condition or conditions, as applicable, shall not constitute grounds for a termination for Good Reason unless both (x) the Participant provides written notice to the Corporation of the condition(s) claimed to constitute grounds for Good Reason within 60 days of the initial existence of such condition(s), and (y) the Corporation or Subsidiary (as the case may be) fails to remedy such condition(s) within 30 days after receiving such written notice thereof; and provided, further, that in all events the termination of the Participant's employment shall not constitute a termination for Good Reason unless such termination occurs not more than 180 days following the initial existence of the condition claimed to constitute grounds for Good Reason.

E. Continued Employment

Except as expressly otherwise provided in this Paragraph 2, continued employment through the Vesting Date is a condition to the vesting of the Award and the rights and benefits under this Agreement. Except as expressly otherwise provided in this Paragraph 2, employment for only a portion of the vesting period, even if a substantial portion, will not entitle the Participant to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment as provided in Paragraph 4 below or under the Plan. As used in this Agreement, references to the Participant's "employment" (and similar references to the Participant's being "employed" and an "employee") shall include any period when the Participant is either (i) an employee of the Corporation or any of its Subsidiaries or (ii) a member of the Board.

3. DIVIDEND AND VOTING RIGHTS

A. Limitations on Rights Associated with Units

The Participant shall have no rights as a stockholder of the Corporation, no dividend rights (except as expressly provided in Paragraph 3.B with respect to Dividend Equivalent Rights) and no voting rights, with respect to the Stock Units and any shares of Common Stock ("Shares") underlying or issuable in respect of such Stock Units until such Shares are actually issued to and held of record by the Participant. No adjustments will be made for dividends or other rights of a holder for which the record date is prior to the date of issuance of such Shares.

B. Dividend Equivalent Rights

As of any date that the Corporation pays an ordinary cash dividend on its Shares, the Corporation shall credit the Participant with an additional number of Stock Units equal to (i) the per share cash dividend paid by the Corporation on its Shares on such date, multiplied by (ii) the total number of Stock Units (including any dividend equivalents previously credited hereunder) (with such total number adjusted pursuant to Section 7 of the Plan) subject to the Award as of the related dividend payment record date, divided by (iii) the Fair Market Value of a Share on the date of payment of such dividend. Any Stock Units credited pursuant to the foregoing provisions of this Paragraph 3.B shall be subject to the same vesting, payment and other terms, conditions and restrictions as the original Stock Units to which they relate. No crediting of Stock Units shall be made pursuant to this Paragraph 3.B with respect to any Stock Units which, as of such record date, have either been paid pursuant to Paragraph 7 or terminated pursuant to Paragraph 4.

4. TERMINATION OF AWARD

If, on or before the Vesting Date, the Participant's employment with the Corporation or any of its Subsidiaries terminates other than under circumstances described in Paragraph 2, above (or if the termination occurs in circumstances described in Paragraph 2 above but a release or other condition to the treatment otherwise provided for in Paragraph 2 above in the circumstances is not satisfied), the Award shall terminate and be cancelled as of the last day of the Participant's employment with the Corporation or such Subsidiary. If the Award is terminated hereunder (including, without limitation, pursuant to Appendix A, Paragraph 2 or this Paragraph 4), the Stock Units shall automatically terminate and be cancelled as of the applicable termination date without payment of any consideration by the Corporation and without any other action by the Participant, or the Participant's beneficiary or personal representative, as the case may be.

5. CONDITIONS UPON RETIREMENT

If the Participant's employment with the Corporation or any of its Subsidiaries terminates by reason of Retirement, the rights of the Participant with respect to the Award shall be subject to the conditions that until the Award is vested, he/she shall (a) not engage, either directly or indirectly, in any manner or capacity as advisor, principal, agent, partner, officer, director, employee, member of any association or otherwise, in any business or activity which is at the time competitive with any business or activity conducted by the Corporation or any of its direct or indirect Subsidiaries, and (b) be available, unless he/she shall have died, at reasonable times for consultations at the request of the Corporation's management with respect to phases of the business with which he/she was actively connected during his/her employment, but such consultations shall not be required to be performed during usual vacation periods or periods of illness or other incapacity or without reasonable compensation and cost reimbursement. In the event that either of the above conditions is not fulfilled, the Participant shall forfeit all rights to the Award, as of the date of the breach of the conditions of this Paragraph 5. Any determination by the Board that the Participant is or has engaged in a competitive business or activity as aforesaid or has not been available for consultations as aforesaid shall be conclusive.

6. NO EMPLOYMENT COMMITMENT

Nothing contained in this Agreement or the Plan constitutes an employment or service commitment by the Corporation or any of its Subsidiaries, affects the Participant's status as an employee at will who is subject to termination with or without Cause, confers upon the Participant any right to remain employed by or in service to the Corporation or any Subsidiary, interferes in any way with the right of the Corporation or any Subsidiary at any time to terminate such employment or services, or affects the right of the Corporation or any Subsidiary to increase or decrease the Participant's other compensation or benefits. Nothing in this Agreement, however, is intended to adversely affect any independent contractual right of the Participant without his or her consent thereto.

