

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2019

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

(State or other jurisdiction of incorporation or organization)

**1661 Worthington Road, Suite 100
West Palm Beach, Florida**

(Address of principal executive office)

65-0039856

(I.R.S. Employer Identification No.)

33409

(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 (NYSE) |

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 | <input type="checkbox"/> | Accelerated filer | <input checked="" type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |
| | | Emerging growth company | <input type="checkbox"/> |

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 August 1, 2019: 134,595,798 shares

OCWEN FINANCIAL CORPORATION
FORM 10-Q
TABLE OF CONTENTS

| | <u>PAGE</u> |
|---|-------------|
| PART I - FINANCIAL INFORMATION | |
| Item 1. Unaudited Consolidated Financial Statements | 3 |
| Consolidated Balance Sheets at June 30, 2019 and December 31, 2018 | 4 |
| Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2019 and 2018 | 5 |
| Consolidated Statements of Comprehensive Loss for the Three and Six Months Ended June 30, 2019 and 2018 | 6 |
| Consolidated Statements of Changes in Equity for the Three and Six Months Ended June 30, 2019 and 2018 | 7 |
| Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2019 and 2018 | 9 |
| Notes to Unaudited Consolidated Financial Statements | 10 |
| Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations | 63 |
| Item 3. Quantitative and Qualitative Disclosures about Market Risk | 95 |
| Item 4. Controls and Procedures | 98 |
| PART II - OTHER INFORMATION | |
| Item 1. Legal Proceedings | 99 |
| Item 1A. Risk Factors | 99 |
| Item 6. Exhibits | 99 |
| Signatures | 101 |

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, without limitation, statements regarding our financial position, business strategy and other plans and objectives for our future operations, are forward-looking statements.

These statements include declarations regarding our management's beliefs and current expectations. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could", "intend," "consider," "expect," "plan," "anticipate," "believe," "estimate," "predict" or "continue" or the negative of such terms or other comparable terminology. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. Our business has been undergoing substantial change, which has magnified such uncertainties. 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 or referenced under Item 1A, Risk Factors and the following:

- uncertainty related to claims, litigation, cease and desist orders and investigations brought by government agencies and private parties regarding our servicing, foreclosure, modification, origination and other practices, including uncertainty related to past, present or future investigations, litigation, cease and desist orders and settlements with 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) and actions brought under the False Claims Act by private parties on behalf of the United States of America regarding incentive and other payments made by governmental entities;
- adverse effects on our business because of regulatory investigations, litigation, cease and desist orders or settlements;
- reactions to the announcement of such investigations, litigation, cease and desist orders or settlements by key counterparties or others, including lenders, the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac, and together with Fannie Mae, the GSEs) and the Government National Mortgage Association (Ginnie Mae);
- our ability to reach settlements with regulatory agencies and state attorneys general on reasonable terms and to comply with the terms of our settlements;
- increased regulatory scrutiny, and media attention;
- any adverse developments in existing legal proceedings or the initiation of new legal proceedings;
- our ability to effectively manage our regulatory and contractual compliance obligations;
- our ability to comply with our servicing agreements, including our ability to comply with our agreements with, and the requirements of, Fannie Mae, Freddie Mac and Ginnie Mae and maintain our seller/servicer and other statuses with them;
- the adequacy of our financial resources, including our sources of liquidity and ability to sell, fund and recover advances, repay, renew and extend borrowings, borrow additional amounts as and when required, meet our asset investment objectives and comply with our debt agreements, including the financial and other covenants contained in them;
- our ability to invest in mortgage servicing rights (MSRs) or other assets at adequate risk-adjusted returns, including our ability to negotiate and execute purchase documentation and satisfy closing conditions so as to consummate the acquisition of MSRs that have been awarded to us;
- limits on our ability to repurchase our own stock as a result of regulatory settlements and other conditions;
- our servicer and credit ratings as well as other actions from various rating agencies, including the impact of prior or future downgrades of our servicer and credit ratings;
- failure of our information technology and other security measures or breach of our privacy protections, including any failure to protect customers' data;
- volatility in our stock price;
- the characteristics of our servicing portfolio, including prepayment speeds along with delinquency and advance rates;
- our ability to execute on our cost re-engineering efforts to reduce operating costs while minimizing disruption from our human capital and site closure initiatives;
- our ability to successfully modify delinquent loans, manage foreclosures and sell foreclosed properties;
- uncertainty related to legislation, regulations, regulatory agency actions, regulatory examinations, government programs and policies, industry initiatives and evolving best servicing practices;
- our ability to maintain our long-term relationship with New Residential Investment Corp. (NRZ), our largest servicing client and the source for a substantial portion of our advance funding for non-agency MSRs;
- our ability to timely and cost-effectively transfer MSRs under our agreements with NRZ;

- our ability to successfully integrate PHH Corporation (PHH) and its business, and to realize the strategic objectives and other benefits of the acquisition at the time anticipated or at all, including our ability to integrate, maintain and enhance PHH's servicing, subservicing and other business relationships, including its relationship with NRZ;
- our ability to identify and address any issues arising in connection with the transfer of loans to the Black Knight Financial Services, Inc. (Black Knight) LoanSphere MSP® servicing system (Black Knight MSP) without incurring significant cost or disruption to our operations;
- our ability to reduce organizational complexity through our corporate reorganization initiatives;
- the loss of the services of our senior managers and our ability to execute effective executive officer leadership transitions;
- uncertainty related to general economic and market conditions, delinquency rates, home prices and disposition timelines on foreclosed properties;
- uncertainty related to the actions of loan owners and guarantors, including mortgage-backed securities investors, 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 or Department of Veterans Affairs (VA) ceasing to provide insurance;
- uncertainty related to the processes for judicial and non-judicial foreclosure proceedings, including potential additional costs or delays or moratoria in the future or claims pertaining to past practices;
- our ability to adequately manage and maintain real estate owned (REO) properties and vacant properties collateralizing loans that we service;
- uncertainty related to our ability to continue to collect certain expedited payment or convenience fees and potential liability for charging such fees;
- uncertainty related to our reserves, valuations, provisions and anticipated realization of assets;
- uncertainty related to the ability of third-party obligors and financing sources to fund servicing advances on a timely basis on loans serviced by us;
- uncertainty related to the ability of our technology vendors to adequately maintain and support our systems, including our servicing systems, loan originations and financial reporting systems;
- our ability to realize anticipated future gains from future draws on existing loans in our reverse mortgage portfolio;
- our ability to effectively manage our exposure to interest rate changes and foreign exchange fluctuations;
- uncertainty related to our ability to adapt and grow our business, including our new business initiatives;
- our ability to meet capital requirements established by, or agreed with, regulators or counterparties;
- our ability to protect and maintain our technology systems and our ability to adapt such systems for future operating environments; and
- uncertainty related to the political or economic stability of foreign countries in which we have operations.

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, 2018 and our Quarterly Reports on Form 10-Q and 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 thousands, except per share data)

| | June 30, 2019 | December 31, 2018 |
|---|---------------------|---------------------|
| Assets | | |
| Cash | \$ 287,724 | \$ 329,132 |
| Restricted cash (amounts related to variable interest entities (VIEs) of \$15,489 and \$20,968) | 60,708 | 67,878 |
| Mortgage servicing rights (MSRs), at fair value | 1,312,633 | 1,457,149 |
| Advances, net | 229,167 | 249,382 |
| Match funded advances (related to VIEs) | 875,332 | 937,294 |
| Loans held for sale (\$135,691 and \$176,525 carried at fair value) | 196,071 | 242,622 |
| Loans held for investment, at fair value (amounts related to VIEs of \$25,324 and \$26,520) | 5,897,731 | 5,498,719 |
| Receivables, net | 187,985 | 198,262 |
| Premises and equipment, net | 57,598 | 33,417 |
| Other assets (\$7,760 and \$7,568 carried at fair value)(amounts related to VIEs of \$1,418 and \$2,874) | 522,844 | 379,567 |
| Assets related to discontinued operations | — | 794 |
| Total assets | \$ 9,627,793 | \$ 9,394,216 |
| Liabilities and Equity | | |
| Liabilities | | |
| Home Equity Conversion Mortgage-Backed Securities (HMBS) related borrowings, at fair value | \$ 5,745,383 | \$ 5,380,448 |
| Match funded liabilities (related to VIEs) | 671,796 | 778,284 |
| Other financing liabilities (\$868,610 and \$1,057,671 carried at fair value) (amounts related to VIEs of \$23,697 and \$24,815) | 931,451 | 1,127,613 |
| Other secured borrowings, net | 516,481 | 382,538 |
| Senior notes, net | 447,577 | 448,727 |
| Other liabilities (\$3,934 and \$4,986 carried at fair value) | 892,211 | 703,636 |
| Liabilities related to discontinued operations | — | 18,265 |
| Total liabilities | 9,204,899 | 8,839,511 |
| Commitments and Contingencies (Notes 20 and 21) | | |
| Stockholders' Equity | | |
| Common stock, \$.01 par value; 200,000,000 shares authorized; 134,595,798 and 133,912,425 shares issued and outstanding at June 30, 2019 and December 31, 2018 respectively | 1,346 | 1,339 |
| Additional paid-in capital | 555,696 | 554,056 |
| (Accumulated deficit) retained earnings | (130,648) | 3,567 |
| Accumulated other comprehensive loss, net of income taxes | (3,500) | (4,257) |
| Total stockholders' equity | 422,894 | 554,705 |
| Total liabilities and stockholders' equity | \$ 9,627,793 | \$ 9,394,216 |

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 thousands, except per share data)

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|--|-------------------------------------|--------------------|-----------------------------------|--------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Revenue | | | | |
| Servicing and subservicing fees | \$ 239,182 | \$ 222,227 | \$ 495,045 | \$ 444,365 |
| Gain on loans held for sale, net | 15,075 | 24,393 | 32,670 | 44,193 |
| Other revenue, net | 20,081 | 6,961 | 50,511 | 25,280 |
| Total revenue | 274,338 | 253,581 | 578,226 | 513,838 |
| Expenses | | | | |
| MSR valuation adjustments, net | 147,268 | 33,118 | 256,266 | 50,247 |
| Compensation and benefits | 82,283 | 69,838 | 176,979 | 147,913 |
| Servicing and origination | 21,510 | 28,276 | 50,208 | 59,694 |
| Technology and communications | 20,001 | 23,906 | 44,436 | 46,709 |
| Professional services | 37,136 | 32,389 | 40,577 | 70,159 |
| Occupancy and equipment | 18,699 | 12,859 | 35,288 | 25,473 |
| Other expenses | 4,597 | 5,264 | 7,845 | 11,956 |
| Total expenses | 331,494 | 205,650 | 611,599 | 412,151 |
| Other income (expense) | | | | |
| Interest income | 3,837 | 3,355 | 8,395 | 6,055 |
| Interest expense | (31,571) | (77,503) | (102,016) | (128,313) |
| Bargain purchase gain | (96) | — | (381) | — |
| Other, net | 653 | (2,188) | 1,958 | (2,869) |
| Total other expense, net | (27,177) | (76,336) | (92,044) | (125,127) |
| Loss before income taxes | (84,333) | (28,405) | (125,417) | (23,440) |
| Income tax expense | 5,404 | 1,348 | 8,814 | 3,696 |
| Net loss | (89,737) | (29,753) | (134,231) | (27,136) |
| Net income attributable to non-controlling interests | — | (78) | — | (147) |
| Net loss attributable to Ocwen stockholders | \$ (89,737) | \$ (29,831) | \$ (134,231) | \$ (27,283) |
| Loss per share attributable to Ocwen stockholders | | | | |
| Basic and Diluted | \$ (0.67) | \$ (0.22) | \$ (1.00) | \$ (0.20) |
| Weighted average common shares outstanding | | | | |
| Basic and Diluted | 134,465,741 | 133,856,132 | 134,193,874 | 133,490,828 |

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

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

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|-------------------------------------|--------------------|-----------------------------------|--------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Net loss | \$ (89,737) | \$ (29,753) | \$ (134,231) | \$ (27,136) |
| Other comprehensive income, net of income taxes: | | | | |
| Reclassification adjustment for losses on cash flow hedges included in net income (1) | 36 | 37 | 70 | 78 |
| Change in unfunded pension plan obligation liability | 337 | — | 674 | — |
| Other | 7 | — | 13 | — |
| Comprehensive loss | <u>(89,357)</u> | <u>(29,716)</u> | <u>(133,474)</u> | <u>(27,058)</u> |
| Comprehensive income attributable to non-controlling interests | — | (78) | — | (147) |
| Comprehensive loss attributable to Ocwen stockholders | <u>\$ (89,357)</u> | <u>\$ (29,794)</u> | <u>\$ (133,474)</u> | <u>\$ (27,205)</u> |

(1) These losses are reclassified to Other, net in the unaudited consolidated statements of operations.

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 AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(Dollars in thousands)

| | Ocwen Stockholders | | | | | | Non-controlling Interest in Subsidiaries | Total |
|--|--------------------|-----------------|----------------------------|---|---|-----------------|--|-------|
| | Common Stock | | Additional Paid-in Capital | (Accumulated Deficit) Retained Earnings | Accumulated Other Comprehensive Loss, Net of Income Taxes | | | |
| | Shares | Amount | | | | | | |
| Three Months Ended June 30, 2019 and 2018 | | | | | | | | |
| Balance at March 31, 2019 | 133,946,055 | \$ 1,339 | \$ 555,046 | \$ (40,911) | \$ (3,880) | \$ — | \$ 511,594 | |
| Net loss | — | — | — | (89,737) | — | — | (89,737) | |
| Equity-based compensation | 649,743 | 7 | 650 | — | — | — | 657 | |
| Other comprehensive income, net of income taxes | — | — | — | — | 380 | — | 380 | |
| Balance at June 30, 2019 | <u>134,595,798</u> | <u>\$ 1,346</u> | <u>\$ 555,696</u> | <u>\$ (130,648)</u> | <u>\$ (3,500)</u> | <u>\$ —</u> | <u>\$ 422,894</u> | |
| Balance at March 31, 2018 | 133,405,585 | \$ 1,334 | \$ 553,426 | \$ 76,887 | \$ (1,208) | \$ 1,903 | \$ 632,342 | |
| Net (loss) income | — | — | — | (29,831) | — | 78 | (29,753) | |
| Capital distribution to non-controlling interest | — | — | — | — | — | (822) | (822) | |
| Equity-based compensation and other | 506,840 | 5 | (626) | — | — | — | (621) | |
| Other comprehensive income, net of income taxes | — | — | — | — | 37 | — | 37 | |
| Balance at June 30, 2018 | <u>133,912,425</u> | <u>\$ 1,339</u> | <u>\$ 552,800</u> | <u>\$ 47,056</u> | <u>\$ (1,171)</u> | <u>\$ 1,159</u> | <u>\$ 601,183</u> | |

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

| | Ocwen Stockholders | | | | | | | Total |
|---|--------------------|-----------------|----------------------------------|--|---|--|-------------------|-------|
| | Common Stock | | Additional Paid-in Capital | (Accumulated Deficit) Retained Earnings | Accumulated Other Comprehensive Loss, Net of Income Taxes | Non- controlling Interest in Subsidiaries | | |
| | Shares | Amount | | | | | | |
| Six months ended June 30, 2019 and 2018 | | | | | | | | |
| Balance at December 31, 2018 | 133,912,425 | \$ 1,339 | \$ 554,056 | \$ 3,567 | \$ (4,257) | \$ — | \$ 554,705 | |
| Net loss | — | — | — | (134,231) | — | — | (134,231) | |
| Cumulative effect of adoption of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016- 02 | — | — | — | 16 | — | — | 16 | |
| Equity-based compensation | 683,373 | 7 | 1,640 | — | — | — | 1,647 | |
| Other comprehensive income, net of income taxes | — | — | — | — | 757 | — | 757 | |
| Balance at June 30, 2019 | <u>134,595,798</u> | <u>\$ 1,346</u> | <u>\$ 555,696</u> | <u>\$ (130,648)</u> | <u>\$ (3,500)</u> | <u>\$ —</u> | <u>\$ 422,894</u> | |
| Balance at December 31, 2017 | 131,484,058 | \$ 1,315 | \$ 547,057 | \$ (2,083) | \$ (1,249) | \$ 1,834 | \$ 546,874 | |
| Net (loss) income | — | — | — | (27,283) | — | 147 | (27,136) | |
| Issuance of common stock | 1,875,000 | 19 | 5,700 | — | — | — | 5,719 | |
| Cumulative effect of fair value election - MSRs | — | — | — | 82,043 | — | — | 82,043 | |
| Cumulative effect of adoption of FASB ASU No. 2016-16 | — | — | — | (5,621) | — | — | (5,621) | |
| Capital distribution to non-controlling interest | — | — | — | — | — | (822) | (822) | |
| Equity-based compensation and other | 553,367 | 5 | 43 | — | — | — | 48 | |
| Other comprehensive income, net of income taxes | — | — | — | — | 78 | — | 78 | |
| Balance at June 30, 2018 | <u>133,912,425</u> | <u>\$ 1,339</u> | <u>\$ 552,800</u> | <u>\$ 47,056</u> | <u>\$ (1,171)</u> | <u>\$ 1,159</u> | <u>\$ 601,183</u> | |