7. TIMING AND MANNER OF PAYMENT OF STOCK UNITS

On or as soon as administratively practical following the Vesting Date as provided in Appendix A (or other applicable date determined pursuant to Paragraph 2 hereof), and in all events not later than 60 days after the Vesting Date (or such other period as may be provided for in Paragraph 2), the Corporation shall deliver to the Participant a number of Shares (either by delivering one or more certificates for such Shares or by entering such Shares in book entry form, as determined by the Corporation in its discretion) (subject to any withholding for taxes pursuant to Paragraph 8) equal to the number of Stock Units that vested on the Vesting Date; provided, however, that if the Corporation's Common Stock is not listed or admitted to trade on any national securities exchange on the Vesting Date, the Corporation shall deliver (i) if a 409A Change of Control has occurred on or prior to the Vesting Date and the Corporation's Common Stock has ceased to be so listed or admitted to trade in connection with such 409A Change of Control, an amount equal to (a) the number of Stock Units vesting on such date multiplied by (b) the amount of the cash consideration paid for a share of Corporation Common Stock in such transaction, or (ii) if clause (i) is not applicable, such other amount as the Administrator determines, in its sole and absolute discretion, to be fair and reasonable and consistent with the purposes of the Award. Notwithstanding the preceding sentence, in the event that the issuance of Shares in respect of the Stock Units would cause any applicable share limit of the Plan to be exceeded, the Corporation may pay one or more Stock Units that have vested in cash rather than by delivering Shares. In such event, payment of any Stock Units to be settled in cash will be made within the same period of time as provided in the first sentence of this Paragraph 7 and the amount of payment for such Stock Units shall (subject to any withholding for taxes pursuant to Paragraph 8) equal the number of Stock Units that vested on the Vesting Date to be settled in cash multiplied by the Payment Value as of the Vesting Date. The "Payment Value" as of the Vesting Date is the closing price (in regular trading) for a share of Common Stock on the principal stock exchange on which the Common Stock is then listed or admitted to trade (the "Exchange") on the Vesting Date or, if no sales of Common Stock were reported on the Exchange on that date, the closing price (in regular trading) for a share of Common Stock on the Exchange for the next preceding day on which sales of Common Stock were reported on the Exchange; provided, however, that if the Corporation's Common Stock is not listed or admitted to trade on any national securities exchange on the Vesting Date, the Payment Value with respect to the Vesting Date shall be either (i) if a 409A Change of Control has occurred on or prior to the Vesting Date and the Corporation's Common Stock has ceased to be so listed or admitted to trade in connection with such 409A Change of Control, the amount of the cash consideration paid for a share of Corporation Common Stock in such transaction, or (ii) if clause (i) is not applicable, such other amount as the Administrator determines, in its sole and absolute discretion, to be fair and reasonable and consistent with the purposes of the Award. The Participant shall have no further rights with respect to any Stock Units that are paid or that terminate pursuant to Appendix A, Paragraph 2 or Paragraph 4.

If the Participant is a "specified employee" within the meaning of Treasury Regulation Section 1.409A-1(i) as of the date of the Participant's separation from service with the Corporation, and payment pursuant to the preceding paragraph is to be made in connection with such separation from services, the Participant shall not be entitled to any payment or benefit pursuant to the preceding paragraph until the earlier of (i) the date which is six (6) months after the Participant's separation from service for any reason other than death, or (ii) the date of the Participant's death. The provisions of this paragraph shall only apply if, and to the extent, required to avoid the imputation of any tax, penalty or interest pursuant to Code Section 409A. Any amounts otherwise payable to the Participant upon or in the six (6) month period following the Participant's separation from service that are not so paid by reason of this paragraph shall be paid as soon as practicable (and in all events within thirty (30) days) after the date that is six (6) months after the Participant's separation from service (or, if earlier, as soon as practicable, and in all events within thirty (30) days, after the date of the Participant's death). If, in connection with the Participant's separation from service, the Participant is required to provide the Corporation with a release of claims and the maximum period in which the Participant has to consider, execute, and revoke such release of claims spans two calendar years, any payment of the Stock Units vesting in connection with such separation from service shall be made in the second of such two calendar years.

The timing of payment of any Stock Units may not be changed by the Corporation (including pursuant to any provision of the Plan), except as would satisfy Treasury Regulation Section 1.409A-3(j)(4).

8. TAX WITHHOLDING

Upon any payment in respect of the Stock Units (whether in cash or Shares), the Corporation shall withhold from the amount of any such payment to the Participant with respect of the Award to be made in cash the amount of any tax withholding obligations of the Corporation or its Subsidiaries with respect to the payment in respect of the Stock Units (including any portion of such payment to be made in Shares). To the extent any tax withholding obligations of the Corporation or its Subsidiaries with respect to any payment in respect of the Stock Units remains unsatisfied after giving effect to the preceding sentence, then, subject to compliance with all applicable laws, rules and regulations and unless otherwise provided by the Committee, the Corporation shall automatically reduce (or otherwise reacquire) from the number of Shares to otherwise be delivered as part of such payment the appropriate number of whole Shares, valued at their then Fair Market Value, to satisfy any such remaining withholding obligations of the Corporation or its Subsidiaries with respect to such payment. In the event that the Corporation cannot legally satisfy such withholding obligations by such reduction of Shares or the Committee otherwise provides that the Corporation will not so reduce the number of Shares delivered to satisfy such withholding obligations, the Corporation (or a Subsidiary) shall be entitled to require a cash payment by or on behalf of the Participant and/or to deduct from other compensation payable to the Participant (or any amount payable pursuant to the Award) any sums required by federal, state or local tax law to be withheld with respect to such distribution or payment.

9. ADJUSTMENT UPON SPECIFIED EVENTS

Upon the occurrence of certain events relating to the Corporation's stock contemplated by Section 7.1 of the Plan (including, without limitation, an extraordinary cash dividend on such stock), the Administrator shall make adjustments in accordance with such section to the number of Stock Units (or the consideration that may become payable with respect to a vested Stock Unit) then outstanding in respect of the Award. No such adjustment shall be made, however, as to any cash dividend or distribution that has already been taken into account in determining the Payment Value pursuant to Section 7.

10. NON-TRANSFERABILITY OF THE AWARD

The Award shall not be transferable otherwise than by will or by the applicable laws of descent and distribution. More particularly (but without limiting the generality of the foregoing), the Award may not be assigned, transferred (except as aforesaid), pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Award contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon the Award, shall be null and void and without effect.

11. HOLDING REQUIREMENT FOR SHARES DELIVERED UPON VESTING

A. As to any Shares acquired by the Participant in payment of the Stock Units that vest pursuant to this Agreement, the Participant agrees that the Participant will not sell, assign, transfer, pledge, hypothecate or otherwise dispose of such Shares (a “transfer” for purposes of this Section 11) prior to the date that is one (1) year after the Vesting Date on which the Stock Units to which such Shares relate became vested pursuant to this Agreement; provided, however, that the restrictions set forth in this Section 11 shall (i) not apply to any shares withheld or reacquired by the Corporation to satisfy tax withholding obligations as contemplated by Section 8, (ii) not apply to any Shares sold by the Participant to satisfy any tax liability arising in connection with the payment of the Stock Units (to the extent such tax liability exceeds the tax withholding amounts applicable to such Stock Unit payment), (iii) not apply to any transfer of shares made without consideration (or for only nominal consideration) to a “family member” (as such term is defined in the SEC General Instructions to a Registration Statement on Form S-8) of the Participant solely for purposes of estate or tax planning, and provided the transfer restrictions on such shares pursuant to this Section 11 continue in effect after any such transfer, and (iv) lapse upon the Participant’s death or Disability, the occurrence of a 409A Change of Control, or as otherwise provided by the Corporation. The Corporation may provide for any Shares acquired with respect to the Stock Units and issued in book-entry form to include notations regarding the restrictions on transfer imposed under this Section 11 (or, as to any such shares issued in certificate form, provide for such certificates to bear appropriate legends regarding such transfer restrictions). For the avoidance of doubt, any and all transfers of the Shares from the Participant’s account of record with the Corporation’s stock transfer agent (*e.g.* transfer into “street name” holding via a brokerage account) shall be prohibited while the transfer restrictions in the preceding sentence are in effect as to such Shares.