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 thousands)

| | For the Six Months Ended June 30, | |
|--|--|-------------------|
| | 2019 | 2018 |
| Cash flows from operating activities | | |
| Net loss | \$ (134,231) | \$ (27,136) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| MSR valuation adjustments, net | 256,266 | 50,247 |
| Gain on sale of MSRs, net | (869) | (1,036) |
| Provision for bad debts | 17,158 | 25,879 |
| Depreciation | 19,563 | 12,640 |
| Equity-based compensation expense | 1,664 | 772 |
| Gain on valuation of financing liability | (76,981) | (8,642) |
| Net gain on valuation of mortgage loans held for investment and HMBS-related borrowings | (37,201) | (7,930) |
| Gain on loans held for sale, net | (19,887) | (16,744) |
| Bargain purchase gain | 381 | — |
| Origination and purchase of loans held for sale | (501,696) | (838,581) |
| Proceeds from sale and collections of loans held for sale | 513,706 | 800,982 |
| Changes in assets and liabilities: | | |
| Decrease in advances and match funded assets | 91,679 | 182,481 |
| Decrease in receivables and other assets, net | 79,931 | 86,606 |
| Decrease in other liabilities | (79,753) | (68,556) |
| Other, net | (927) | 5,588 |
| Net cash provided by operating activities | <u>128,803</u> | <u>196,570</u> |
| Cash flows from investing activities | | |
| Origination of loans held for investment | (427,021) | (487,472) |
| Principal payments received on loans held for investment | 232,514 | 186,216 |
| Purchase of MSRs | (99,382) | — |
| Proceeds from sale of MSRs | 1,401 | 224 |
| Proceeds from sale of advances | 2,132 | 4,726 |
| Issuance of automotive dealer financing notes | — | (19,642) |
| Collections of automotive dealer financing notes | — | 52,581 |
| Additions to premises and equipment | (1,133) | (6,398) |
| Other, net | 3,700 | 3,577 |
| Net cash used in investing activities | <u>(287,789)</u> | <u>(266,188)</u> |
| Cash flows from financing activities | | |
| Repayment of match funded liabilities, net | (106,488) | (247,924) |
| Proceeds from mortgage loan warehouse facilities and other secured borrowings | 1,137,418 | 1,546,226 |
| Repayment of mortgage loan warehouse facilities and other secured borrowings | (1,222,471) | (1,812,568) |
| Proceeds from issuance of additional senior secured term loan (SSTL) | 119,100 | — |
| Repayment of SSTL borrowings | (12,716) | (58,375) |
| Payment of debt issuance costs related to SSTL | (1,284) | — |
| Proceeds from sale of MSRs accounted for as a financing | 876 | 279,586 |
| Proceeds from sale of Home Equity Conversion Mortgages (HECM, or reverse mortgages) accounted for as a financing (HMBS-related borrowings) | 425,106 | 499,576 |
| Repayment of HMBS-related borrowings | (228,015) | (181,548) |
| Capital distribution to non-controlling interest | — | (822) |
| Other, net | (1,118) | (991) |
| Net cash provided by financing activities | <u>110,408</u> | <u>23,160</u> |
| Net decrease in cash and restricted cash | (48,578) | (46,458) |
| Cash and restricted cash at beginning of year | 397,010 | 302,560 |
| Cash and restricted cash at end of period | <u>\$ 348,432</u> | <u>\$ 256,102</u> |
| Supplemental non-cash investing and financing activities | | |
| Issuance of common stock in connection with litigation settlement | \$ — | \$ 5,719 |

Recognition of gross right-of-use asset and lease liability upon adoption of FASB ASU No. 2016-02:

| | | |
|---|--------|-------|
| Right-of-use asset | 66,231 | — |
| Lease liability | 66,247 | — |
| Transfers of loans held for sale to real estate owned (REO) | 3,153 | 1,358 |

The following table provides a reconciliation of cash and restricted cash reported within the unaudited consolidated balance sheets that sums to the total of the same such amounts reported in the unaudited consolidated statements of cash flows:

| | June 30, 2019 | June 30, 2018 |
|---|-------------------|-------------------|
| Cash | \$ 287,724 | \$ 228,412 |
| Restricted cash and equivalents: | | |
| Debt service accounts | 19,588 | 24,278 |
| Other restricted cash | 41,120 | 3,412 |
| Total cash and restricted cash reported in the statements of cash flows | <u>\$ 348,432</u> | <u>\$ 256,102</u> |

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

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019
(Dollars in thousands, except per share data and unless otherwise indicated)

Note 1 – Organization, Business Environment and Basis of Presentation

Organization

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

Ocwen directly or indirectly owns all of the outstanding stock of its operating subsidiaries: PMC, Liberty and Ocwen Financial Solutions Private Limited (OFSPL). Ocwen also owns all of the common stock of Ocwen Mortgage Servicing, Inc. (OMS).

We perform servicing activities on behalf of other servicers (subservicing), the largest being New Residential Investment Corp. (NRZ), and investors (primary and master servicing), including the Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac) (collectively, the GSEs), the Government National Mortgage Association (Ginnie Mae) and private-label securitizations (non-Agency). As a subservicer or primary servicer, we may be required to make advances for certain property tax and insurance premium payments, default and property maintenance payments and principal and interest payments on behalf of delinquent borrowers to mortgage loan investors before recovering them from borrowers. Most, but not all, of our subservicing agreements provide for us to be reimbursed for any such advances by the owner of the servicing rights. Advances made by us as primary servicer are recovered from the borrower or the mortgage loan investor. As master servicer, we collect mortgage payments from primary servicers and distribute the funds to investors in the mortgage-backed securities. To the extent the primary servicer does not advance the scheduled principal and interest, as master servicer we are responsible for advancing the shortfall, subject to certain limitations.

We originate, sell and securitize conventional (conforming to the underwriting standards of Fannie Mae or Freddie Mac; collectively referred to as Agency loans) and government-insured (Federal Housing Administration (FHA) or Department of Veterans Affairs (VA)) forward mortgages. The GSEs or Ginnie Mae guarantee these mortgage securitizations. We originate HECM loans, or reverse mortgages, that are insured by the FHA and are an approved issuer of HMBS that are guaranteed by Ginnie Mae.

We had a total of approximately 6,200 employees at June 30, 2019 of which approximately 3,700 were located in India and approximately 500 were based in the Philippines. Our operations in India and the Philippines primarily provide internal support services, principally to our loan servicing business and our corporate functions. Of our foreign-based employees, more than 80% were engaged in supporting our loan servicing operations as of June 30, 2019.

Business Environment

We are facing certain challenges and uncertainties that could have significant adverse effects on our business, financial condition, liquidity and results of operations. The ability of management to appropriately address these challenges and uncertainties in a timely manner is critical to our ability to operate our business successfully.

Losses have significantly eroded stockholders' equity and weakened our financial condition. Our near-term priority is to return to profitability in the shortest timeframe possible within an appropriate risk and compliance environment. We believe our acquisition of PHH Corporation (PHH) provided us with the opportunity to transform into a stronger, more efficient company better able to serve our customers and clients, and positioned us to execute on strategies to enable a return to profitability. See Note 2 – Business Acquisition for additional information regarding the acquisition of PHH.

Now that we have consummated our acquisition of PHH, if we can execute on our key business initiatives, we believe we will drive stronger financial performance.

First, we must successfully execute on the integration of PHH's business with ours, including a smooth transition onto the Black Knight Financial Services, Inc. (Black Knight) LoanSphere MSP[®] servicing system (Black Knight MSP). During the second quarter of 2019, we completed the transfer of the remainder of our portfolio of residential mortgages that were on the REALServicing[®] servicing system to Black Knight MSP.

Second, we must re-engineer our cost structure to go beyond eliminating redundant costs through the integration process. Our cost re-engineering plans address organizational, process and control redesign, human capital planning, off-shore

utilization, strategic sourcing and facilities rationalization. As part of our cost re-engineering plans, we expect to reduce total staffing levels significantly and to close a number of our U.S. facilities. We believe these steps are necessary in order to drive stronger financial performance and, in the longer term, simplify our operations.

We anticipate that a substantial portion of our expense reductions, and the related re-engineering costs, will be realized in the second half of 2019 now that we have completed the transition onto Black Knight MSP and completed the mergers of two of our primary licensed operating entities into PMC. We successfully completed the first phase of our entity mergers during the first quarter, merging Homeward Residential, Inc. (Homeward) into PMC, with PMC being the surviving corporation. During the second quarter, we successfully completed the second phase of our entity mergers, merging Ocwen Loan Servicing, LLC (OLS) into PMC, with PMC being the surviving corporation.

Third, we must manage the size of our servicing portfolio through expanding our lending business and permissible acquisitions of MSRs that are prudent and well-executed with appropriate financial return targets. During the first six months of 2019, we closed MSR acquisitions with \$10.8 billion unpaid principal balance (UPB).

Fourth, we must ensure that we continue to manage our balance sheet to provide a solid platform for executing on our other key business initiatives. On March 18, 2019, we increased our SSTL by \$120.0 million, providing incremental liquidity to address maturing debt assumed in the PHH acquisition. On July 1, 2019, we established a financing facility secured by MSRs that provides up to \$300.0 million in committed borrowing capacity. We believe this facility will enable the funding of the majority of our near term MSR acquisition initiatives. See Note 22 – Subsequent Events for additional information regarding this facility.

Finally, we must fulfill our regulatory commitments and resolve our remaining legal and regulatory matters on satisfactory terms. Our business, operating results and financial condition have been significantly impacted in recent periods by regulatory actions against us and by significant litigation matters. Should the number or scope of regulatory or legal actions against us increase or expand or should we be unable to reach reasonable resolutions in existing regulatory and legal matters, our business, reputation, financial condition, liquidity and results of operations could be materially and adversely affected, even if we are successful in our ongoing efforts to drive stronger financial performance. See Note 19 – Regulatory Requirements and Note 21 – Contingencies for further information.

Our ability to execute on our key initiatives is not certain and is dependent on the successful execution of several complex actions, including our ability to acquire MSRs with appropriate financial return targets, U.S. facilities consolidation and organizational redesign and headcount reductions, as well as the absence of significant unforeseen costs, including regulatory or legal costs, that could negatively impact our cost re-engineering efforts. There can be no assurances that the desired strategic and financial benefits of these actions will be realized.

Regarding the current maturities of our borrowings, as of June 30, 2019 we have approximately \$827.7 million of debt outstanding under facilities coming due in the next 12 months. Portions of our match funded facilities and all of our mortgage loan warehouse facilities have 364-day terms consistent with market practice. We have historically renewed these facilities on or before their expiration in the ordinary course of financing our business. We expect to renew, replace or extend all such borrowings to the extent necessary to finance our business on or prior to their respective maturities consistent with our historical experience.

Our debt agreements contain various qualitative and quantitative events of default provisions that include, among other things, noncompliance with covenants, breach of representations, or the occurrence of a material adverse change. If a lender were to allege an event of default and we are unable to avoid, remedy or secure a waiver of such alleged default, we could be subject to adverse actions by our lenders that could have a material adverse impact on us. In addition, PMC and Liberty are parties to seller/servicer agreements and/or subject to guidelines and regulations (collectively, seller/servicer obligations) with one or more of the GSEs, the Department of Housing and Urban Development (HUD), FHA, VA and Ginnie Mae. To the extent these requirements are not met or waived, the applicable agency may, at its option, utilize a variety of remedies including requirements to provide certain information or take actions at the direction of the applicable agency, requirements to deposit funds as security for our obligations, sanctions, suspension or even termination of approved seller/servicer status, which would prohibit future originations or securitizations of forward or reverse mortgage loans or servicing for the applicable agency. Any of these actions could have a material adverse impact on us. See Note 13 – Borrowings, Note 19 – Regulatory Requirements and Note 21 – Contingencies for further information.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in conformity with the instructions of the Securities and Exchange Commission (SEC) to Form 10-Q and SEC Regulation S-X, Article 10, Rule 10-01 for interim financial statements. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America (GAAP) for complete financial statements. In our opinion, the accompanying unaudited consolidated financial statements contain all adjustments, consisting only of normal recurring

adjustments, necessary for a fair presentation. The results of operations and other data for the three and six months ended June 30, 2019 are not necessarily indicative of the results that may be expected for any other interim period or for the year ending December 31, 2019. 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, 2018.

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, the provision for potential losses that may arise from litigation proceedings, and our going concern evaluation. In developing estimates and assumptions, management uses all available information; however, actual results could materially differ from those estimates and assumptions.

Reclassifications

Within the Other income (expense) section of the unaudited statement of operations for the three and six months ended June 30, 2018, we reclassified Gain on sale of MSRs, net of \$0.1 million and \$1.0 million, respectively, to Other, net to conform to the current year presentation.

Certain amounts in the unaudited consolidated statement of cash flows for the six months ended June 30, 2018 have been reclassified to conform to the current year presentation as follows:

- Within the Cash flows from operating activities section, we reclassified Amortization of debt issuance costs of \$1.7 million to Other, net.
- Within the Cash flows from financing activities section, we reclassified repayments of the SSTL of \$58.4 million from Repayment of mortgage loan warehouse facilities and other secured borrowings to a new separate line item (Repayment of SSTL borrowings).

These reclassifications had no impact on our consolidated cash flows from operating, investing or financing activities.

Recently Adopted Accounting Standards

Leases (ASU 2016-02, ASU 2018-10, ASU 2018-11 and ASU 2019-01)

This ASU requires a lessee to recognize right-of-use (ROU) assets and lease liabilities on the balance sheet, regardless of whether the lease is classified as a finance or operating lease.

We adopted the new leasing guidance on January 1, 2019, and we elected practical expedients permitted by the new standard which provided us transition relief when assessing leases that commenced prior to the adoption date, including determining whether existing contracts are or contain leases, the classification of such leases as operating or financing, and the accounting for initial direct costs.

The adoption resulted in the recognition of a cumulative-effect adjustment to the opening balance of Retained earnings, the recognition of a gross ROU asset and lease liability, and the reclassification of existing balances for our leases as follows:

| | Balances as of December 31, 2018 (1) | Recognition of Gross ROU Asset and Lease Liability | Reclassification of Existing Balances | Balances January 1, 2019 after Transition Adjustments (2) |
|--|--|---|--|--|
| Premises and Equipment: | | | | |
| Right-of-use assets | \$ — | \$ 66,231 | \$ (21,438) | \$ 44,793 |
| Other Assets: | | | | |
| Prepaid expenses (rent) | 977 | — | (977) | — |
| Other Liabilities: | | | | |
| Liability for lease abandonments and deferred rent | (5,498) | — | 5,498 | — |
| Lease liability | — | (66,247) | 977 | 65,270 |
| Liabilities related to discontinued operations: | | | | |
| Liability for lease abandonments (3) | (15,940) | — | 15,940 | — |
| Retained Earnings: | | | | |
| Cumulative effect of adopting ASU 2016-02 | — | 16 | — | 16 |

- (1) Represents amounts related to leases impacted by the adoption of this ASU that were included in our December 31, 2018 consolidated balance sheet.
- (2) ROU assets as of January 1, 2019 after transition adjustments includes \$30.4 million related to premises located in the U.S., \$13.6 million related to premises located in India and the Philippines, and \$0.7 million related to equipment.
- (3) Represents lease impairments recognized by PHH prior to the acquisition.

Our leases include non-cancelable operating leases for premises and equipment with maturities extending to 2025, exclusive of renewal option periods. At lease commencement date, we estimate the ROU assets and lease liability at present value using our estimated incremental borrowing rate of 7.5%. We elected to recognize ROU assets and lease liabilities that arise from short-term leases. A maturity analysis of our lease liability as of June 30, 2019 is summarized as follows:

| Annual obligation for the twelve months ended June 30, | |
|--|------------------|
| 2020 | \$ 19,312 |
| 2021 | 16,556 |
| 2022 | 15,558 |
| 2023 | 9,558 |
| 2024 | 1,659 |
| Thereafter | 1,268 |
| | <u>63,911</u> |
| Less: Adjustment to present value | (8,422) |
| Total minimum lease payments, net | <u>\$ 55,489</u> |

Restricted cash includes a \$23.2 million deposit as collateral for an irrevocable standby letter of credit issued in connection with one of our leased facilities. This letter of credit requirement under the terms of the lease agreement is primarily the result of PHH not meeting certain credit rating criteria prior to the acquisition. The required amount of the letter of credit will be reduced each month beginning in January 2021 through the lease expiration on December 31, 2022.

We amortize the balance of the ROU assets and interest on the lease liability and report in Occupancy and equipment expense on our unaudited consolidated statements of operations. Our lease liability is reduced as we make cash payments on our lease obligations. Our ROU lease assets are evaluated for impairment, in accordance with ASC 360, *Premises and Equipment*, at each reporting date.

Subsequent to adoption, we made the decision to vacate four leased properties prior to the contractual maturity date of the lease agreements. As a result of our plan to vacate the office space, we accelerated the recognition of amortization on the ROU

assets based on the shortened remaining useful life of the leases. We recorded total accelerated amortization of \$2.8 million during the six months ended June 30, 2019.

Accounting Standards Issued but Not Yet Adopted

Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments (ASU 2016-13)

This ASU will require more timely recording of credit losses on loans and other financial instruments. This standard aligns the accounting with the economics of lending by requiring banks and other lending institutions to immediately record the full amount of credit losses that are expected in their loan portfolios. The new guidance requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This standard requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. Additionally, the new guidance amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. This standard will be effective for us on January 1, 2020, with early application permitted. We are currently evaluating the effect of adopting this standard.

Note 2 – Business Acquisition

On October 4, 2018, we completed our acquisition of PHH, a non-bank servicer with established servicing and origination recapture capabilities. As a result of the acquisition, PHH became a wholly owned subsidiary of Ocwen.

The acquisition has been accounted for under the acquisition method of accounting pursuant to ASC 805, *Business Combinations*. Assets acquired and liabilities assumed are recorded at their fair value as of the date of acquisition based on management's estimates using currently available information. The results of PHH operations are included in Ocwen's consolidated statements of operations from the date of acquisition. For U.S. income tax purposes, the acquisition of PHH is treated as a stock purchase.

Purchase Price Allocation

The purchase price allocation provided in the table below reflects the fair value of assets acquired and liabilities assumed in the acquisition of PHH, with the excess of total identifiable net assets over total consideration paid recorded as a bargain purchase gain. Independent valuation specialists conducted analyses to assist management in determining the fair value of certain acquired assets and assumed liabilities. Management is responsible for these third-party valuations and appraisals. The methodologies that we use and key assumptions that we made to estimate the fair value of the acquired assets and assumed debt are described in Note 5 – Fair Value.

In a business combination, the initial allocation of the purchase price is considered preliminary and therefore subject to change until the end of the measurement period (not to exceed one year from the acquisition date). Because the measurement period is still open, certain fair value estimates may change once all information necessary to make a final fair value assessment has been received.

| Purchase Price Allocation | October 4, 2018 | Adjustments | Revised |
|---|------------------------|--------------------|----------------|
| Cash | \$ 423,088 | \$ — | \$ 423,088 |
| Restricted cash | 38,813 | — | 38,813 |
| MSRs | 518,127 | — | 518,127 |
| Advances, net | 96,163 | — | 96,163 |
| Loans held for sale | 42,324 | 358 | 42,682 |
| Receivables, net | 46,838 | (96) | 46,742 |
| Premises and equipment, net | 15,203 | — | 15,203 |
| REO | 3,289 | — | 3,289 |
| Other assets | 6,293 | — | 6,293 |
| Assets related to discontinued operations | 2,017 | — | 2,017 |
| Financing liabilities (MSRs pledged, at fair value) | (481,020) | — | (481,020) |
| Other secured borrowings, net | (27,594) | — | (27,594) |
| Senior notes, net (Senior unsecured notes) | (120,624) | — | (120,624) |
| Accrued legal fees and settlements | (9,960) | — | (9,960) |
| Other accrued expenses | (36,889) | — | (36,889) |
| Loan repurchase and indemnification liability | (27,736) | — | (27,736) |
| Unfunded pension liability | (9,815) | — | (9,815) |
| Other liabilities | (34,131) | (643) | (34,774) |
| Liabilities related to discontinued operations | (21,954) | — | (21,954) |
| Total identifiable net assets | 422,432 | (381) | 422,051 |
| Total consideration paid to seller | (358,396) | — | (358,396) |
| Bargain purchase gain | \$ 64,036 | \$ (381) | \$ 63,655 |

We acquired tax attributes, including the estimated future tax benefit of U.S. federal net operating losses (NOLs) valued at \$30.2 million, state NOLs valued at \$50.3 million and state tax credits of \$9.2 million on the acquisition date. All of the acquired tax attributes were fully offset by a valuation allowance. All of these attributes are subject to annual limitations with regard to future utilization under Sections 382 and 383 of the Internal Revenue Code or the comparable provisions of state law. Accordingly, as of December 31, 2018, Ocwen combined had U.S. federal NOLs valued at \$58.2 million, USVI NOLs valued at \$3.1 million, state NOLs valued at \$50.3 million and state tax credits of \$9.2 million, all of which were fully offset by a valuation allowance. All of these attributes are subject to the provisions of Sections 382 and 383 of the Internal Revenue Code or the comparable provisions of foreign and state law. All of the attributes are subject to further potential annual limitations in the event of additional ownership changes in the future.

Pro Forma Results of Operations

The pro forma consolidated results presented below are not indicative of what Ocwen's consolidated results would have been had we completed the acquisition on the date indicated due to a number of factors, including but not limited to expected reductions in servicing, origination and overhead costs through the realization of targeted cost synergies and improved economies of scale, the impact of incremental costs to integrate the two companies and differences in servicing practices and cost structures between Ocwen and PHH. In addition, the pro forma consolidated results do not purport to project combined future operating results of Ocwen and PHH nor do they reflect the expected realization of any cost savings associated with the acquisition of PHH.

The table below presents supplemental pro forma information for Ocwen for the three and six months ended June 30, 2018 as if the PHH acquisition occurred on January 1, 2017. Pro forma adjustments include the following:

| Description | Three Months Ended June 30, 2018 | Six Months Ended June 30, 2018 |
|--|--|--------------------------------------|
| Increase in MSR valuation adjustments, net for acquired MSRs to conform the accounting for MSRs to the valuation policies of Ocwen | \$ 6,829 | \$ 1,082 |
| Adjust interest expense for a total net decline (1) | 9,879 | 12,216 |
| Report Ocwen and PHH acquisition-related charges for professional services as if they had been incurred in 2017 rather than 2018 | 5,481 | 9,164 |
| Total net increase in revenue (2) | 47,552 | 81,460 |
| Adjust depreciation expense to amortize internally developed software acquired from PHH on a straight-line basis based on a useful life of three years | 245 | 490 |
| Income tax benefit based on management's estimate of the blended applicable statutory tax rates and observing the continued need for a valuation allowance (3) | 580 | 1,458 |

- (1) Primarily pertains to fair value adjustments of \$10.1 million and \$12.7 million for the three and six months ended June 30, 2018, respectively, related to the assumed MSR secured liability using valuation assumptions consistent with Ocwen's methodology.
- (2) Primarily pertains to an increase to revenue of \$42.6 million and \$87.4 million for the three and six months ended June 30, 2018, respectively, for the gross-up of PHH MSRs sold and accounted for as a secured borrowing. The offset of the remaining adjustments are expenses, interest income and interest expense, with no net effect on earnings.
- (3) The net income tax benefit recorded as a result of pro forma adjustments represents lower current federal tax under the new base erosion and anti-abuse tax (BEAT) provision of the 2017 Tax Cuts and Jobs Act (Tax Act) assuming Ocwen and PHH would file a consolidated federal tax return beginning January 1, 2017. The pro forma tax adjustments contemplate the effects of the Tax Act.

| | Three Months Ended June 30, 2018 | Six Months Ended June 30, 2018 |
|-------------------------------------|--|--------------------------------------|
| Revenues | \$ 335,846 | \$ 680,368 |
| Net loss from continuing operations | (57,225) | (68,426) |

For purposes of determining pro forma results of operations for the three and six months ended June 30, 2018, the bargain purchase gain is assumed to have been recorded in 2017 rather than 2018.

Note 3 – Cost Re-engineering Plan

In February 2019, we announced our intention to execute cost re-engineering opportunities in order to drive stronger financial performance and, in the longer term, simplify our operations. Our cost re-engineering plans extend beyond eliminating redundant costs through the integration process and address organizational, process and control redesign, human capital planning, off-shore utilization, strategic sourcing and facilities rationalization. Costs estimated for this plan include severance, retention and other incentive awards, facilities-related costs and other costs to execute the reorganization.

The following is a summary of expenses incurred to-date, including an estimate of remaining and total plan costs:

| | Six Months Ended June 30, 2019 | | | |
|--|---------------------------------------|-------------------------|------------------|------------------|
| | Employee-related | Facility-related | Other | Total |
| Costs incurred in current year (1): | | | | |
| First quarter | \$ 20,787 | \$ — | \$ 1,328 | \$ 22,115 |
| Second quarter | 3,460 | 3,047 | 3,619 | 10,126 |
| | 24,247 | 3,047 | 4,947 | 32,241 |
| Estimate of remaining costs (2) | 10,153 | 3,553 | 19,053 | 32,759 |
| Total plan costs | <u>\$ 34,400</u> | <u>\$ 6,600</u> | <u>\$ 24,000</u> | <u>\$ 65,000</u> |

(1) The above expenses were all incurred within the Corporate Items and Other segment. Employee-related costs and facility-related costs are reported in Compensation and benefits expense and Occupancy and equipment expense, respectively, in the unaudited consolidated statements of operations. Other costs are primarily reported in Professional services expense and Other expenses.

(2) We expect to incur the remaining plan costs within the year ending December 31, 2019.

The following table provides a summary of the aggregate activity of the liability for the re-engineering plan costs:

| | Six Months Ended June 30, 2019 | | | |
|--------------------------|---------------------------------------|-------------------------|---------------|------------------|
| | Employee-related | Facility-related | Other | Total |
| Beginning balance | \$ — | \$ — | \$ — | \$ — |
| Charges | 24,247 | 3,047 | 4,947 | 32,241 |
| Payments | (9,855) | — | (4,397) | (14,252) |
| Ending balance | <u>\$ 14,392</u> | <u>\$ 3,047</u> | <u>\$ 550</u> | <u>\$ 17,989</u> |

Note 4 – 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 securitizations and asset-backed financing arrangements into two groups: (1) securitizations of residential mortgage loans and (2) financings of advances.

We have determined that the special purpose entities (SPEs) created in connection with our match funded advance financing facilities are VIEs for which we are the primary beneficiary.

From time to time, we may acquire beneficial interests issued in connection with mortgage-backed securitizations where we may also be the master and or primary servicer. These beneficial interests consist of subordinate and residual interests acquired from third-parties in market transactions. We consolidate the VIE when we conclude we are the primary beneficiary.

Securitizations of Residential Mortgage Loans

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.

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 accounted for as sales that were outstanding:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|-------------------|---------------------------|-------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Proceeds received from securitizations | \$ 195,973 | \$ 338,199 | \$ 438,933 | \$ 715,698 |
| Servicing fees collected | 12,826 | 10,077 | 28,744 | 20,425 |
| Purchases of previously transferred assets, net of claims reimbursed | (143) | (659) | (1,047) | (2,829) |
| | <u>\$ 208,656</u> | <u>\$ 347,617</u> | <u>\$ 466,630</u> | <u>\$ 733,294</u> |

In connection with these transfers, we retained MSR of \$0.8 million and \$1.6 million, and \$2.1 million and \$4.5 million, during the three and six months ended June 30, 2019 and 2018, respectively, which are reported in Gain on loans held for sale, net in the unaudited consolidated statements of operations. See Note 6 – Loans Held for Sale for additional information regarding gains or losses on the transfer of loans held for sale.

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 guarantor for losses incurred due to material breach of contractual representations and warranties.

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

| | June 30, 2019 | December 31, 2018 |
|------------------------------------|----------------------|----------------------|
| Carrying value of assets | | |
| MSRs, at fair value | \$ 101,582 | \$ 132,774 |
| Advances and match funded advances | 124,796 | 138,679 |
| UPB of loans transferred (1) | 14,543,353 | 15,600,971 |
| Maximum exposure to loss | <u>\$ 14,769,731</u> | <u>\$ 15,872,424</u> |

(1) Represents UPB of loans we transferred for which we continue to act as servicer or subservicer. Our estimate of maximum exposure to loss does not include loans that we do not service for which we have provided representations and warranties because we cannot estimate such amounts. Maximum exposure to loss does not consider any collateral liquidation proceeds.

At June 30, 2019 and December 31, 2018, 8.9% and 8.3%, respectively, of the transferred residential loans that we service were 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 or we sell the loans to third parties with servicing rights released. We have determined that loan transfers in the HMBS program do not meet the definition of a participating interest because of the servicing requirements in the product that require the issuer/servicer to absorb some level of interest rate risk, cash flow timing risk and incidental credit risk. As a result, the transfers of the HECM loans do not qualify for sale accounting, and therefore, we account for these transfers as financings. Under this accounting treatment, the HECM loans are classified as Loans held for investment, at fair value, on our unaudited consolidated balance sheets. Holders of participating interests in the HMBS have no recourse against the assets of Ocwen, except with respect to standard representations and warranties and our contractual obligation to service the HECM loans and the HMBS. The changes in fair value of the HECM loans and HMBS-related borrowings are included in Other revenue, net in our unaudited consolidated statements of operations.

Financings of Advances

Match funded advances result from our transfers of residential loan servicing advances to SPEs in exchange for cash. We consolidate these SPEs because we have determined that Ocwen is the primary beneficiary of the SPE. These SPEs issue debt supported by collections on the transferred advances, and we refer to this debt as Match funded liabilities.

We make transfers to these SPEs in accordance with the terms of our advance financing facility agreements. Debt service accounts require us to remit collections on pledged advances to the trustee within two days of receipt. Collected funds that are not applied to reduce the related match funded debt until the payment dates specified in the indenture are classified as debt

service accounts within Restricted cash in our unaudited consolidated balance sheets. The balances also include amounts that have been set aside from the proceeds of our match funded advance facilities to provide for possible shortfalls in the funds available to pay certain expenses and interest. The funds are held in interest earning accounts and those amounts related to match funded facilities are held in the name of the SPE created in connection with the facility.

We classify the transferred advances on our unaudited consolidated balance sheets as a component of Match funded advances and the related liabilities as Match funded liabilities. The SPEs use collections of the pledged advances to repay principal and interest and to pay the expenses of the SPE. Holders of the debt issued by these entities have recourse only to the assets of the SPE for satisfaction of the debt. The assets and liabilities of the advance financing SPEs are comprised solely of Match funded advances, Debt service accounts, Match funded liabilities and amounts due to affiliates. Amounts due to affiliates are eliminated in consolidation in our unaudited consolidated balance sheets.

Mortgage-Backed Securitizations

The table below presents the carrying value and classification of the assets and liabilities of two consolidated mortgage-backed securitization trusts included in our unaudited consolidated balance sheets as a result of residual securities issued by the trust that we acquired during 2018.

| | June 30, 2019 | December 31, 2018 |
|--|----------------------|--------------------------|
| Loans held for investment, at fair value - Restricted for securitization investors | \$ 25,324 | \$ 26,520 |
| Financing liability - Owed to securitization investors, at fair value | 23,697 | 24,815 |

We have concluded we are the primary beneficiary of certain residential mortgage-backed securitizations as a result of beneficial interests consisting of residual securities, which expose us to the expected losses and residual returns of the trust, and our role as master servicer, where we have the ability to direct the activities that most significantly impact the performance of the trust.