B. Any Shares transferred or subject to attempted transfer in violation of this Section 11 shall (unless otherwise expressly provided by the Corporation) be subject to forfeiture to the Corporation. Furthermore, in the event of a transfer of Shares by the Participant in violation of this Section 11, the proceeds, gains or other economic benefit actually or constructively received by the Participant in connection with the transfer of such Shares in violation of this Section 11 shall (unless otherwise expressly provided by the Corporation) be subject to forfeiture to the Corporation.

C. In addition to the provisions of this Section 11, any transfer of Shares is subject to (without limitation) applicable state and federal securities laws, as well as all applicable Corporation policies (including, without limitation, insider trading policies and any clawback, recoupment or similar policy).

12. PAYMENT OF EXPENSES AND COMPLIANCE WITH LAWS

A. The Corporation shall pay all original issue and/or transfer taxes with respect to the issue and/or transfer of Shares pursuant hereto to the Participant and all other fees and expenses necessarily incurred by the Corporation in connection therewith and will from time to time use its best efforts to comply with all laws and regulations which, in the opinion of counsel for the Corporation, shall be applicable thereto.

B. The Participant hereby represents and covenants that (a) any Shares acquired upon the vesting of the Award will be acquired for investment and not with a view to the distribution thereof within the meaning of the Securities Act of 1933, as amended (the “Securities Act”), unless such acquisition has been registered under the Securities Act and any applicable state securities law; (b) any subsequent sale of any such Shares shall be made either pursuant to an effective registration statement under the Securities Act and any applicable state securities laws, or pursuant to an exemption from registration under the Securities Act and such state securities laws; and (c) if requested by the Corporation, the Participant shall submit a written statement, in form satisfactory to the Corporation, to the effect that such representation (x) is true and correct as of the date of acquisition of any Shares hereunder or (y) is true and correct as of the date of any sale of any such Shares, as applicable. As a further condition precedent to the delivery to the Participant of any Shares subject to the Award, the Participant shall comply with all regulations and requirements of any regulatory authority having control of or supervision over the issuance of the Shares and, in connection therewith, shall execute any documents which the Corporation shall in its sole discretion deem necessary or advisable.

C. The Award is subject to the condition that if the listing, registration or qualification of the Shares subject to the Award upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action is necessary or desirable as a condition of, or in connection with, the vesting or delivery of the Shares hereunder, the Shares subject to the Award shall not vest or be delivered, in whole or in part, unless such listing, registration, qualification, consent or approval shall have been effected or obtained, free of any conditions not acceptable to the Corporation. The Corporation agrees to use reasonable efforts to effect or obtain any such listing, registration, qualification, consent or approval.

13. AMENDMENT

In the event that the Board amends the Plan and such amendment modifies or otherwise affects the subject matter of this Agreement, this Agreement shall, to that extent, be deemed to be amended by such amendment to the Plan. However, the timing of payment of the Award (to the extent it becomes vested) shall be as set forth in this Award Agreement and may not be changed (pursuant to the Plan, any amendment thereto, or otherwise) except as would be compliant with (and not result in any tax, penalty or interest under) Section 409A of the Internal Revenue Code of 1986, as amended (the "Code").

14. CONSTRUCTION

In the event of any conflict between the Plan and this Agreement, the provisions of the Plan shall control. If any provision of this Agreement is held to be invalid or unenforceable for any reason, such provision shall be conformed to prevailing law rather than voided, if possible, in order to achieve the intent of the parties and, in any event, the remaining provisions of this Agreement shall remain in full force and effect and shall be binding upon the parties hereto. This Agreement shall be governed in all respects by the laws of the State of Florida.

15. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement between the Corporation and the Participant and supersedes all other discussions, correspondence, representations, understandings and agreements between the parties, with respect to the subject matter hereof.

16. HEADINGS

The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed a part hereof.

17. CLAWBACK POLICY

The Stock Units are subject to the terms of the Corporation's recoupment, clawback or similar policy as it may be in effect from time to time, as well as any similar provisions of applicable law, any of which could in certain circumstances require repayment or forfeiture of the Stock Units, Shares received upon vesting of the Stock Units, or cash received with respect to the sale of Shares underlying the Stock Units.

18. SECTION 409A

It is intended that any amounts payable under this Agreement shall either be exempt from or comply with Section 409A of the Code (including the Treasury regulations and other published guidance relating thereto) so as not to subject the Participant to payment of any additional tax, penalty or interest imposed under Code Section 409A. The provisions of this Agreement shall be construed and interpreted to avoid the imputation of any such additional tax, penalty or interest under Code Section 409A yet preserve (to the nearest extent reasonably possible) the intended benefit payable to the Participant.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

OCWEN FINANCIAL CORPORATION

By: ______________________

PARTICIPANT

By: ____________________________________

APPENDIX A

VESTING REQUIREMENTS

The Stock Units subject to the Award will be eligible to vest in a single installment on the Vesting Date based on the Corporation's achievement of certain performance goals as determined below and subject to the continued service requirements set forth in this Agreement.

The Stock Units that will be available to vest on the Vesting Date shall be determined based on the following four measurement periods (each, a "Measurement Period"), with the percentage of the "target" number of Stock Units allocated to each such Measurement Period as set forth in the chart below:

Measurement Period	Period Dates	Percentage of Stock Units Allocated
First Measurement Period	March 29, 2024 through March 29, 2025	15%
Second Measurement Period	March 29, 2025 through March 29, 2026	15%
Third Measurement Period	March 29, 2026 through March 29, 2027	15%
Fourth Measurement Period	March 29, 2024 through March 29, 2027	55%

For each Measurement Period, the target number of Stock Units subject to the Award that will be allocated to that Measurement Period will be determined by multiplying the total target number of Stock Units subject to the Award by the percentage of Stock Units allocated to that Measurement Period (as shown above) ("Allocated Stock Units").