Upon consolidation of the securitization trusts, we elected to apply the measurement alternative to ASC Topic 820, *Fair Value Measurement* for collateralized financing entities. The measurement alternative requires a reporting entity to use the more observable of the fair value of the financial assets or the financial liabilities to measure both the financial assets and the financial liabilities of the entity. We determined that the fair value of the loans held by the trusts is more observable than the fair value of the debt certificates issued by the trusts. Through the application of the measurement alternative, the fair value of the financial liabilities of the trusts are measured as the difference between the fair value of the financial assets and the fair value of our investment in the residual securities of the trusts.

Holders of the debt issued by these entities have recourse only to the assets of the SPE for satisfaction of the debt and have no recourse against the assets of Ocwen for satisfaction of the debt. Similarly, the general creditors of Ocwen have no claim on the assets of the trusts. Our exposure to loss as a result of our continuing involvement is limited to the carrying values of our investments in the residual securities of the trusts, our MSRMs and related advances. At June 30, 2019, MSRMs of \$0.1 million and our \$1.6 million investment in the residual securities of the trusts were eliminated in consolidation. Advances outstanding at June 30, 2019 were \$1.3 million.

Note 5 – 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.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

We classify assets in their entirety based on the lowest level of input that is significant to the fair value measurement.

We have elected to fair value future draw commitments for HECM loans purchased or originated after December 31, 2018. The estimated fair value is included in Loans held for investment on our unaudited consolidated balance sheets with changes in

fair value recognized in Other revenue, net in our unaudited consolidated statements of operations. The value of future draw commitments for HECM loans purchased or originated before January 1, 2019 will be recognized over time as such future draws are securitized or sold.

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:

| | Level | June 30, 2019 | | December 31, 2018 | |
|---|-------|---------------------|---------------------|---------------------|---------------------|
| | | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Financial assets | | | | | |
| Loans held for sale | | | | | |
| Loans held for sale, at fair value (a) | 2 | \$ 135,691 | \$ 135,691 | \$ 176,525 | \$ 176,525 |
| Loans held for sale, at lower of cost or fair value (b) | 3 | 60,380 | 60,380 | 66,097 | 66,097 |
| Total Loans held for sale | | <u>\$ 196,071</u> | <u>\$ 196,071</u> | <u>\$ 242,622</u> | <u>\$ 242,622</u> |
| Loans held for investment | | | | | |
| Loans held for investment - Reverse mortgages (a) | 3 | \$ 5,872,407 | \$ 5,872,407 | \$ 5,472,199 | \$ 5,472,199 |
| Loans held for investment - Restricted for securitization investors (a) | 3 | 25,324 | 25,324 | 26,520 | 26,520 |
| Total loans held for investment | | <u>\$ 5,897,731</u> | <u>\$ 5,897,731</u> | <u>\$ 5,498,719</u> | <u>\$ 5,498,719</u> |
| Advances (including match funded), net (c) | 3 | \$ 1,104,499 | \$ 1,104,499 | \$ 1,186,676 | \$ 1,186,676 |
| Receivables, net (c) | 3 | 187,985 | 187,985 | 198,262 | 198,262 |
| Mortgage-backed securities (a) | 3 | 2,014 | 2,014 | 1,502 | 1,502 |
| U.S. Treasury notes (a) | 1 | 1,073 | 1,073 | 1,064 | 1,064 |
| Corporate bonds (a) | 2 | 450 | 450 | 450 | 450 |
| Financial liabilities: | | | | | |
| Match funded liabilities (c) | 3 | \$ 671,796 | \$ 673,168 | \$ 778,284 | \$ 776,485 |
| Financing liabilities: | | | | | |
| HMBS-related borrowings (a) | 3 | \$ 5,745,383 | \$ 5,745,383 | \$ 5,380,448 | \$ 5,380,448 |
| Financing liability - MSR's pledged (a) | 3 | 844,913 | 844,913 | 1,032,856 | 1,032,856 |
| Financing liability - Owed to securitization investors (a) | 3 | 23,697 | 23,697 | 24,815 | 24,815 |
| Other (c) | 3 | 62,841 | 45,470 | 69,942 | 53,570 |
| Total Financing liabilities | | <u>\$ 6,676,834</u> | <u>\$ 6,659,463</u> | <u>\$ 6,508,061</u> | <u>\$ 6,491,689</u> |
| Other secured borrowings: | | | | | |
| Senior secured term loan (c) (d) | 2 | \$ 333,552 | \$ 338,150 | \$ 226,825 | \$ 227,449 |
| Other (c) | 3 | 182,929 | 182,929 | 155,713 | 155,713 |
| Total Other secured borrowings | | <u>\$ 516,481</u> | <u>\$ 521,079</u> | <u>\$ 382,538</u> | <u>\$ 383,162</u> |

| | Level | June 30, 2019 | | December 31, 2018 | |
|--|-------|-------------------|-------------------|-------------------|-------------------|
| | | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Senior notes: | | | | | |
| Senior unsecured notes (c) (d) | 2 | \$ 118,524 | \$ 113,540 | \$ 119,924 | \$ 119,258 |
| Senior secured notes (c) (d) | 2 | 329,053 | 276,283 | 328,803 | 306,889 |
| Total Senior notes | | <u>\$ 447,577</u> | <u>\$ 389,823</u> | <u>\$ 448,727</u> | <u>\$ 426,147</u> |
| Derivative financial instrument assets (liabilities) | | | | | |
| Interest rate lock commitments (a) | 2 | \$ 4,105 | \$ 4,105 | \$ 3,871 | \$ 3,871 |
| Forward mortgage-backed securities (a) | 1 | (3,863) | (3,863) | (4,983) | (4,983) |
| Interest rate caps (a) | 3 | 47 | 47 | 678 | 678 |
| MSRs (a) | 3 | \$ 1,312,633 | \$ 1,312,633 | \$ 1,457,149 | \$ 1,457,149 |

- (a) Measured at fair value on a recurring basis.
(b) Measured at fair value on a non-recurring basis.
(c) Disclosed, but not measured, at fair value.
(d) The carrying values are net of unamortized debt issuance costs and discount. See Note 13 – Borrowings for additional information.

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

| | Loans Held for Investment - Reverse Mortgages | HMBS-Related Borrowings | Loans Held for Inv. - Restricted for Securitiza- tion Investors | Financing Liability - Owed to Securit - ization Investors | Mortgage- Backed Securities | Financing Liability - MSRs Pledged | Derivatives | MSRs |
|--|--|----------------------------|---|--|-----------------------------------|--|--------------|---------------------|
| Three months ended June 30, 2019 | | | | | | | | |
| Beginning balance | \$ 5,726,917 | \$ (5,614,688) | \$ 26,237 | \$ (24,562) | \$ 1,786 | \$ (951,216) | \$ 276 | \$ 1,400,191 |
| Purchases, issuances, sales and settlements | | | | | | | | |
| Purchases | — | — | — | — | — | — | — | 61,080 |
| Issuances | 217,757 | (214,543) | — | — | — | (299) | — | — |
| Sales | — | — | — | — | — | — | — | (3) |
| Settlements | (127,884) | 125,626 | (913) | 865 | — | 53,288 | — | (1,367) |
| Transfers (to) from: | | | | | | | | |
| Loans held for sale, at fair value | (488) | — | — | — | — | — | — | — |
| Other assets | (36) | — | — | — | — | — | — | — |
| Receivables, net | (45) | — | — | — | — | — | — | — |
| | 89,304 | (88,917) | (913) | 865 | — | 52,989 | — | 59,710 |
| Total realized and unrealized gains (losses) | | | | | | | | |
| Included in earnings: | | | | | | | | |
| Change in fair value (1) | 56,186 | (41,778) | — | — | 228 | 50,745 | (229) | (147,268) |
| Calls and other | — | — | — | — | — | 2,569 | — | — |
| | 56,186 | (41,778) | — | — | 228 | 53,314 | (229) | (147,268) |
| Transfers in and / or out of Level 3 | | | | | | | | |
| | — | — | — | — | — | — | — | — |
| Ending balance | <u>\$ 5,872,407</u> | <u>\$ (5,745,383)</u> | <u>\$ 25,324</u> | <u>\$ (23,697)</u> | <u>\$ 2,014</u> | <u>\$ (844,913)</u> | <u>\$ 47</u> | <u>\$ 1,312,633</u> |

| | Loans Held for Investment - Reverse Mortgages | HMBS-Related Borrowings | Mortgage- Backed Securities | Financing Liability - MSRs Pledged | Derivatives | MSRs |
|--|--|------------------------------------|--|---|--------------------|---------------------|
| Three months ended June 30, 2018 | | | | | | |
| Beginning balance | \$ 4,988,151 | \$ (4,838,193) | \$ 1,679 | \$ (715,924) | \$ 1,866 | \$ 1,074,247 |
| Purchases, issuances, sales and settlements | | | | | | |
| Purchases | — | — | — | — | 95 | 3,507 |
| Issuances | 236,386 | (276,751) | — | — | — | (617) |
| Sales | — | — | — | — | — | (24) |
| Settlements | (103,497) | 100,737 | — | 49,962 | — | — |
| Transfers (to) from: | | | | | | |
| Loans held for sale, at fair value | (257) | — | — | — | — | — |
| Other assets | (33) | — | — | — | — | — |
| Receivables, net | (22) | — | — | — | — | — |
| | <u>132,577</u> | <u>(176,014)</u> | <u>—</u> | <u>49,962</u> | <u>95</u> | <u>2,866</u> |
| Total realized and unrealized gains (losses) | | | | | | |
| Included in earnings: | | | | | | |
| Change in fair value | 23,030 | (26,776) | 53 | (8,069) | (304) | (33,118) |
| Calls and other | — | — | — | 1,412 | — | — |
| | <u>23,030</u> | <u>(26,776)</u> | <u>53</u> | <u>(6,657)</u> | <u>(304)</u> | <u>(33,118)</u> |
| Transfers in and / or out of Level 3 | — | — | — | — | — | — |
| Ending balance | <u>\$ 5,143,758</u> | <u>\$ (5,040,983)</u> | <u>\$ 1,732</u> | <u>\$ (672,619)</u> | <u>\$ 1,657</u> | <u>\$ 1,043,995</u> |

| | Loans Held for Investment - Reverse Mortgages | HMBS-Related Borrowings | Loans Held for Inv. - Restricted for Securitiza- tion Investors | Financing Liability - Owed to Securiti- zation Investors | Mortgage- backed Securities | Financing Liability - MSRs Pledged | Derivatives | MSRs |
|--|--|----------------------------|---|--|-----------------------------------|--|-------------|--------------|
| Six months ended June 30, 2019 | | | | | | | | |
| Beginning balance | \$ 5,472,199 | \$ (5,380,448) | \$ 26,520 | \$ (24,815) | \$ 1,502 | \$ (1,032,856) | \$ 678 | \$ 1,457,149 |
| Purchases, issuances, sales and settlements | | | | | | | | |
| Purchases | — | — | — | — | — | (876) | — | 117,000 |
| Issuances | 427,021 | (425,106) | — | — | — | — | — | — |
| Sales | — | — | — | — | — | — | — | (570) |
| Settlements | (232,514) | 228,015 | (1,196) | 1,118 | — | 103,417 | — | (4,680) |
| Transfers (to) from: | | | | | | | | |
| Loans held for sale, at fair value | (884) | — | — | — | — | — | — | — |
| Other assets | (155) | — | — | — | — | — | — | — |
| Receivables, net | (113) | — | — | — | — | — | — | — |
| | 193,355 | (197,091) | (1,196) | 1,118 | — | 102,541 | — | 111,750 |
| Total realized and unrealized gains (losses) included in earnings | | | | | | | | |
| Included in earnings: | | | | | | | | |
| Change in fair value (1) | 206,853 | (167,844) | — | — | 512 | 76,982 | (631) | (256,266) |
| Calls and other | — | — | — | — | — | 8,420 | — | — |
| | 206,853 | (167,844) | — | — | 512 | 85,402 | (631) | (256,266) |
| Transfers in and / or out of Level 3 | — | — | — | — | — | — | — | — |
| Ending balance | \$ 5,872,407 | \$ (5,745,383) | \$ 25,324 | \$ (23,697) | \$ 2,014 | \$ (844,913) | \$ 47 | \$ 1,312,633 |

| Six months ended June 30, 2018 | Loans Held for Investment - Reverse Mortgages | HMBS-Related Borrowings | Mortgage-backed Securities | Financing Liability - MSRs Pledged | Derivatives | MSRs |
|---|---|----------------------------|-------------------------------|--|-----------------|---------------------|
| Beginning balance | \$ 4,715,831 | \$ (4,601,556) | \$ 1,592 | \$ (508,291) | \$ 2,056 | \$ 671,962 |
| Purchases, issuances, sales and settlements | | | | | | |
| Purchases | — | — | — | — | 95 | 5,885 |
| Issuances | 487,472 | (499,576) | — | (279,586) | — | (2,375) |
| Sales | — | — | — | — | — | (155) |
| Settlements | (186,216) | 181,548 | — | 104,509 | (371) | — |
| Transfers (to) from: | | | | | | |
| MSRs carried at amortized cost, net of valuation allowance | — | — | — | — | — | 418,925 |
| Loans held for sale, at fair value | (441) | — | — | — | — | — |
| Other assets | (137) | — | — | — | — | — |
| Receivables, net | (72) | — | — | — | — | — |
| | <u>300,606</u> | <u>(318,028)</u> | <u>—</u> | <u>(175,077)</u> | <u>(276)</u> | <u>422,280</u> |
| Total realized and unrealized gains (losses) included in earnings | | | | | | |
| Included in earnings: | | | | | | |
| Change in fair value | 127,321 | (121,399) | 140 | 8,642 | (123) | (50,247) |
| Calls and other | — | — | — | 2,107 | — | — |
| | <u>127,321</u> | <u>(121,399)</u> | <u>140</u> | <u>10,749</u> | <u>(123)</u> | <u>(50,247)</u> |
| Transfers in and / or out of Level 3 | — | — | — | — | — | — |
| Ending balance | <u>\$ 5,143,758</u> | <u>\$ (5,040,983)</u> | <u>\$ 1,732</u> | <u>\$ (672,619)</u> | <u>\$ 1,657</u> | <u>\$ 1,043,995</u> |

- (1) The Change in fair value adjustments on Loans held for investment for the three and six months ended June 30, 2019 include \$2.7 million and \$5.6 million, respectively, in connection with the fair value election for future draw commitments on HECM reverse mortgage loans purchased or originated after December 31, 2018.

The methodologies that we use and key assumptions that we make to estimate the fair value of financial instruments and other assets and liabilities measured at fair value on a recurring or non-recurring basis and those disclosed, but not carried, at fair value are described below.

Loans Held for Sale

Residential forward and reverse mortgage loans that we intend to sell are carried at fair value as a result of a fair value election. Such loans are subject to changes in fair value due to fluctuations in interest rates from the closing date through the date of the sale of the loan into the secondary market. These loans are classified within Level 2 of the valuation hierarchy because the primary component of the price is obtained from observable values of mortgage forwards for loans of similar terms and characteristics. We have the ability to access this market, and it is the market into which conventional and government-insured mortgage loans are typically sold.

We purchase certain loans from Ginnie Mae guaranteed securitizations in connection with loan modifications, strategic early buyouts (EBO) and loan resolution activity as part of our contractual obligations as the servicer of the loans. Modified and EBO loans are classified as loans held for sale at the lower of cost or fair value, as we expect to redeliver (sell) the loans into new Ginnie Mae guaranteed securitizations (in the case of modified loans) or sell the loans to a private investor (in the case of EBO loans). The fair value of these loans is estimated using published forward Ginnie Mae prices or existing sale contracts. Loans repurchased in connection with loan resolution activities are classified as receivables. Because these loans are insured or guaranteed by the FHA or VA, the fair value of these loans represents the net recovery value taking into consideration the insured or guaranteed claim.

We report all other loans held for sale at the lower of cost or fair value. When we enter into an agreement to sell a loan or pool of loans to an investor at a set price, we value the loan or loans at the commitment price, unless facts and circumstances exist that could impact deal economics, at which point we use judgment to determine appropriate adjustments to recorded fair value, if any. We base the fair value of loans for which we have no agreement to sell on the expected future cash flows discounted at a rate commensurate with the risk of the estimated cash flows, as provided by a third-party valuation expert.

Loans Held for Investment

Loans Held for Investment - Reverse Mortgages

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 purchased or originated after December 31, 2018. Significant assumptions include expected prepayment and delinquency rates and cumulative loss curves. The discount rate assumption for these assets is primarily based on an assessment of current market yields on newly originated reverse mortgage loans, expected duration of the asset and current market interest rates.

| Significant valuation assumptions | June 30, 2019 | December 31, 2018 |
|-----------------------------------|------------------|----------------------|
| Life in years | | |
| Range | 2.9 to 7.8 | 3.0 to 7.6 |
| Weighted average | 6.2 | 5.9 |
| Conditional repayment rate | | |
| Range | 6.9% to 32.4% | 6.8% to 38.4% |
| Weighted average | 13.9% | 14.7% |
| Discount rate | 2.8% | 3.4% |

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 loans held for investment are largely offset by the effects of changes in the assumptions used to value the HMBS-related borrowings that are associated with these loans.

Loans Held for Investment – Restricted for securitization investors

We have elected to measure loans held by consolidated mortgage-backed securitization trusts at fair value. The loans are secured by first liens on single family residential properties. Fair value is based on proprietary cash flow modeling processes for a third-party broker/dealer and a third-party valuation expert. Significant assumptions used in the valuation include projected monthly payments, projected prepayments and defaults, property liquidation values and discount rates.

MSRs

The significant components of the estimated future cash inflows for MSRs include servicing fees, late fees, float earnings and other ancillary fees. Significant cash outflows include the cost of servicing, the cost of financing servicing advances and compensating interest payments.

Third-party valuation experts 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, in arriving at their estimate of fair value. The prices provided by the valuation experts reflect their observations and assumptions related to market activity, incorporating available industry survey results and client feedback, and including risk premiums and liquidity adjustments. The models and related assumptions used by the valuation experts are owned and managed by them and, in many cases, the significant inputs used in the valuation techniques are not reasonably available to us. However, we understand the processes 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 unaudited 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. Assumptions used in the valuation of MSR's include:

- Mortgage prepayment speeds
- Cost of servicing
- Discount rate
- Interest rate used for computing the cost of financing servicing advances
- Curtailment on advances
- Delinquency rates
- Interest rate used for computing float earnings
- Compensating interest expense
- Collection rate of other ancillary fees

Fair Value MSR's

MSR's carried at fair value are classified within Level 3 of the valuation hierarchy. The fair value is equal to the mid-point of the range of prices provided by 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 MSR's is recorded at the estimated sale price unless facts and circumstances exist that could impact deal economics, at which point we use judgment to determine appropriate adjustments to recorded fair value, if any. Fair value reflects actual Ocwen sale prices for orderly transactions where available in lieu of independent third-party valuations. Our valuation process includes discussions of bid pricing with the third-party valuation experts and are contemplated along with other market-based transactions in their model validation.

A change in the valuation inputs utilized by the valuation experts might result in a significantly higher or lower fair value measurement. Changes in market interest rates predominantly impact the fair value for Agency MSR's via prepayment speeds by altering the borrower refinance incentive and the non-Agency MSR's due to impact on advance costs. Other key assumptions used in the valuation of these MSR's include delinquency rates and discount rates.

| Significant valuation assumptions | June 30, 2019 | | December 31, 2018 | |
|---|---------------|----------------------------|-------------------|--------------------------|
| | Agency | Non-Agency | Agency | Non-Agency |
| Weighted average prepayment speed | 11.7% | 15.5% | 8.5% | 15.4% |
| Weighted average delinquency rate | 6.9% | 27.2% | 6.6% | 27.1% |
| Advance financing cost | 5-year swap | 5-year swap plus 2.75% | 5-year swap | 5-yr swap plus 2.75% |
| Interest rate for computing float earnings | 5-year swap | 5-year swap minus 0.50% | 5-year swap | 5-yr swap minus 0.50% |
| Weighted average discount rate | 9.3% | 12.6% | 9.1% | 12.8% |
| Weighted average cost to service (in dollars) | \$ 86 | \$ 295 | \$ 90 | \$ 297 |

Because the mortgages underlying these MSR's permit the borrowers to prepay the loans, the value of the MSR's 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 MSR's that we carry at fair value as of June 30, 2019 given 10% and 20% hypothetical shifts in prepayment speeds and discount rate assumptions:

| Adverse change in fair value | 10% | 20% |
|------------------------------------|--------------|--------------|
| Weighted average prepayment speeds | \$ (130,889) | \$ (251,379) |
| Weighted average discount rate | (35,280) | (68,984) |

The sensitivity analysis measures the potential impact on fair values based on hypothetical changes, which in the case of our portfolio at June 30, 2019 are increased prepayment speeds and an increase in the yield assumption.

Advances

We value advances at their net realizable value, which generally approximates fair value, because advances have no stated maturity, are generally realized within a relatively short period of time and do not bear interest.

Receivables

The carrying value of receivables generally approximates fair value because of the relatively short period of time between their origination and realization.

Mortgage-Backed Securities (MBS)

Our subordinate and residual securities are not actively traded, and therefore, we estimate the fair value of these securities using a process based upon the use of an independent third-party valuation expert. Where possible, we consider observable trading activity in the valuation of our securities. Key inputs include expected prepayment rates, delinquency and cumulative loss curves and discount rates commensurate with the risks. Where possible, we use observable inputs in the valuation of our securities. However, the subordinate and residual securities in which we have invested trade infrequently and therefore have few or no observable inputs and little price transparency. Additionally, during periods of market dislocation, the observability of inputs is further reduced. We classify subordinate and residual securities as trading securities and account for them at fair value on a recurring basis. Changes in the fair value of our investment in subordinate and residual securities are recognized in Other, net in the unaudited consolidated statements of operations.

U.S. Treasury Notes

We classify U.S. Treasury notes as trading securities and account for them at fair value on a recurring basis. We base the fair value on quoted prices in active markets to which we have access. Changes in the fair value of our investment in U.S. Treasury notes are recognized in Other, net in the unaudited consolidated statements of operations.

Match Funded Liabilities

For match funded liabilities that bear interest at a rate that is adjusted regularly based on a market index, the carrying value approximates fair value. For match funded liabilities that bear interest at a fixed rate, we determine fair value by discounting the future principal and interest repayments at a market rate commensurate with the risk of the estimated cash flows. We assume the notes are refinanced at the end of their revolving periods, consistent with how we manage our advance facilities.

Financing Liabilities

HMBS-Related Borrowings

We have elected to measure these borrowings at fair value. These borrowings are not actively traded, and therefore, quoted market prices are not available. We determine fair value by discounting the projected recovery of principal, interest and advances over the estimated life of the borrowing at a market rate commensurate with the risk of the estimated cash flows. Significant assumptions include prepayments, discount rate and borrower mortality rates. The discount rate assumption for these liabilities is based on an assessment of current market yields for newly issued HMBS, expected duration and current market interest rates.

| Significant valuation assumptions | June 30, 2019 | December 31, 2018 |
|--|--------------------------|--------------------------|
| Life in years | | |
| Range | 2.9 to 7.8 | 3.0 to 7.6 |
| Weighted average | 6.2 | 5.9 |
| Conditional repayment rate | | |
| Range | 6.9% to 32.4% | 6.8% to 38.4% |
| Weighted average | 13.9% | 14.7% |
| Discount rate | 2.8% | 3.3% |

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

MSRs Pledged (Rights to MSRs)

We have elected to measure these borrowings at fair value. We recognize the proceeds received in connection with Rights to MSRs transactions as a secured borrowing that we account for at fair value. Fair value for the portion of the borrowing attributable to the MSRs underlying the Rights to MSRs is determined using the mid-point of the range of prices provided by third-party valuation experts. Fair value for the portion of the borrowing attributable to any lump sum payments received in connection with the transfer of MSRs underlying such Rights to MSRs to the extent such transfer is accounted for as a financing is determined by discounting the relevant future cash flows that were altered through such transfer using assumptions consistent with the mid-point of the range of prices provided by third-party valuation experts for the related MSR. Because we

measure all MSRs at fair value, changes in the Financing Liability - MSRs Pledged value are partially offset by changes in the fair value of the related MSRs. See Note 10 — Rights to MSRs for additional information.

| Significant valuation assumptions | June 30, 2019 | December 31, 2018 |
|---|----------------------------------|----------------------------------|
| Weighted average prepayment speed | 14.6% | 13.9% |
| Weighted average delinquency rate | 19.7% | 20.3% |
| Advance financing cost | 5-year swap plus 0% to 2.75% | 5-year swap plus 0% to 2.75% |
| Interest rate for computing float earnings | 5-year swap minus 0% to 0.50% | 5-year swap minus 0% to 0.50% |
| Weighted average discount rate | 11.9% | 12.0% |
| Weighted average cost to service (in dollars) | \$ 226 | \$ 234 |

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

Secured Notes

We issued Ocwen Asset Servicing Income Series (OASIS), Series 2014-1 Notes secured by Ocwen-owned MSRs relating to Freddie Mac mortgages. We accounted for this transaction as a financing. We determine the fair value based on bid prices provided by third parties involved in the issuance and placement of the notes.

Financing Liability – Owed to Securitization Investors

Consists of securitization debt certificates due to third parties that represent beneficial ownership interests in mortgage-backed securitization trusts that we include in our consolidated financial statements. We determine fair value using the measurement alternative to ASC Topic 820, *Fair Value Measurement* as disclosed in Note 4 – Securitizations and Variable Interest Entities. In accordance with the measurement alternative, the fair value of the consolidated securitization debt certificates is measured as the fair value of the loans held by the trust less the fair value of the beneficial interests held by us in the form of residual securities.

Other Secured Borrowings

The carrying value of secured borrowings that bear interest at a rate that is adjusted regularly based on a market index approximates fair value. For other secured borrowings that bear interest at a fixed rate, we determine fair value by discounting the future principal and interest repayments at a market rate commensurate with the risk of the estimated cash flows. For the SSTL, we based the fair value on valuation data obtained from a pricing service.

Senior Notes

We base the fair value on quoted prices in a market with limited trading activity, or on valuation data obtained from a pricing service in the absence of trading data.

Derivative Financial Instruments

Interest rate lock commitments (IRLCs) represent an agreement to purchase loans from a third-party originator or an agreement to extend credit to a mortgage applicant (locked pipeline), whereby the interest rate is set prior to funding. IRLCs are classified within Level 2 of the valuation hierarchy as the primary component of the price is obtained from observable values of mortgage forwards for loans of similar terms and characteristics. Fair value amounts of IRLCs are adjusted for expected “fallout” (locked pipeline loans not expected to close) using models that consider cumulative historical fallout rates and other factors.

We enter into forward MBS trades to provide an economic hedge against changes in the fair value of residential forward and reverse mortgage loans held for sale that we carry at fair value. Forward MBS trades are primarily used to fix the forward sales price that will be realized upon the sale of mortgage loans into the secondary market. Forward contracts are actively traded in the market and we obtain unadjusted market quotes for these derivatives; thus, they are classified within Level 1 of the valuation hierarchy.

In addition, we may use interest rate caps to minimize future interest rate exposure on variable rate debt issued on servicing advance financing facilities from increases in one-month or three-month Eurodollar rate (1ML or 3 ML, respectively) interest rates. The fair value for interest rate caps is based on counterparty market prices and adjusted for counterparty credit risk.

Note 6 – Loans Held for Sale

| Loans Held for Sale - Fair Value | Six Months Ended June 30, | |
|---|---------------------------|-------------------|
| | 2019 | 2018 |
| Beginning balance | \$ 176,525 | \$ 214,262 |
| Originations and purchases | 370,207 | 497,980 |
| Proceeds from sales | (405,999) | (559,042) |
| Principal collections | (11,046) | (7,315) |
| Transfers from (to): | | |
| Loans held for investment, at fair value | 884 | (1,628) |
| Loans held for sale - Lower of cost or fair value | (2,866) | — |
| Receivables, net | (746) | — |
| REO (Other assets) | (866) | — |
| Gain on sale of loans | 18,148 | 21,030 |
| Decrease in fair value of loans | (292) | (10,872) |
| Other | (8,258) | (509) |
| Ending balance (1) | \$ 135,691 | \$ 153,906 |

(1) At June 30, 2019 and 2018, the balances include fair value adjustments of \$(7.5) million and \$(5.9) million, respectively.

| Loans Held for Sale - Lower of Cost or Fair Value | Six Months Ended June 30, | |
|---|---------------------------|------------------|
| | 2019 | 2018 |
| Beginning balance | \$ 66,097 | \$ 24,096 |
| Purchases | 131,489 | 340,601 |
| Proceeds from sales | (92,478) | (227,041) |
| Principal collections | (4,183) | (7,584) |
| Transfers from (to): | | |
| Receivables, net | (53,657) | (78,514) |
| REO (Other assets) | (2,287) | (1,358) |
| Loans held for sale - Fair value | 2,866 | — |
| Gain on sale of loans | 1,815 | 957 |
| Decrease (increase) in valuation allowance | 1,512 | (217) |
| Other | 9,206 | 4,607 |
| Ending balance (1) | \$ 60,380 | \$ 55,547 |

(1) At June 30, 2019 and 2018, the balances include \$34.9 million and \$48.6 million, respectively, of loans that we repurchased from Ginnie Mae guaranteed securitizations pursuant to Ginnie Mae servicing guidelines. We may repurchase loans that have been modified, to facilitate loss reduction strategies, or as otherwise obligated as a Ginnie Mae servicer. Repurchased loans may be modified or otherwise remediated through loss mitigation activities, may be sold to a third party, or are reclassified to receivables.

| Valuation Allowance - Loans Held for Sale at Lower of Cost or Fair Value | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|-----------------|---------------------------|-----------------|
| | 2019 | 2018 | 2019 | 2018 |
| Beginning balance | \$ 10,863 | \$ 8,503 | \$ 11,569 | \$ 7,318 |
| Provision | 394 | (572) | 1,036 | 281 |
| Transfer from Liability for indemnification obligations (Other liabilities) | 7 | 278 | 74 | 997 |
| Sales of loans | (1,207) | (674) | (2,622) | (1,083) |
| Other | — | — | — | 22 |
| Ending balance | \$ 10,057 | \$ 7,535 | \$ 10,057 | \$ 7,535 |

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|-----------|---------------------------|-----------|
| | 2019 | 2018 | 2019 | 2018 |
| Gain on Loans Held for Sale, Net | | | | |
| Gain on sales of loans, net | | | | |
| MSRs retained on transfers of forward mortgage loans | \$ 816 | \$ 2,075 | \$ 1,644 | \$ 4,453 |
| Fair value gains related to transfers of reverse mortgage loans, net | 6,300 | 16,481 | 12,783 | 27,449 |
| Gain on sale of repurchased Ginnie Mae loans | 1,252 | 265 | 1,790 | 957 |
| Gain on sale of forward mortgage loans | 6,762 | 16,422 | 17,206 | 22,189 |
| Other, net | 457 | (2,868) | 2,587 | (2,620) |
| | 15,587 | 32,375 | 36,010 | 52,428 |
| Change in fair value of IRLCs | 45 | (1,265) | (296) | 111 |
| Change in fair value of loans held for sale | 468 | (6,222) | 326 | (10,146) |
| (Loss) gain on economic hedge instruments | (968) | (401) | (3,238) | 1,998 |
| Other | (57) | (94) | (132) | (198) |
| | \$ 15,075 | \$ 24,393 | \$ 32,670 | \$ 44,193 |

Note 7 – Advances

| | June 30, 2019 | December 31, 2018 |
|------------------------------------|---------------|-------------------|
| Principal and interest | \$ 65,389 | \$ 43,671 |
| Taxes and insurance | 152,394 | 160,373 |
| Foreclosures, bankruptcy and other | 39,037 | 68,597 |
| | 256,820 | 272,641 |
| Allowance for losses | (27,653) | (23,259) |
| | \$ 229,167 | \$ 249,382 |

The following table summarizes the activity in net advances:

| | Six Months Ended June 30, | |
|---|---------------------------|------------|
| | 2019 | 2018 |
| Beginning balance | \$ 249,382 | \$ 211,793 |
| Asset acquisitions | 688 | — |
| Sales of advances | (707) | (877) |
| Collections of advances, charge-offs and other, net | (15,802) | (37,109) |
| Net increase in allowance for losses | (4,394) | (20) |
| Ending balance | \$ 229,167 | \$ 173,787 |

| Allowance for Losses | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---------------------------|-----------------------------|-----------|---------------------------|-----------|
| | 2019 | 2018 | 2019 | 2018 |
| Beginning balance | \$ 23,135 | \$ 16,980 | \$ 23,259 | \$ 16,465 |
| Provision | 2,041 | 977 | 3,803 | 3,501 |
| Net charge-offs and other | 2,477 | (1,472) | 591 | (3,481) |
| Ending balance | \$ 27,653 | \$ 16,485 | \$ 27,653 | \$ 16,485 |

Note 8 – Match Funded Advances

| | June 30, 2019 | December 31, 2018 |
|---|----------------------|--------------------------|
| Principal and interest | \$ 414,824 | \$ 412,897 |
| Taxes and insurance | 316,815 | 374,853 |
| Foreclosures, bankruptcy, REO and other | 143,693 | 149,544 |
| | <u>\$ 875,332</u> | <u>\$ 937,294</u> |

The following table summarizes the activity in match funded assets:

| | Six Months Ended June 30, | | |
|--------------------------------------|----------------------------------|-------------------|--|
| | 2019 | 2018 | |
| | Advances | Advances | Automotive Dealer Financing Notes |
| Beginning balance | \$ 937,294 | \$ 1,144,600 | \$ 32,757 |
| Transfer to Other assets | — | — | (36,896) |
| New advances (collections), net | (61,962) | (150,674) | 1,504 |
| Decrease in allowance for losses (1) | — | — | 2,635 |
| Ending balance | <u>\$ 875,332</u> | <u>\$ 993,926</u> | <u>\$ —</u> |

- (1) The remaining allowance was charged off in connection with the exit from the automotive capital services business. In January 2018, we terminated the automotive dealer loan financing facility.