The Stock Units for a particular Measurement Period that will be eligible to vest will be determined by multiplying the Allocated Stock Units for that Measurement Period by the percentage of Stock Units vesting based on the Relative TSR (as defined below) achieved by the Corporation for that Measurement Period as follows:

Relative TSR Achieved for the Measurement Period	Performance Level	Percentage of Allocated Stock Units Vesting
<25th percentile	Below Threshold	0%
25th percentile	Threshold	50%
50th percentile	Target	100%
100th percentile	Maximum	200%

Provided that the level of Relative TSR achieved for a Measurement Period is at least "Threshold," the percentage of the Allocated Stock Units for that Measurement Period that will be eligible to vest for a Relative TSR for that Measurement Period achieved between the levels set forth in the table above will be determined based on straight-line interpolation between points (for clarity, if the Relative TSR achieved for the Measurement Period was the 60th percentile, the percentage of the Allocated Stock Units for that Measurement Period that will be eligible to vest would be 120%). In no event will the vesting percentage exceed 200% for any Measurement Period.

In the event of a termination of employment described under Paragraph 2B of this Agreement, this paragraph shall apply. For any Measurement Period listed above that begins after the Separation Date, the performance level of that Measurement Period will be deemed to be achieved at "Target". In the event the Separation Date is earlier than the end date of a Measurement Period listed above, the Separation Date shall become the end date of that Measurement Period.

In the event of a 409A Change in Control described under Paragraph 2C of this Agreement, this paragraph shall apply. For any Measurement Period listed above that begins after the date of the 409A Change in Control, the performance level for that Measurement Period will be deemed to be achieved at "Target". In the event the date of the 409A Change in Control is earlier than the end date of a Measurement Period listed above, the date of the 409A Change in Control shall become the end date of that Measurement Period.

Definitions. For purposes of this Appendix A, the following definitions shall apply:

"Absolute Total Shareholder Return" (or "Absolute TSR") means, as to the applicable company for the applicable Measurement Period, the cumulative (non-compounded) total return (expressed as a percentage) of an investment in the company's common stock for the Measurement Period, determined using the Beginning Stock Price to value the company's common stock at the start of the Measurement Period and the Ending Stock Price to value the company's common stock at the end of the Measurement Period. For purposes of such determination, the Ending Price (or one or more of the Closing Stock Prices used to determine the Ending Price, as the Administrator may determine) shall be equitably and proportionately adjusted by the Administrator to the extent (if any) determined necessary by the Administrator to preserve the intended incentives of the award and mitigate the impact of any stock split, stock dividend or reverse stock split occurring during the Measurement Period and the Beginning Price (or one or more of the Closing Stock Prices used to determine the Beginning Price, as the Administrator may determine) shall be equitably and proportionately adjusted by the Administrator to the extent (if any) determined necessary by the Administrator to preserve the intended incentives of the award and mitigate the impact of any stock split, stock dividend or reverse stock split occurring during the thirty (30) consecutive trading day period used to determine the Beginning Stock Price.

"Beginning Stock Price" as to a Measurement Period means the average of the Closing Stock Prices for the applicable company for the thirty (30) consecutive trading days ending with the first trading day of the Measurement Period.

"Closing Stock Price" means, as of any calendar day as to the applicable company for the applicable Measurement Period, the sum of (a) the closing price (in regular trading) for a share of the company's common stock on the principal stock exchange on which the company's common stock is then listed or admitted to trade (the "Exchange") for the date in question or, if no sales of the company's common stock were reported on the Exchange on that date, the closing price (in regular trading) for a share of the company's common stock on the Exchange for the next preceding day on which sales of the company's common stock were reported on the Exchange, plus (b) (as of any date after the Award Date) the amount of cash dividends paid by the company on a share of its common stock as to which the applicable ex-dividend date(s) are after the Award Date and on or before the particular calendar day in question. If the applicable company's common stock is no longer listed or admitted to trade on a national securities exchange as of any particular date, the Closing Stock Price for that date as to that company shall be the value as reasonably determined by the Administrator for purposes of the award in the circumstances.

"Ending Stock Price" means, as to a particular Measurement Period, the average of the Closing Stock Prices for the applicable company for the thirty (30) consecutive trading days ending with the last trading day of the Measurement Period.

"Performance Peer Group" means the following companies:

- Annaly Capital Management, Inc.
- Better Home & Finance Holding Company
- Cherry Hill Mortgage Investment Corporation
- Finance of America Companies, Inc.
- Guild Holdings Company
- loanDepot, Inc.
- MGIC Investment Corporation
- Mr. Cooper Group Inc.
- PennyMac Financial Services, Inc.
- Radian Group Inc.
- Redwood Trust, Inc.
- Rithm Capital Corp.
- Rocket Companies, Inc.
- Two Harbors Investment Corp.
- UWM Holdings Corporation

To measure relative performance, the Performance Peer Group will consist of (1) companies that are in the Performance Peer Group and are publicly-traded for the entire Measurement Period and (2) companies that are initially in the Performance Peer Group and cease to be publicly-traded during the Measurement Period because of insolvency (with the Absolute TSRs of such companies being deemed equal to the lowest Absolute TSR of companies that are in the Performance Peer Group for the entire period). Companies that are initially included in the Performance Peer Group but that cease to be publicly-traded during the Measurement Period because they are acquired or for other reasons will not be included in assessing relative performance and shall be deemed to be excluded from the Performance Peer Group.

"Relative Total Shareholder Return" (or "**Relative TSR**") means the Corporation's Absolute TSR ranked relative to the Absolute TSR values of companies in its Performance Peer Group (as defined above), expressed as a percentile where the highest Absolute TSR achieved by the Corporation or other company in the Performance Peer Group is the 100^{th} percentile and the lowest Absolute TSR achieved by the Corporation or other company in the Performance Peer Group is the 0^{th} percentile.

Determination. Following the end of each Measurement Period, the Administrator shall make a determination as to the Corporation's achievement of the performance-based vesting requirements set forth in this Appendix A as to that Measurement Period. Any portion of the Allocated Stock Units subject to the Award for a particular Measurement Period that are outstanding at the end of that Measurement Period and are not eligible to vest in accordance with this Appendix A based on the Corporation's performance for that Measurement Period shall terminate as of the last day of that Measurement Period (except as provided in Paragraph 2 of the Agreement). In all events, the Administrator's determination of the Corporation's performance during each Measurement Period, and the number of Stock Units eligible to vest, pursuant to this Appendix A shall be final and binding.