Note 9 – Mortgage Servicing

| MSRs – Amortization Method | Six Months Ended June 30, | |
|--|----------------------------------|-------------|
| | 2019 | 2018 |
| Beginning balance | \$ — | \$ 336,882 |
| Fair value election - transfer of MSRs carried at fair value (1) | — | (361,670) |
| Decrease in impairment valuation allowance (1) (2) | — | 24,788 |
| Ending balance | <u>\$ —</u> | <u>\$ —</u> |

- (1) Effective January 1, 2018, we elected fair value accounting for our MSRs previously accounted for using the amortization method, which included Agency MSRs and government-insured MSRs. This irrevocable election applies to all subsequently acquired or originated servicing assets and liabilities that have characteristics consistent with each of these classes. We recorded a cumulative-effect adjustment of \$82.0 million to retained earnings as of January 1, 2018 to reflect the excess of the fair value of the Agency MSRs over their carrying amount. We also recognized the tax effect of this adjustment through an increase in retained earnings of \$6.8 million and a deferred tax asset for the same amount. However, we established a full valuation allowance on the resulting deferred tax asset through a reduction in retained earnings. The government-insured MSRs were impaired by \$24.8 million at December 31, 2017; therefore, these MSRs were already effectively carried at fair value.
- (2) Impairment valuation allowance balance of \$24.8 million was reclassified to reduce the carrying value of the related MSRs on January 1, 2018 in connection with our fair value election.

| MSRs – Fair Value Measurement Method | Six Months Ended June 30, | | | | | |
|--|---------------------------|-------------------|---------------------|-------------------|-------------------|---------------------|
| | 2019 | | | 2018 | | |
| | Agency | Non-Agency | Total | Agency | Non-Agency | Total |
| Beginning balance | \$ 865,587 | \$ 591,562 | \$ 1,457,149 | \$ 11,960 | \$ 660,002 | \$ 671,962 |
| Fair value election - transfer from MSRs carried at amortized cost | — | — | — | 336,882 | — | 336,882 |
| Cumulative effect of fair value election | — | — | — | 82,043 | — | 82,043 |
| Sales and other transfers | (29) | (541) | (570) | — | (155) | (155) |
| Additions: | | | | | | |
| Recognized on the sale of residential mortgage loans | 2,698 | — | 2,698 | 5,885 | — | 5,885 |
| Purchase of MSRs | 114,302 | 87 | 114,389 | — | — | — |
| Servicing transfers and adjustments | — | (4,767) | (4,767) | — | (2,375) | (2,375) |
| Changes in fair value (1): | | | | | | |
| Changes in valuation inputs or other assumptions | (171,676) | 12,583 | (159,093) | 20,460 | 4,989 | 25,449 |
| Realization of expected future cash flows and other changes | (65,147) | (32,026) | (97,173) | (29,633) | (46,063) | (75,696) |
| Ending balance | <u>\$ 745,735</u> | <u>\$ 566,898</u> | <u>\$ 1,312,633</u> | <u>\$ 427,597</u> | <u>\$ 616,398</u> | <u>\$ 1,043,995</u> |

(1) Changes in fair value are recognized in MSR valuation adjustments, net in the unaudited consolidated statements of operations.

Portfolio of Assets Serviced

The following table presents the composition of our residential primary servicing and subservicing portfolios as measured by UPB, including foreclosed real estate and small-balance commercial loans. The UPB amounts in the table below are not included on our unaudited consolidated balance sheets.

UPB at June 30, 2019

| | |
|--------------|-----------------------|
| Servicing | \$ 80,141,128 |
| Subservicing | 27,432,019 |
| NRZ | 121,709,898 |
| | <u>\$ 229,283,045</u> |

UPB at December 31, 2018

| | |
|--------------|-----------------------|
| Servicing | \$ 72,378,693 |
| Subservicing | 53,104,560 |
| NRZ | 130,517,237 |
| | <u>\$ 256,000,490</u> |

UPB at June 30, 2018

| | |
|--------------|-----------------------|
| Servicing | \$ 70,796,834 |
| Subservicing | 1,600,289 |
| NRZ | 94,729,891 |
| | <u>\$ 167,127,014</u> |

During the six months ended June 30, 2019, we acquired MSRs on portfolios consisting of 45,307 loans with a UPB of \$10.8 billion. During the six months ended June 30, 2019, we also sold MSRs on portfolios consisting of 307 loans with a UPB of \$100.1 million.

A significant portion of the servicing agreements for our non-Agency servicing portfolio contain provisions where we could be terminated as servicer without compensation upon the failure of the serviced loans to meet certain portfolio delinquency or cumulative loss thresholds. As a result of the economic downturn beginning in 2007 - 2008, the portfolio

delinquency and/or cumulative loss threshold provisions have been breached in many private-label securitizations in our non-Agency servicing portfolio. To date, terminations as servicer as a result of a breach of any of these provisions have been minimal.

At June 30, 2019, the S&P Global Ratings, Inc.'s (S&P) and Fitch Ratings, Inc.'s (Fitch) servicer ratings outlook for PMC is stable. Downgrades in servicer ratings could adversely affect our ability to sell or finance servicing advances and could impair our ability to consummate future servicing transactions or adversely affect our dealings with lenders, other contractual counterparties, and regulators, including our ability to maintain our status as an approved servicer by Fannie Mae and Freddie Mac. The servicer rating requirements of Fannie Mae do not necessarily require or imply immediate action, as Fannie Mae has discretion with respect to whether we are in compliance with their requirements and what actions it deems appropriate under the circumstances in the event that we fall below their desired servicer ratings.

Certain of our servicing agreements require that we maintain specified servicer ratings from rating agencies such as Moody's and S&P. As a result of our current servicer ratings, termination rights have been triggered in certain of our non-Agency servicing agreements. To date, terminations as servicer as a result of a breach of any of these provisions have been minimal.

| Servicing Revenue | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|-------------------|---------------------------|-------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Loan servicing and subservicing fees | | | | |
| Servicing | \$ 54,609 | \$ 55,783 | \$ 107,038 | \$ 114,779 |
| Subservicing | 4,203 | 871 | 10,410 | 1,786 |
| NRZ | 141,091 | 126,712 | 296,938 | 253,729 |
| | <u>199,903</u> | <u>183,366</u> | <u>414,386</u> | <u>370,294</u> |
| Late charges | 13,242 | 15,315 | 28,682 | 29,904 |
| Custodial accounts (float earnings) | 13,341 | 8,461 | 25,275 | 15,724 |
| Loan collection fees | 3,401 | 4,767 | 7,750 | 9,785 |
| Home Affordable Modification Program (HAMP) fees (1) | 1,565 | 4,153 | 3,342 | 8,256 |
| Other, net | 7,730 | 6,165 | 15,610 | 10,402 |
| | <u>\$ 239,182</u> | <u>\$ 222,227</u> | <u>\$ 495,045</u> | <u>\$ 444,365</u> |

(1) The HAMP expired on December 31, 2016. Borrowers who had requested assistance or to whom an offer of assistance had been extended as of that date had until September 30, 2017 to finalize their modification. We continue to earn HAMP success fees for HAMP modifications that remain less than 90 days delinquent at the first-, second- and third-year anniversary of the start of the trial modification.

Float balances (balances in custodial accounts, which represent collections of principal and interest that we receive from borrowers) are held in escrow by an unaffiliated bank and are excluded from our unaudited consolidated balance sheets. Float balances amounted to \$2.0 billion and \$1.7 billion at June 30, 2019 and June 30, 2018, respectively.

Note 10 — Rights to MSRs

Ocwen and PMC have entered into agreements to sell MSRs or Rights to MSRs and the related servicing advances to NRZ, and in all cases have been retained by NRZ as subservicer. In the case of Ocwen Rights to MSRs transactions, while the majority of the risks and rewards of ownership were transferred, legal title was retained by Ocwen, causing the Rights to MSRs transactions to be accounted for as secured financings. In the case of the PMC transactions, and for those Ocwen MSRs where consents were subsequently received and legal title was transferred to NRZ, due to the length of the non-cancellable term of the subservicing agreements, the transactions do not qualify as a sale and are accounted for as secured financings. As a result, we continue to recognize the MSRs and related financing liability on our consolidated balance sheet, as well as the full amount of servicing revenue and changes in the fair value of the MSRs and related financing liability, including related interest expense, in our consolidated statements of operations.

The following tables present the assets and liabilities recorded on our unaudited consolidated balance sheets as well as the impacts to our unaudited consolidated statements of operations in connection with our NRZ agreements.

| Balance Sheets | June 30, 2019 | | December 31, 2018 | | | | | |
|--|----------------------|------------------------------------|--------------------------|----------------------------------|-------------|---------|----|---------|
| MSRS, at fair value | \$ | 756,810 | \$ | 894,002 | | | | |
| Due from NRZ (Receivables) | | | | | | | | |
| Sales and transfers of MSRs (1) | \$ | 25,575 | \$ | 23,757 | | | | |
| Advance funding, subservicing fees and reimbursable expenses | | 15,102 | | 30,845 | | | | |
| | \$ | 40,677 | \$ | 54,602 | | | | |
| Due to NRZ (Other Liabilities) | | | | | | | | |
| Financing liability - MSRs pledged, at fair value | | \$ | 46,956 | \$ | 53,001 | | | |
| Original Rights to MSRs Agreements | \$ | 412,909 | \$ | 436,511 | | | | |
| 2017 Agreements and New RMSR Agreements (2) | | 88,103 | | 138,854 | | | | |
| PMC MSR Agreements | | 343,901 | | 457,491 | | | | |
| | \$ | 844,913 | \$ | 1,032,856 | | | | |
| | | Three Months Ended June 30, | | Six Months Ended June 30, | | | | |
| | | 2019 | 2018 | 2019 | 2018 | | | |
| Statements of Operations | | | | | | | | |
| Servicing fees collected on behalf of NRZ | \$ | 141,091 | \$ | 126,712 | \$ | 296,938 | \$ | 253,729 |
| Less: Subservicing fee retained by Ocwen | | 35,905 | | 34,444 | | 73,312 | | 68,661 |
| Net servicing fees remitted to NRZ | | 105,186 | | 92,268 | | 223,626 | | 185,068 |
| Less: Reduction (increase) in financing liability | | | | | | | | |
| Changes in fair value: | | | | | | | | |
| Original Rights to MSRs Agreements | | (1,671) | | (8,897) | | (1,550) | | (8,782) |
| 2017 Agreements and New RMSR Agreements | | 4,634 | | 828 | | (2,346) | | 17,424 |
| PMC MSR Agreements | | 47,782 | | — | | 80,878 | | — |
| | | 50,745 | | (8,069) | | 76,982 | | 8,642 |
| Runoff and settlement: | | | | | | | | |
| Original Rights to MSRs Agreements | | 11,412 | | 15,991 | | 20,447 | | 34,843 |
| 2017 Agreements and New RMSR Agreements | | 26,062 | | 33,971 | | 49,382 | | 69,666 |
| PMC MSR Agreements | | 15,814 | | — | | 33,588 | | — |
| | | 53,288 | | 49,962 | | 103,417 | | 104,509 |
| Other | | (1,777) | | (1,115) | | (3,658) | | (2,622) |
| Interest expense | \$ | 2,930 | \$ | 51,490 | \$ | 46,885 | \$ | 74,539 |

- (1) Balance represents the holdback of proceeds from PMC MSR sales and transfers to address indemnification claims and mortgage loan document deficiencies. These sales were executed by PMC prior to the acquisition date.
- (2) \$104.9 million and \$34.0 million is expected to be recognized as a reduction in the financing liability and interest expense for the years ended December 31, 2019 and 2020, respectively.

| Financing Liability - MSR Pledged | Original Rights to MSR Agreements | 2017 Agreements and New RMSR Agreements | PMC MSR Agreements | Total |
|--|--|--|---------------------------|-------------------|
| Balance at December 31, 2018 | \$ 436,511 | \$ 138,854 | \$ 457,491 | \$ 1,032,856 |
| Additions | — | — | 876 | 876 |
| Changes in fair value: | | | | |
| Original Rights to MSR Agreements | 1,550 | — | — | 1,550 |
| 2017 Agreements and New RMSR Agreements | — | 2,346 | — | 2,346 |
| PMC MSR Agreements | — | — | (80,878) | (80,878) |
| Runoff and settlement: | | | | |
| Original Rights to MSR Agreements | (20,447) | — | — | (20,447) |
| 2017 Agreements and New RMSR Agreements | — | (49,382) | — | (49,382) |
| PMC MSR Agreements | — | — | (33,588) | (33,588) |
| Calls (1): | | | | |
| Original Rights to MSR Agreements | (4,705) | — | — | (4,705) |
| 2017 Agreements and New RMSR Agreements | — | (3,715) | — | (3,715) |
| Balance at June 30, 2019 | <u>\$ 412,909</u> | <u>\$ 88,103</u> | <u>\$ 343,901</u> | <u>\$ 844,913</u> |

| Financing Liability - MSR Pledged | Original Rights to MSR Agreements | 2017 Agreements and New RMSR Agreements | Total |
|--|--|--|-------------------|
| Balance at December 31, 2017 | \$ 499,042 | \$ 9,249 | \$ 508,291 |
| Receipt of lump-sum cash payments | — | 279,586 | 279,586 |
| Changes in fair value: | | | |
| Original Rights to MSR Agreements | 8,782 | — | 8,782 |
| 2017 Agreements and New RMSR Agreements | — | (17,424) | (17,424) |
| Runoff and settlement: | | | |
| Original Rights to MSR Agreements | (34,843) | — | (34,843) |
| 2017 Agreements and New RMSR Agreements | — | (69,666) | (69,666) |
| Calls (1): | | | |
| Original Rights to MSR Agreements | (1,319) | — | (1,319) |
| 2017 Agreements and New RMSR Agreements | — | (788) | (788) |
| Balance at June 30, 2018 | <u>\$ 471,662</u> | <u>\$ 200,957</u> | <u>\$ 672,619</u> |

(1) Represents the carrying value of MSRs in connection with call rights exercised by NRZ, for MSRs transferred to NRZ under the 2017 Agreements and New RMSR Agreements, or by Ocwen at NRZ's direction, for MSRs underlying the Original Rights to MSR Agreements. Ocwen derecognizes the MSRs and the related financing liability upon collapse of the securitization.

Ocwen Transactions

Prior to the transfer of legal title under the Master Servicing Rights Purchase Agreement dated as of October 1, 2012, as amended, and certain Sale Supplements, as amended (collectively, the Original Rights to MSR Agreements), Ocwen agreed to service the mortgage loans underlying the MSRs on the economic terms set forth in the Original Rights to MSR Agreements. After the transfer of legal title as contemplated under the Original Rights to MSR Agreements, Ocwen was to service the mortgage loans underlying the MSRs as subservicer on substantially the same economic terms.