* * *

STOCK UNIT AWARD AGREEMENT

THIS STOCK UNIT AWARD AGREEMENT (this "Agreement") is made as of [DATE] (the "Award Date") between Ocwen Financial Corporation, a Florida corporation (the "Corporation"), and [NAME], an employee of the Corporation or of a Subsidiary (the "Participant").

WHEREAS, the Corporation desires, by granting to the Participant an award of stock units pursuant to the Corporation's 2021 Equity Incentive Plan (the "Plan"), to further the objectives of the Plan;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, and intending to be legally bound hereby, the parties hereto have agreed, and do hereby agree, as follows:

1. STOCK UNIT GRANT

The Corporation hereby grants to the Participant, pursuant to and subject to the Plan, an aggregate of [AMOUNT] stock units (the "Stock Units"), on the terms and conditions herein set forth (the "Award"). As used herein, the term "stock unit" shall mean a non-voting unit of measurement which is deemed for bookkeeping purposes to be equivalent to one outstanding share of the Corporation's Common Stock (subject to adjustment as provided in Section 7.1 of the Plan) solely for purposes of the Plan and this Agreement. The Stock Units shall be used solely as a device for the determination of the payment to eventually be made to the Participant if such Stock Units vest pursuant to Paragraph 2 below. The Stock Units shall not be treated as property or as a trust fund of any kind. Capitalized terms used herein and not otherwise defined herein shall have the meaning assigned to such terms in the Plan.

2. VESTING OF STOCK UNITS

A. Generally

Subject to the following provisions of this Paragraph 2 and Paragraph 4, the total number of Stock Units subject to the award will vest on [18 MONTHS FROM AWARD DATE] (the "Vesting Date", subject to adjustment as set forth in Paragraph 2 hereof).

B. Retirement, Termination by the Corporation Without Cause, Death or Disability

If, at any time on or before the third anniversary of the Award Date, the Participant's employment with the Corporation or any of its Subsidiaries terminates by reason of the Participant's (i) Retirement, (ii) termination by the Participant's employer without Cause (other than following a 409A Change of Control (as defined below)), (iii) death, or (iv) Disability occurring while employed by the Corporation or one of its Subsidiaries, the unvested portion of the Award that remains outstanding and is scheduled to vest on the Vesting Date following the date of the termination of the Participant's employment (the "Separation Date") shall immediately vest on a pro-rata basis in proportion to the percentage of the corresponding vesting period the Participant was employed by the Corporation or one of its Subsidiaries prior to the Separation Date, provided that in the event of Retirement or termination by the Participant's employer without Cause, the Participant satisfies the release requirement set forth in the following sentence. As a condition of any such vesting, in the event of Retirement of termination without Cause, the Participant shall, not later than 21 days after the Separation Date (or such longer period as may be required under applicable law for the Participant to consider the release in order for the release to be effective) provide the Corporation with a valid, executed written release of claims in a form acceptable to the Corporation, and such release shall not have been revoked by the Participant pursuant to any revocation rights afforded by applicable law.

Such Stock Units shall be paid in accordance with Paragraph 7 hereof, provided that the Vesting Date as to such Stock Units shall be deemed to be the Separation Date. Any remaining unvested portion of the Award after giving effect to such acceleration shall terminate and be cancelled as of the Separation Date. (For clarity, if the Participant's employment with the Corporation or any of its Subsidiaries terminated as set forth above mid-way between the Award Date and the Vesting Date, the Participant would vest in one-half of the number of Stock Units subject to the Award, and any remaining unvested portion of the Award would terminate and be cancelled.)

For purposes of this Agreement, "Retirement" shall mean termination (other than by reason of death, Disability (as defined below) or by the Participant's employer for Cause) of the Participant's employment with the Corporation or one of its Subsidiaries; provided, however, that for purposes of this Agreement only, the Participant must have attained the age of 60 and been an employee of the Corporation or any of its Subsidiaries for not less than 5 years as of the date of termination of employment by reason of Retirement.

For purposes of this Agreement, "Cause" shall mean that the Administrator, acting in good faith based on the information then available to it, determines that the Participant: (a) has been convicted of, or has pled guilty to, a felony (under the laws of the United States or any state thereof or other applicable jurisdiction); (b) has engaged in acts of fraud, material dishonesty or other acts of willful misconduct in the course of the Participant's duties for the Corporation or any of its Subsidiaries; (c) the Participant has willfully failed to substantially perform the Participant's duties for the Corporation or any of its Subsidiaries; (d) has materially breached any of the provisions of any agreement to which the Participant is a party with the Corporation or any of its Subsidiaries; or (e) has materially breached any written policy of the Corporation or any of its Subsidiaries that is applicable to the Participant in the course of the Participant's employment and has been communicated to the Participant; provided, however, as to clauses (c), (d) and (e) only, that Cause shall only exist if the Corporation or a Subsidiary (as the case may be) shall have provided written notice to the Participant of the condition(s) claimed to constitute Cause under such clause and the Participant shall have failed to remedy such circumstance(s) within 30 days following the date of such notice.

For purposes of this Agreement, "Disability" shall mean a physical or mental impairment which, as reasonably determined by the Administrator, renders the Participant unable to perform the essential functions of his or her employment with the Corporation or such Subsidiary, even with reasonable accommodation that does not impose an undue hardship on the Corporation or Subsidiary, for more than 180 days in any 12-month period, unless a longer period is required by federal or state law, in which case that longer period would apply.

For clarity, for purposes of this Agreement no termination of the Participant's employment shall be deemed to have occurred if the Participant ceases to be employed by the Corporation or a Subsidiary but, immediately thereafter, continues in the employ of another Subsidiary or the Corporation.