On July 23, 2017 and January 18, 2018, we entered into a series of agreements with NRZ that collectively modify, supplement and supersede the arrangements among the parties as set forth in the Original Rights to MSR Agreements. The July 23, 2017 agreements, as amended, include a Master Agreement, a Transfer Agreement and the Subservicing Agreement between Ocwen and New Residential Mortgage LLC (NRM), a subsidiary of NRZ, relating to non-agency loans (the NRM Subservicing Agreement) (collectively, the 2017 Agreements) pursuant to which the parties agreed, among other things, to

undertake certain actions to facilitate the transfer from Ocwen to NRZ of Ocwen's legal title to the remaining MSRMs that were subject to the Original Rights to MSRMs Agreements and under which Ocwen would subservice mortgage loans underlying the MSRMs for an initial term of five years (the Initial Term).

On January 18, 2018, the parties entered into new agreements (including a Servicing Addendum) regarding the Rights to MSRMs related to MSRMs that remained subject to the Original Rights to MSRMs Agreements as of January 1, 2018 and amended the Transfer Agreement (collectively, New RMSR Agreements) to accelerate the implementation of certain parts of our arrangements in order to achieve the intent of the 2017 Agreements sooner. Upon receiving the required consents and transferring the MSRMs, Ocwen will subservice the mortgage loans underlying the MSRMs pursuant to the 2017 Agreements.

Ocwen received lump-sum cash payments of \$54.6 million and \$279.6 million in September 2017 and January 2018 in accordance with the terms of the 2017 Agreements and New RMSR Agreements, respectively. These upfront payments generally represent the net present value of the difference between the future revenue stream Ocwen would have received under the Original Rights to MSRMs Agreements and the future revenue stream Ocwen expects to receive under the 2017 Agreements and the New RMSR Agreements. We recognized the cash received as a financing liability that we are accounting for at fair value through the remaining term of the original agreements (April 2020). Changes in fair value are recognized in Interest expense in the unaudited consolidated statements of operations.

On August 17, 2018, Ocwen and NRZ entered into certain amendments (i) to the New RMSR Agreements to include NewRez, LLC dba Shellpoint Mortgage Servicing (Shellpoint), a subsidiary of NRZ, as a party to which legal title to the MSRMs could be transferred after related consents are received, (ii) to add a Subservicing Agreement between Ocwen and Shellpoint relating to non-agency loans (the Shellpoint Subservicing Agreement), (iii) to add an Agency Subservicing Agreement between Ocwen and NRM relating to agency loans (the Agency Subservicing Agreement), and (iv) to conform the New RMSR Agreements and the NRM Subservicing Agreement to certain of the terms of the Shellpoint Subservicing Agreement and the Agency Subservicing Agreement.

As of June 30, 2019, the UPB of MSRMs for which legal title has not transferred to NRZ is \$19.8 billion. In the event the required third-party consents were not obtained by May 31, 2019, and in accordance with the process set forth in, the New RMSR Agreements, such MSRMs would either: (i) remain subject to the New RMSR Agreements at the option of NRZ, (ii) be acquired by Ocwen at a price determined in accordance with the terms of the New RMSR Agreements at the option of Ocwen, or (iii) be sold to a third party in accordance with the terms of the New RMSR Agreements, subject to an additional Ocwen option to acquire at a price based on the winning third-party bid rather than selling to the third party. NRZ did not exercise its option to designate the remaining MSRMs to continue to be subject to the New RMSR Agreements. Ocwen and NRZ are in discussions regarding the information needed for Ocwen to assess whether or not it will exercise its option under (ii) above to acquire all or some of the MSRMs that currently remain in the New RMSR Agreements, or what other arrangements will be made with respect to these remaining MSRMs.

At any time during the Initial Term, NRZ may terminate the Subservicing Agreements and Servicing Addendum for convenience, subject to Ocwen's right to receive a termination fee and proper notice. The termination fee is calculated as specified in the Subservicing Agreements and Servicing Addendum, and is a discounted percentage of the expected revenues that would be owed to Ocwen over the remaining life of the contract based on certain portfolio run off assumptions.

Following the Initial Term, NRZ may extend the term of the Subservicing Agreements and Servicing Addendum for additional three-month periods by providing proper notice. Following the Initial Term, the Subservicing Agreements and Servicing Addendum can be cancelled by Ocwen on an annual basis. NRZ and Ocwen have the ability to terminate the Subservicing Agreements and Servicing Addendum for cause if certain specified conditions occur. The terminations must be terminations in whole (i.e., cover all the loans under the relevant agreement) and not in part, except for limited circumstances specified in the agreements. In addition, if NRZ terminates any of the NRM or Shellpoint Subservicing Agreements or the Servicing Addendum for cause, the other agreements will also terminate automatically. If NRZ terminates the Shellpoint Subservicing Agreement for convenience within the first year after the execution of the Shellpoint Subservicing Agreement, the NRM Subservicing Agreement and the Servicing Addendum will also terminate automatically.

Under the terms of the Subservicing Agreements and Servicing Addendum, in addition to a base servicing fee, Ocwen will continue to receive certain ancillary fees, primarily late fees, loan modification fees and Speedpay® fees. We may also receive certain incentive fees or pay penalties tied to various contractual performance metrics. NRZ will receive all float earnings and deferred servicing fees related to delinquent borrower payments, as well as be entitled to receive certain REO related income including REO referral commissions.

Prior to January 18, 2018, MSR as to which necessary transfer consents had not yet been obtained continued to be subject to the terms of the agreements entered into in 2012 and 2013. Under the 2012 and 2013 agreements, the servicing fees payable under the servicing agreements underlying the Rights to MSRs were apportioned between NRZ and us. NRZ retained a fee based on the UPB of the loans serviced, and OLS received certain fees, including a performance fee based on servicing fees paid less an amount calculated based on the amount of servicing advances and the cost of financing those advances.

PMC Transactions

On December 28, 2016, PMC entered into an agreement to sell substantially all of its MSRs, and the related servicing advances, to New Residential Mortgage LLC, a wholly-owned subsidiary of NRZ. In connection with this agreement, on December 28, 2016, PMC also entered into a subservicing agreement with NRZ (collectively, the PMC MSR Agreements). The PMC subservicing agreement has an initial term of three years from the initial transaction date of June 16, 2017, subject to certain transfer and termination provisions.

The PMC subservicing arrangement generates revenue based on a schedule of fees per loan per month that includes revenue adjustments for delinquent loans to cover the incremental cost associated with servicing such loans. As of June 30, 2019, Ocwen serviced 300,149 loans under this arrangement and recorded servicing fee revenues for the three and six months ended June 30, 2019 of \$7.0 million and \$14.2 million, respectively.

Through its acquisition of PHH on October 4, 2018, Ocwen added MSRs with \$42.3 billion UPB related to the PMC MSR Agreements. As of June 30, 2019, \$3.0 billion in UPB of MSRs and related advances remain to be sold to NRZ under the PMC MSR Agreements pending receipt of required third-party consents. Ocwen and NRZ are in discussions regarding the disposition of these assets.

At any time during each of the second and third years of the initial term, and subject to the payment of the applicable deboarding fee and proper notice, NRZ may terminate an amount not to exceed 25% of the underlying mortgage loans being subserviced under the PMC subservicing agreement. The PMC subservicing agreement automatically renews for successive one-year terms unless either party provides notice of termination. NRZ and PMC each have the ability to terminate the subservicing agreement for cause if certain specified conditions occur.

Note 11 – Receivables

| | June 30, 2019 | December 31, 2018 |
|--|-------------------|-------------------|
| Servicing-related receivables: | | |
| Government-insured loan claims | \$ 103,631 | \$ 105,258 |
| Due from NRZ: | | |
| Sales and transfers of MSRs | 25,575 | 23,757 |
| Advance funding, subservicing fees and reimbursable expenses | 15,102 | 30,845 |
| Reimbursable expenses | 15,557 | 11,508 |
| Due from custodial accounts | 14,235 | 9,060 |
| Other | 5,292 | 7,754 |
| | <u>179,392</u> | <u>188,182</u> |
| Income taxes receivable | 37,768 | 45,987 |
| Other receivables | 23,096 | 17,672 |
| | <u>240,256</u> | <u>251,841</u> |
| Allowance for losses | (52,271) | (53,579) |
| | <u>\$ 187,985</u> | <u>\$ 198,262</u> |

At June 30, 2019 and December 31, 2018, the allowance for losses relates to receivables of our Servicing business. Allowance for losses related to defaulted FHA- or VA-insured loans repurchased from Ginnie Mae guaranteed securitizations and not subsequently sold to third-party investors (government-insured loan claims) was \$50.5 million and \$52.5 million at June 30, 2019 and December 31, 2018, respectively.

| Allowance for Losses - Government-Insured Loan Claims | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|-----------|---------------------------|-----------|
| | 2019 | 2018 | 2019 | 2018 |
| Beginning balance | \$ 51,280 | \$ 57,593 | \$ 52,497 | \$ 53,340 |
| Provision | 4,561 | 8,658 | 11,806 | 19,034 |
| Charge-offs and other, net | (5,330) | (13,096) | (13,792) | (19,219) |
| Ending balance | \$ 50,511 | \$ 53,155 | \$ 50,511 | \$ 53,155 |

Note 12 – Other Assets

| | June 30, 2019 | December 31, 2018 |
|---|---------------|-------------------|
| Contingent loan repurchase asset | \$ 455,943 | \$ 302,581 |
| Prepaid expenses | 20,078 | 27,647 |
| Prepaid representation, warranty and indemnification claims - Agency MSR sale | 15,173 | 15,173 |
| Deferred tax asset, net | 6,304 | 5,289 |
| REO | 6,147 | 7,368 |
| Derivatives, at fair value | 4,223 | 4,552 |
| Prepaid lender fees, net | 4,162 | 6,589 |
| Security deposits | 2,296 | 2,278 |
| Mortgage backed securities, at fair value | 2,014 | 1,502 |
| Interest-earning time deposits | 401 | 1,338 |
| Other | 6,103 | 5,250 |
| | \$ 522,844 | \$ 379,567 |

Note 13 – Borrowings

Match Funded Liabilities

| Borrowing Type | Maturity (1) | Amorti- zation Date (1) | Available Borrowing Capacity (2) | June 30, 2019 | | December 31, 2018 | |
|--|--------------|-------------------------------|--|---|------------|---|------------|
| | | | | Weighted Average Interest Rate (3) | Balance | Weighted Average Interest Rate (3) | Balance |
| Advance Financing Facilities: | | | | | | | |
| Advance Receivables Backed Notes - Series 2015-VF5 (4) | Dec. 2049 | Dec. 2019 | \$ 110,684 | 3.96% | \$ 114,316 | 4.06% | \$ 216,559 |
| Advance Receivables Backed Notes - Series 2016-T2 (5) | Aug. 2049 | Aug. 2019 | — | 2.99 | 235,000 | 2.99 | 235,000 |
| Advance Receivables Backed Notes, Series 2018-T1 (5) | Aug. 2049 | Aug. 2019 | — | 3.50 | 150,000 | 3.50 | 150,000 |
| Advance Receivables Backed Notes, Series 2018-T2 (5) | Aug. 2050 | Aug. 2020 | — | 3.81 | 150,000 | 3.81 | 150,000 |
| Total Ocwen Master Advance Receivables Trust (OMART) | | | 110,684 | 3.47 | 649,316 | 3.56 | 751,559 |
| Ocwen Freddie Advance Funding (OFAF) - Advance Receivables Backed Notes, Series 2015- VF1 (6) | Jun. 2050 | Jun. 2020 | 37,520 | 4.12 | 22,480 | 5.03 | 26,725 |
| | | | \$ 148,204 | 3.49% | \$ 671,796 | 3.61% | \$ 778,284 |

- (1) The amortization date of our facilities is the date on which the revolving period ends under each advance facility note and repayment of the outstanding balance must begin if the note is not renewed or extended. The maturity date is the date on which all outstanding balances must be repaid. In all of our advance facilities, there are multiple notes outstanding. For each note, after the amortization date, all collections that represent the repayment of advances pledged to the facility must be applied ratably to each outstanding

amortizing note to reduce the balance and as such the collection of advances allocated to the amortizing note may not be used to fund new advances.

- (2) Borrowing capacity under the OMART and OFAF facilities is available to us provided that we have sufficient eligible collateral to pledge in accordance with their respective terms. At June 30, 2019, \$23.5 million of the available borrowing capacity of our advance financing notes could be used based on the amount of eligible collateral that had been pledged.
- (3) 1ML was 2.40% and 2.50% at June 30, 2019 and December 31, 2018, respectively.
- (4) The total borrowing capacity of the Series 2015-VF5 variable notes is \$225.0 million, with interest computed based on the lender's cost of funds plus a margin of 105 to 250 bps.
- (5) Under the terms of the agreement, we must continue to borrow the full amount of the Series 2016-T2, 2018-T1 and 2018-T2 fixed-rate term notes until the amortization date. If there is insufficient eligible collateral to support the level of borrowing, the excess cash proceeds in an amount necessary to make up the deficit are not distributed to Ocwen but are held by the trustee, and interest expense continues to be based on the full amount of the outstanding notes. The Series 2016-T2, 2018-T1 and 2018-T2 term notes have a total combined borrowing capacity of \$535.0 million. Rates on the individual classes of notes range from 2.72% to 4.53%.
- (6) On June 6, 2019, we renewed this facility through June 5, 2020 and borrowing capacity was reduced from \$65.0 million to \$60.0 million with interest computed based on the lender's cost of funds plus a margin of 100 to 330 bps based on the various classes of notes.

Pursuant to the 2017 Agreements and New RMSR Agreements, NRZ is obligated to fund new servicing advances with respect to the MSRs underlying the Rights to MSRs. We are dependent upon NRZ for funding the servicing advance obligations for Rights to MSRs where we are the servicer. NRZ currently uses advance financing facilities in order to fund a substantial portion of the servicing advances that they are contractually obligated to purchase pursuant to our agreements with them. As of June 30, 2019, we were the servicer of Rights to MSRs sold to NRZ pertaining to \$19.8 billion in UPB, which excludes those Rights to MSRs where legal title has transferred to NRZ. NRZ's associated outstanding servicing advances as of such date were approximately \$715.5 million. Should NRZ's advance financing facilities fail to perform as envisaged or should NRZ otherwise be unable to meet its advance funding obligations, our liquidity, financial condition and business could be materially and adversely affected. As the servicer, we are contractually required under our servicing agreements to make certain servicing advances even if NRZ does not perform its contractual obligations to fund those advances. See Note 10 — Rights to MSRs for additional information.