C. Change of Control

If a 409A Change of Control occurs, the Award, to the extent then outstanding and unvested, shall remain outstanding and eligible to vest on the Vesting Dates that are scheduled to occur after the date of such

409A Change of Control. Such Stock Units shall be paid in accordance with Paragraph 7 hereof. As used herein, “409A Change of Control” shall mean the occurrence of (a) a “change in the ownership” of the Corporation within the meaning of Treasury Regulation 1.409A-3(i)(5)(v) (which, for illustrative purposes, is generally triggered if any one person (or persons acting as a group) acquire ownership of Corporation stock which constitutes more than 50% of the total fair market value or total voting power of the stock of the Corporation), (b) a “change in the effective control” of the Corporation within the meaning of Treasury Regulation 1.409A-3(i)(5)(vi)(A)(1) (which, for illustrative purposes, is generally triggered if any one person (or persons acting as a group) acquire during a period of not more than twelve months ownership of stock of the Corporation possessing 30% or more of the total voting power of the stock of the Corporation; or certain majority changes in the membership of the Board occur over a period of not more than twelve months), or (c) a change “in the ownership of a substantial portion of the assets” of the Corporation within the meaning of Treasury Regulation 1.409A-3(i)(5)(vii) (which, for illustrative purposes, is generally triggered if any one person (or persons acting as a group) acquire during a period of not more than twelve months assets from the Corporation that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all assets of the Corporation immediately before such acquisition(s)).

Except as expressly otherwise provided in this Paragraph 2, the Participant’s continued employment at each applicable Vesting Date following the 409A Change of Control shall be a condition to the vesting of the applicable installment of the Award and the rights and benefits under this Agreement.

D. Post Change of Control Termination by the Corporation Without Cause or Resignation for Good Reason

If, following a 409A Change of Control, (i) the Corporation (or Subsidiary that employs the Participant, as the case may be) terminates the Participant’s employment for any reason other than Cause or (ii) the Participant resigns employment with the Corporation (or Subsidiary that employs the Participant, as the case may be) for Good Reason, the Stock Units subject to the Award that are outstanding and unvested as of such termination of the Participant’s employment shall vest as of the Separation Date and such Stock Units shall be paid in accordance with Paragraph 7 hereof except that the Vesting Date shall be deemed to be the Separation Date as to such Stock Units, subject, however, to the Participant satisfying the release requirement set forth in the following sentence. As a condition of any such vesting, the Participant shall, not later than 21 days after such a termination of the Participant’s employment (or such longer period as may be required under applicable law for the Participant to consider the release in order for the release to be effective) provide the Corporation with a valid, executed written release of claims in a form acceptable to the Corporation, and such release shall not have been revoked by the Participant pursuant to any revocation rights afforded by applicable law.

For the purposes of this Agreement, “Good Reason” means, a (1) a material reduction by the Corporation in Participant’s base salary; (2) a material diminution in Participant’s position; or (3) a relocation of Participant’s location of employment by more than 50 miles from the office where Participant is located as of the Award Date; provided, however, that any such condition or conditions, as applicable, shall not constitute grounds for a termination for Good Reason unless both (x) the Participant provides written notice to the Corporation of the condition(s) claimed to constitute grounds for Good Reason within 60 days of the initial existence of such condition(s), and (y) the Corporation or Subsidiary (as the case may be) fails to remedy such condition(s) within 30 days after receiving such written notice thereof; and provided, further, that in all events the termination of the Participant’s employment shall not constitute a termination for Good Reason unless such termination occurs not more than 180 days following the initial existence of the condition claimed to constitute grounds for Good Reason.

E. Continued Employment

Except as expressly otherwise provided in this Paragraph 2, continued employment through each applicable Vesting Date is a condition to the vesting of the applicable installment of the Award and the rights and benefits under this Agreement. Except as expressly otherwise provided in this Paragraph 2, employment for only a portion of the vesting period, even if a substantial portion, will not entitle the Participant to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment as provided in Paragraph 4 below or under the Plan. As used in this Agreement, references to the Participant's "employment" (and similar references to the Participant's being "employed" and an "employee") shall include any period when the Participant is either (i) an employee of the Corporation or any of its Subsidiaries or (ii) a member of the Board.

3. DIVIDEND AND VOTING RIGHTS

A. Limitations on Rights Associated with Units

The Participant shall have no rights as a stockholder of the Corporation, no dividend rights (except as expressly provided in Paragraph 3.B with respect to Dividend Equivalent Rights) and no voting rights, with respect to the Stock Units and any shares of Common Stock ("Shares") underlying or issuable in respect of such Stock Units until such Shares are actually issued to and held of record by the Participant. No adjustments will be made for dividends or other rights of a holder for which the record date is prior to the date of issuance of such Shares.

B. Dividend Equivalent Rights

As of any date that the Corporation pays an ordinary cash dividend on its Shares, the Corporation shall credit the Participant with an additional number of Stock Units equal to (i) the per share cash dividend paid by the Corporation on its Shares on such date, multiplied by (ii) the total number of Stock Units (including any dividend equivalents previously credited hereunder) (with such total number adjusted pursuant to Section 7 of the Plan) subject to the Award as of the related dividend payment record date, divided by (iii) the Fair Market Value of a Share on the date of payment of such dividend. Any Stock Units credited pursuant to the foregoing provisions of this Paragraph 3.B shall be subject to the same vesting, payment and other terms, conditions and restrictions as the original Stock Units to which they relate. No crediting of Stock Units shall be made pursuant to this Paragraph 3.B with respect to any Stock Units which, as of such record date, have either been paid pursuant to Paragraph 7 or terminated pursuant to Paragraph 4.

4. TERMINATION OF AWARD

If, prior to vesting of the entire Award, the Participant's employment with the Corporation or any of its Subsidiaries terminates other than under circumstances described in Paragraph 2, above (or if the termination occurs in circumstances described in Paragraph 2 above but a release or other condition to the treatment otherwise provided for in Paragraph 2 above in the circumstances is not satisfied), the Award, to the extent then outstanding and unvested, shall terminate and be cancelled as of the last day of the Participant's employment with the Corporation or such Subsidiary. If any unvested Stock Units are terminated hereunder (including, without limitation, pursuant to Paragraph 2 or this Paragraph 4), such Stock Units shall automatically terminate and be cancelled as of the applicable termination date without payment of any consideration by the Corporation and without any other action by the Participant, or the Participant's beneficiary or personal representative, as the case may be.

5. CONDITIONS UPON RETIREMENT

If the Participant's employment with the Corporation or any of its Subsidiaries terminates by reason of Retirement, the rights of the Participant with respect to the Award shall be subject to the conditions that until the Award is vested, he/she shall (a) not engage, either directly or indirectly, in any manner or capacity as advisor, principal, agent, partner, officer, director, employee, member of any association or otherwise, in any business or activity which is at the time competitive with any business or activity conducted by the Corporation or any of its direct or indirect Subsidiaries, and (b) be available, unless he/she shall have died, at reasonable times for consultations at the request of the Corporation's management with respect to phases of the business with which he/she was actively connected during his/her employment, but such consultations shall not be required to be performed during usual vacation periods or periods of illness or other incapacity or without reasonable compensation and cost reimbursement. In the event that either of the above conditions is not fulfilled, the Participant shall forfeit all rights to any outstanding and unvested portion of the Award, as of the date of the breach of the conditions of this Paragraph 5. Any determination by the Board that the Participant is or has engaged in a competitive business or activity as aforesaid or has not been available for consultations as aforesaid shall be conclusive.

6. NO EMPLOYMENT COMMITMENT

Nothing contained in this Agreement or the Plan constitutes an employment or service commitment by the Corporation or any of its Subsidiaries, affects the Participant's status as an employee at will who is subject to termination with or without Cause, confers upon the Participant any right to remain employed by or in service to the Corporation or any Subsidiary, interferes in any way with the right of the Corporation or any Subsidiary at any time to terminate such employment or services, or affects the right of the Corporation or any Subsidiary to increase or decrease the Participant's other compensation or benefits. Nothing in this Agreement, however, is intended to adversely affect any independent contractual right of the Participant without his or her consent thereto.

7. TIMING AND MANNER OF PAYMENT OF STOCK UNITS

On or as soon as administratively practical following each Vesting Date as provided in Paragraph 2 hereof (and in all events not later than 60 days after the Vesting Date), the Corporation shall deliver to the Participant a number of Shares (either by delivering one or more certificates for such Shares or by entering such Shares in book entry form, as determined by the Corporation in its discretion) (subject to any withholding for taxes pursuant to Paragraph 8) equal to the number of Stock Units that vested on such Vesting Date; provided, however, that if the Corporation's Common Stock is not listed or admitted to trade on any national securities exchange on such Vesting Date, the Corporation shall deliver (i) if a 409A Change of Control has occurred on or prior to the Vesting Date and the Corporation's Common Stock has ceased to be so listed or admitted to trade in connection with such 409A Change of Control, an amount equal to (a) the number of Stock Units vesting on such date multiplied by (b) the amount of the cash consideration paid for a share of Corporation Common Stock in such transaction, or (ii) if clause (i) is not applicable, such other amount as the Administrator determines, in its sole and absolute discretion, to be fair and reasonable and consistent with the purposes of the Award. The Participant shall have no further rights with respect to any Stock Units that are paid or that terminate pursuant to Paragraph 2 or Paragraph 4.

If the Participant is a "specified employee" within the meaning of Treasury Regulation Section 1.409A-1(i) as of the date of the Participant's separation from service with the Corporation, and payment pursuant to the preceding paragraph is to be made in connection with such separation from services, the Participant shall not be entitled to any payment or benefit pursuant to the preceding paragraph until the earlier of (i) the date which is six (6) months after the Participant's separation from service for any reason other than death, or (ii) the date of the Participant's death. The provisions of this paragraph shall only apply if, and to the extent, required to avoid the imputation of any tax, penalty or interest pursuant to Code Section 409A. Any amounts otherwise payable to the Participant upon or in the six (6) month period following the Participant's separation from service that are not so paid by reason of this paragraph shall be paid as soon as practicable (and in all events within thirty (30) days) after the date that is six (6) months after the Participant's separation from service (or, if earlier, as soon as practicable, and in all events within thirty (30) days, after the date of the Participant's death). If, in connection with the Participant's separation from service, the Participant is required to provide the Corporation with a release of claims and the maximum period in which the Participant has to consider, execute, and revoke such release of claims spans two calendar years, any payment of the Stock Units vesting in connection with such separation from service shall be made in the second of such two calendar years.

The timing of payment of any Stock Units may not be changed by the Corporation (including pursuant to any provision of the Plan), except as would satisfy Treasury Regulation Section 1.409A-3(j)(4).

8. TAX WITHHOLDING

Subject to compliance with all applicable laws, rules and regulations, upon any distribution of Shares in respect of the Stock Units, unless otherwise provided by the Committee, the Corporation shall automatically reduce the number of Shares to be delivered by (or otherwise reacquire) the appropriate number of whole Shares, valued at their then Fair Market Value, to satisfy any withholding obligations of the Corporation or its Subsidiaries with respect to such distribution of Shares. In the event that the Corporation cannot legally satisfy such withholding obligations by such reduction of Shares or the Committee otherwise provides that the Corporation will not so reduce the number of Shares delivered to satisfy such withholding obligations, or in the event of a cash payment or any other withholding event in respect of the Stock Units, the Corporation (or a Subsidiary) shall be entitled to require a cash payment by or on behalf of the Participant and/or to deduct from other compensation payable to the Participant (or any amount payable pursuant to the Award) any sums required by federal, state or local tax law to be withheld with respect to such distribution or payment.

9. ADJUSTMENT UPON SPECIFIED EVENTS

Upon the occurrence of certain events relating to the Corporation's stock contemplated by Section 7.1 of the Plan (including, without limitation, an extraordinary cash dividend on such stock), the Administrator shall make adjustments in accordance with such section to the number of Stock Units (or the consideration that may become payable with respect to a vested Stock Unit) then outstanding in respect of the Award. No such adjustment shall be made, however, as to any cash dividend or distribution that has already been taken into account in determining the Payment Value pursuant to Section 7.

10. NON-TRANSFERABILITY OF THE AWARD

The Award shall not be transferable otherwise than by will or by the applicable laws of descent and distribution. More particularly (but without limiting the generality of the foregoing), the Award may not be assigned, transferred (except as aforesaid), pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Award contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon the Award, shall be null and void and without effect.

11. HOLDING REQUIREMENT FOR SHARES DELIVERED UPON VESTING

A. As to any Shares acquired by the Participant in payment of the Stock Units that vest pursuant to this Agreement, the Participant agrees that the Participant will not sell, assign, transfer, pledge, hypothecate or otherwise dispose of such Shares (a "transfer" for purposes of this Section 11) prior to the date that is one (1) year after the Vesting Date on which the Stock Units to which such Shares relate became vested pursuant to this Agreement; provided, however, that the restrictions set forth in this Section 11 shall (i) not apply to any shares withheld or reacquired by the Corporation to satisfy tax withholding obligations as contemplated by Section 8, (ii) not apply to any Shares sold by the Participant to satisfy any tax liability arising in connection with the payment of the Stock Units (to the extent such tax liability exceeds the tax withholding amounts applicable to such Stock Unit payment), (iii) not apply to any transfer of shares made without consideration (or for only nominal consideration) to a "family member" (as such term is defined in the SEC General Instructions to a Registration Statement on Form S-8) of the Participant solely for purposes of estate or tax planning, and provided the transfer restrictions on such shares pursuant to this Section 11 continue in effect after any such transfer, and (iv) lapse upon the Participant's death or Disability, the occurrence of a 409A Change of Control, or as otherwise provided by the Corporation. The Corporation may provide for any Shares acquired with respect to the Stock Units and issued in book-entry form to include notations regarding the restrictions on transfer imposed under this Section 11 (or, as to any such shares issued in certificate form, provide for such certificates to bear appropriate legends regarding such transfer restrictions). For the avoidance of doubt, any and all transfers of the Shares from the Participant's account of record with the Corporation's stock transfer agent (*e.g.* transfer into "street name" holding via a brokerage account) shall be prohibited while the transfer restrictions in the preceding sentence are in effect as to such Shares.

B. Any Shares transferred or subject to attempted transfer in violation of this Section 11 shall (unless otherwise expressly provided by the Corporation) be subject to forfeiture to the Corporation. Furthermore, in the event of a transfer of Shares by the Participant in violation of this Section 11, the proceeds, gains or other economic benefit actually or constructively received by the Participant in connection with the transfer of such Shares in violation of this Section 11 shall (unless otherwise expressly provided by the Corporation) be subject to forfeiture to the Corporation.

C. In addition to the provisions of this Section 11, any transfer of Shares is subject to (without limitation) applicable state and federal securities laws, as well as all applicable Corporation policies (including, without limitation, insider trading policies and any clawback, recoupment or similar policy).

12. PAYMENT OF EXPENSES AND COMPLIANCE WITH LAWS

A. The Corporation shall (for so long as the award is payable in Shares) reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of this Agreement, shall pay all original issue and/or transfer taxes with respect to the issue and/or transfer of Shares pursuant hereto to the Participant and all other fees and expenses necessarily incurred by the Corporation in connection therewith and will from time to time use its best efforts to comply with all laws and regulations which, in the opinion of counsel for the Corporation, shall be applicable thereto.

B. The Participant hereby represents and covenants that (a) any Shares acquired upon the vesting of the Award will be acquired for investment and not with a view to the distribution thereof within the meaning of the Securities Act of 1933, as amended (the "Securities Act"), unless such acquisition has been registered under the Securities Act and any applicable state securities law; (b) any subsequent sale of any such Shares shall be made either pursuant to an effective registration statement under the Securities Act and any applicable state securities laws, or pursuant to an exemption from registration under the Securities Act and such state securities laws; and (c) if requested by the Corporation, the Participant shall submit a written statement, in form satisfactory to the Corporation, to the effect that such representation (x) is true and correct as of the date of acquisition of any Shares hereunder or (y) is true and correct as of the date of any sale of any such Shares, as applicable. As a further condition precedent to the delivery to the Participant of any Shares subject to the Award, the Participant shall comply with all regulations and requirements of any regulatory authority having control of or supervision over the issuance of the Shares and, in connection therewith, shall execute any documents which the Corporation shall in its sole discretion deem necessary or advisable.

C. The Award is subject to the condition that if the listing, registration or qualification of the Shares subject to the Award upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action is necessary or desirable as a condition of, or in connection with, the vesting or delivery of the Shares hereunder, the Shares subject to the Award shall not vest or be delivered, in whole or in part, unless such listing, registration, qualification, consent or approval shall have been effected or obtained, free of any conditions not acceptable to the Corporation. The Corporation agrees to use reasonable efforts to effect or obtain any such listing, registration, qualification, consent or approval.

13. AMENDMENT

In the event that the Board amends the Plan and such amendment modifies or otherwise affects the subject matter of this Agreement, this Agreement shall, to that extent, be deemed to be amended by such amendment to the Plan. However, the timing of payment of the Award (to the extent it becomes vested) shall be as set forth in this Award Agreement and may not be changed (pursuant to the Plan, any amendment thereto, or otherwise) except as would be compliant with (and not result in any tax, penalty or interest under) Section 409A of the Internal Revenue Code of 1986, as amended (the "Code").

14. CONSTRUCTION

In the event of any conflict between the Plan and this Agreement, the provisions of the Plan shall control. If any provision of this Agreement is held to be invalid or unenforceable for any reason, such provision shall be conformed to prevailing law rather than voided, if possible, in order to achieve the intent of the parties and, in any event, the remaining provisions of this Agreement shall remain in full force and effect and shall be binding upon the parties hereto. This Agreement shall be governed in all respects by the laws of the State of Florida.

15. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement between the Corporation and the Participant and supersedes all other discussions, correspondence, representations, understandings and agreements between the parties, with respect to the subject matter hereof.

16. HEADINGS

The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed a part hereof.

17. CLAWBACK POLICY

The Stock Units are subject to the terms of the Corporation's recoupment, clawback or similar policy as it may be in effect from time to time, as well as any similar provisions of applicable law, any of which could in certain circumstances require repayment or forfeiture of the Stock Units, Shares received upon vesting of the Stock Units, or cash received with respect to the sale of Shares underlying the Stock Units.

18. SECTION 409A

It is intended that any amounts payable under this Agreement shall either be exempt from or comply with Section 409A of the Code (including the Treasury regulations and other published guidance relating thereto) so as not to subject the Participant to payment of any additional tax, penalty or interest imposed under Code Section 409A. The provisions of this Agreement shall be construed and interpreted to avoid the imputation of any such additional tax, penalty or interest under Code Section 409A yet preserve (to the nearest extent reasonably possible) the intended benefit payable to the Participant.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

OCWEN FINANCIAL CORPORATION

By: ____________________

PARTICIPANT

By: __________________________________

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: May 2, 2024

/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.

May 2, 2024

/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 March 31, 2024 (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:	May 2, 2024

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 March 31, 2024 (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:	May 2, 2024