In addition, although we are not an obligor or guarantor under NRZ's advance financing facilities, we are a party to certain of the facility documents as the servicer of the underlying loans on which advances are being financed. As the servicer, we make certain representations, warranties and covenants, including representations and warranties in connection with advances subsequently sold to, or reimbursed by, NRZ.

| Financing Liabilities | | | | Outstanding Balance | |
|--|---------------------------|---------------|-----------|---------------------|-------------------|
| | | | | June 30, 2019 | December 31, 2018 |
| Borrowing Type | Collateral | Interest Rate | Maturity | | |
| | Loans held for investment | 1ML + 260 bps | (1) | \$ 5,745,383 | \$ 5,380,448 |
| HMBS-Related Borrowings, at fair value (1) | | | | | |
| Other Financing Liabilities | | | | | |
| MSRs pledged, at fair value: | | | | | |
| Original Rights to MSRs Agreements | MSRs | (2) | (2) | 412,909 | 436,511 |
| 2017 Agreements and New RMSR Agreements | MSRs | (3) | (3) | 88,103 | 138,854 |
| PMC MSR Agreements | MSRs | (4) | (4) | 343,901 | 457,491 |
| | | | | 844,913 | 1,032,856 |
| Secured Notes, Ocwen Asset Servicing Income Series, Series 2014-1 (5) | MSRs | (5) | Feb. 2028 | 62,841 | 65,523 |
| Financing liability - Owed to securitization investors, at fair value: | | | | | |
| IndyMac Mortgage Loan Trust (INDX 2004-AR11) (6) | Loans held for investment | (6) | (6) | 10,629 | 11,012 |
| Residential Asset Securitization Trust 2003-A11 (RAST 2003-A11) (6) | Loans held for investment | (6) | (6) | 13,068 | 13,803 |
| | | | | 23,697 | 24,815 |
| Advances pledged (7) | Advances on loans | (7) | (7) | — | 4,419 |
| Total Other Financing Liabilities | | | | 931,451 | 1,127,613 |
| | | | | \$ 6,676,834 | \$ 6,508,061 |

- (1) Represents amounts due to the holders of beneficial interests in Ginnie Mae guaranteed HMBS. The beneficial interests have no maturity dates, and the borrowings mature as the related loans are repaid.
- (2) This financing liability has no contractual maturity or repayment schedule. The balance of the liability is adjusted each reporting period to its fair value based on the present value of the estimated future cash flows underlying the related MSRs.
- (3) This financing liability arose in connection with lump sum payments received upon transfer of legal title of the MSRs related to the Rights to MSRs transactions to NRZ in September 2017. In connection with the execution of the New RMSR Agreements in January 2018, we received a lump sum payment of \$279.6 million as compensation for foregoing certain payments under the Original Rights to MSRs Agreements. The balance of the liability is adjusted each reporting period to its fair value based on the present value of the estimated future cash flows. The expected maturity of the liability is April 30, 2020, the date through which we were scheduled to be the servicer on loans underlying the Rights to MSRs per the Original Rights to MSRs Agreements.
- (4) Represents a liability for sales of MSRs that are accounted for as a secured borrowing which we assumed in connection with the acquisition of PHH. Under this accounting treatment, the MSRs transferred to NRZ remain on the consolidated balance sheet and the proceeds from the sale are recognized as a secured liability. We elected to record the liability at fair value consistent with the related MSRs.
- (5) OASIS noteholders are entitled to receive a monthly payment equal to the sum of: (a) 21 basis points of the UPB of the reference pool of Freddie Mac mortgages; (b) any termination payment amounts; (c) any excess refinance amounts; and (d) the note redemption amounts, each as defined in the indenture supplement for the notes. Monthly amortization of the liability is estimated using the proportion of monthly projected service fees on the underlying MSRs as a percentage of lifetime projected fees, adjusted for the term of the notes.
- (6) Consists of securitization debt certificates due to third parties that represent beneficial interests in trusts that we include in our unaudited consolidated financial statements, as more fully described in Note 4 – Securitizations and Variable Interest Entities. The holders of these certificates have no recourse against the assets of Ocwen. The certificates in the INDX 2004-AR11 Trust pay interest based on variable rates which are generally based on weighted average net mortgage rates and which range between 3.70% and 4.29% at June 30, 2019. The certificates in the RAST 2003-A11 Trust pay interest based on fixed rates ranging between 4.25% and 5.75% and a variable rate based on 1ML plus 0.45%. The maturity of the certificates occurs upon maturity of the loans held by the trust. The remaining loans in the INDX 2004-AR11 Trust and RAST 2003-A11 Trust have maturity dates extending through November 2034 and October 2033, respectively.
- (7) Certain sales of advances did not qualify for sales accounting treatment and were accounted for as a financing. This financing liability has no contractual maturity. The effective interest rate is based on 1ML plus a margin of 450 bps.

Other Secured Borrowings

| Borrowing Type | Collateral | Interest Rate | Termination / Maturity | Available Borrowing Capacity (1) | Outstanding Balance | | |
|---|--------------------------------------|---|------------------------|----------------------------------|---------------------|-------------------|---------|
| | | | | | June 30, 2019 | December 31, 2018 | |
| SSTL (2) | (2) | 1-Month Euro-dollar rate + 500 bps with a Eurodollar floor of 100 bps (2) | Dec. 2020 | \$ — | \$ 338,784 | \$ 231,500 | |
| Mortgage loan warehouse facilities | | | | | | | |
| Repurchase agreement (3) | Loans held for sale (LHFS) | 1ML + 195 - 300 bps | Sep. 2019 | — | 109,807 | 74,693 | |
| Participation agreement (4) | LHFS | N/A | Jul. 2019 | — | — | 42,331 | |
| Mortgage warehouse agreement (5) | LHFS (reverse mortgages) | 1ML + 275 bps; 1ML floor of 350 bps | Aug. 2019 | — | 9,630 | 8,009 | |
| Master repurchase agreement (6) | LHFS (forward and reverse mortgages) | 1ML + 225 bps forward; 1ML + 275 bps reverse | Dec. 2019 | 165,425 | 34,575 | 30,680 | |
| Master repurchase agreement (7) | LHFS (reverse mortgages) | Prime + 0.0% (4.0% floor) | Jan. 2020 | — | 439 | — | |
| Master repurchase agreement (8) | N/A | 1ML + 170bps | N/A | — | — | — | |
| Participation agreement (9) | LHFS | N/A | Feb. 2020 | — | 28,478 | — | |
| | | | | 165,425 | 182,929 | 155,713 | |
| | | | | \$ 165,425 | 521,713 | 387,213 | |
| Unamortized debt issuance costs - SSTL | | | | | | (3,456) | (3,098) |
| Discount - SSTL | | | | | | (1,776) | (1,577) |
| | | | | | \$ 516,481 | \$ 382,538 | |
| Weighted average interest rate | | | | | | 5.22% | 5.49% |

- (1) Available borrowing capacity for our mortgage loan warehouse facilities does not consider the amount of the facility that the lender has extended on an uncommitted basis. Of the borrowing capacity extended on a committed basis, none could be used at June 30, 2019 based on the amount of eligible collateral that could be pledged.
- (2) On March 18, 2019, we entered into a Joinder and Amendment Agreement (the Amendment) which amends the existing Amended and Restated SSTL Facility Agreement dated December 5, 2016 to provide an additional term loan of \$120.0 million subject to the same maturity, interest rate and other material terms of existing borrowings under the SSTL. Effective with the Amendment, the quarterly principal payment has been increased from \$4.2 million to \$6.4 million beginning March 31, 2019. See information regarding collateral in the table below.

Borrowings bear interest, at the election of Ocwen, at a rate per annum equal to either (a) the base rate (the greatest of (i) the prime rate in effect on such day, (ii) the federal funds rate in effect on such day plus 0.50% and (iii) 1ML, plus a margin of 4.00% and subject to a base rate floor of 2.00% or (b) 1ML, plus a margin of 5.00% and subject to a 1ML floor of 1.00%. To date, we have elected option (b) to determine the interest rate.

- (3) The maximum borrowing under this agreement is \$175.0 million, of which \$100.0 million is available on a committed basis and the remainder is available at the discretion of the lender.
- (4) Effective with the merger of Homeward into PMC in February 2019, an existing participation agreement with uncommitted borrowing capacity of \$75.0 million was terminated. Effective with the merger of OLS into PMC in June 2019, the remaining participation agreement with uncommitted borrowing capacity of \$175.0 million was also terminated.
- (5) Under this participation agreement, the lender provides financing for \$100.0 million on an uncommitted basis. The participation agreement allows the lender to acquire a 100% beneficial interest in the underlying mortgage loans. The transaction does not qualify for sale accounting treatment and is accounted for as a secured borrowing.

- (6) The maximum borrowing under this agreement is \$250.0 million, of which \$200.0 million is available on a committed basis and the remainder is available on an uncommitted basis. The agreement allows the lender to acquire a 100% beneficial interest in the underlying mortgage loans. The transaction does not qualify for sale accounting treatment and is accounted for as a secured borrowing.
- (7) Under this agreement, the lender provides financing for up to \$50.0 million on an uncommitted basis. On January 23, 2019, we renewed this facility through January 22, 2020.
- (8) This agreement was originally entered into by PHH and subsequently assumed by Ocwen in connection with its acquisition of PHH. The facility provides financing for up to \$200.0 million at the discretion of the provider. The agreement has no stated maturity date.
- (9) We entered into a master participation agreement on February 4, 2019 under which the lender will provide \$300.0 million of borrowing capacity to PMC on an uncommitted basis. The participation agreement allows the lender to acquire a 100% beneficial interest in the underlying mortgage loans. The transaction does not qualify for sale accounting treatment and is accounted for as a secured borrowing. The lender earns the stated interest rate of the underlying mortgage loans while the loans are financed under the participation agreement.

| Senior Notes | Interest Rate | Maturity | Outstanding Balance | |
|---------------------------------|---------------|-----------|---------------------|-------------------|
| | | | June 30, 2019 | December 31, 2018 |
| Senior unsecured notes (1) | | | | |
| PHH | 7.375% | Sep. 2019 | \$ 97,521 | \$ 97,521 |
| PHH | 6.375% | Aug. 2021 | 21,543 | 21,543 |
| | | | 119,064 | 119,064 |
| Senior secured notes | 8.375% | Nov. 2022 | 330,878 | 330,878 |
| | | | 449,942 | 449,942 |
| Unamortized debt issuance costs | | | (1,825) | (2,075) |
| Fair value adjustments (1) | | | (540) | 860 |
| | | | <u>\$ 447,577</u> | <u>\$ 448,727</u> |

- (1) These notes were originally issued by PHH and subsequently assumed by Ocwen in connection with its acquisition of PHH. We recorded the notes at their respective fair values on the date of acquisition, and we are amortizing the resulting fair value purchase accounting adjustments over the remaining term of the notes. We have the option to redeem the notes due in August 2021, in whole or in part, on or after January 1, 2019 at a redemption price equal to 100.0% of the principal amount plus any accrued and unpaid interest.

At any time, we may redeem all or a part of the 8.375% Senior secured notes, upon not less than 30 nor more than 60 days' notice at a specified redemption price, plus accrued and unpaid interest to the date of redemption. We may redeem all or a part of these notes at the redemption prices (expressed as percentages of principal amount) specified in the Indenture. The redemption prices during the twelve-month periods beginning on November 15th of each year are as follows:

| Year | Redemption Price |
|---------------------|------------------|
| 2018 | 106.281% |
| 2019 | 104.188% |
| 2020 | 102.094% |
| 2021 and thereafter | 100.000% |

Upon a change of control (as defined in the Indenture), we are required to make an offer to the holders of the 8.375% Senior secured notes to repurchase all or a portion of each holder's notes at a purchase price equal to 101.0% of the principal amount of the notes purchased plus accrued and unpaid interest to the date of purchase.

Credit Ratings

Credit ratings are intended to be an indicator of the creditworthiness of a company's debt obligations. At June 30, 2019, the S&P issuer credit rating for Ocwen was "B-". On December 11, 2018, Moody's affirmed Ocwen's corporate family rating of "Caa1" and revised the outlook to stable from negative. On June 1, 2019, OLS, the borrower under the SSTL and 8.375% Senior secured notes, merged with PMC which became the successor obligor for these borrowings. As a result, on July 3, 2019, S&P withdrew the ratings of OLS and assigned a B- issuer credit rating to PMC. It is possible that additional actions by credit rating agencies could have a material adverse impact on our liquidity and funding position, including materially changing the terms on which we may be able to borrow money.

Covenants

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

- Financial covenants;
- Covenants to operate in material compliance with applicable laws;
- Restrictions on our ability to engage in various activities, including but not limited to incurring additional forms of debt, paying dividends or making distributions on or purchasing equity interests of Ocwen, 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 acquisitions 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 of any guarantor, 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.

Many of the restrictive covenants arising from the indenture for the Senior Secured Notes will be suspended if the Senior Secured Notes achieve an investment-grade rating from both Moody's and S&P and if no default or event of default has occurred and is continuing.

Financial covenants in certain of our debt agreements require that we maintain, among other things:

- a 40% loan to collateral value ratio, as defined under our SSTL, as of the last date of any fiscal quarter; and
- specified levels of tangible net worth and liquidity at the consolidated Ocwen level.

As of June 30, 2019, the most restrictive consolidated tangible net worth requirements contained in our debt agreements were for a minimum of \$275.0 million in consolidated tangible net worth, as defined, at Ocwen under our match funded debt and certain of our other debt agreements.

As a result of the covenants to which we are subject, we may be limited in the manner in which we conduct our business and may be limited in our ability to engage in favorable business activities or raise additional forms of 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 changes of control.

Covenants and default provisions of this type are commonly found in debt agreements such as ours. Certain of these covenants and default provisions are open to subjective interpretation and, if our interpretation was contested by a lender, a court may ultimately be required to determine compliance or lack thereof. 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. Our lenders can waive their contractual rights in the event of a default.

We believe that we are in compliance with all of the qualitative and quantitative covenants in our debt agreements as of the date of these financial statements.

Collateral

Our assets held as collateral related to secured borrowings, committed under sale or other contractual obligations and which may be subject to secured liens under the SSTL and Senior Secured Notes are as follows at June 30, 2019:

| | Collateral for Secured Borrowings | | | | | |
|-----------------------------|--|---------------------------------|------------------------------|---|--|---------------------|
| | Total Assets | Match Funded Liabilities | Financing Liabilities | Mortgage Loan Warehouse Facilities | Sales and Other Commitments (1) | Other (2) |
| Cash | \$ 287,724 | \$ — | \$ — | \$ — | \$ — | \$ 287,724 |
| Restricted cash | 60,708 | 15,488 | — | 4,100 | 41,120 | — |
| MSRs | 1,312,633 | — | 824,442 | — | — | 488,191 |
| Advances, net | 229,167 | — | — | — | 30,757 | 198,410 |
| Match funded advances | 875,332 | 875,332 | — | — | — | — |
| Loans held for sale | 196,071 | — | — | 151,878 | — | 44,193 |
| Loans held for investment | 5,897,731 | — | 5,818,251 | 38,483 | — | 40,997 |
| Receivables, net | 187,985 | — | — | 35,903 | — | 152,082 |
| Premises and equipment, net | 57,598 | — | — | — | — | 57,598 |
| Other assets | 522,844 | — | — | 4,000 | 473,412 | 45,432 |
| Total assets | \$ 9,627,793 | \$ 890,820 | \$ 6,642,693 | \$ 234,364 | \$ 545,289 | \$ 1,314,627 |

- (1) Sales and Other Commitments include MSRs and related advances committed under sale agreements, Restricted cash and deposits held as collateral to support certain contractual obligations, and Contingent loan repurchase assets related to the Ginnie Mae EBO program for which a corresponding liability is recognized in Other liabilities.
- (2) The borrowings under the SSTL are secured by a first priority security interest in substantially all of the assets of Ocwen, PHH, PMC and the other guarantors thereunder, excluding among other things, 35% of the voting capital stock of foreign subsidiaries, securitization assets and equity interests of securitization entities, assets securing permitted funding indebtedness and non-recourse indebtedness, REO assets, Agency MSRs with respect to which an acknowledgment agreement acknowledging such security interest has not been obtained, as well as other customary carve-outs (collectively, the Collateral). The Collateral is subject to certain permitted liens set forth under the SSTL and related security agreement. The Senior Secured Notes are guaranteed by Ocwen and the other guarantors that guarantee the SSTL, and the borrowings under the Senior Secured Notes are secured by a second priority security interest in the Collateral. Security interests securing borrowings under the SSTL and Senior Secured Notes may include amounts presented in Other as well as certain assets presented in Collateral for Secured Borrowings and Sales and Other Commitments, subject to permitted liens as defined in the applicable debt documents. The amounts presented here may differ in their calculation and are not intended to represent amounts that may be used in connection with covenants under the applicable debt documents.

Note 14 – Other Liabilities

| | June 30, 2019 | December 31, 2018 |
|---|----------------------|--------------------------|
| Contingent loan repurchase liability | \$ 455,943 | \$ 302,581 |
| Other accrued expenses | 76,851 | 99,739 |
| Lease liability | 55,489 | — |
| Accrued legal fees and settlements | 53,072 | 62,763 |
| Due to NRZ - Advance collections and servicing fees | 46,956 | 53,001 |
| Servicing-related obligations | 45,850 | 41,922 |
| Liability for indemnification obligations | 44,681 | 51,574 |
| Checks held for escheat | 35,232 | 20,686 |
| Liability for uncertain tax positions | 12,942 | 13,739 |
| Liability for unfunded pension obligation | 12,400 | 12,683 |
| Accrued interest payable | 9,045 | 7,209 |
| Liability for mortgage insurance contingency | 6,820 | 6,820 |
| Derivatives, at fair value | 3,934 | 4,986 |
| Deferred revenue | 3,210 | 4,441 |
| Other | 29,786 | 21,492 |
| | <u>\$ 892,211</u> | <u>\$ 703,636</u> |

| Accrued Legal Fees and Settlements | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|------------------------------------|------------------|----------------------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Beginning balance | \$ 52,916 | \$ 46,305 | \$ 62,763 | \$ 51,057 |
| Net accrual (reversal of accrual) for probable losses(1) | (465) | 2,330 | (1,096) | 9,782 |
| Payments (2) | (1,100) | (1,607) | (10,507) | (7,643) |
| Issuance of common stock in settlement of litigation(3) | — | — | — | (5,719) |
| Net increase in accrued legal fees | 1,657 | 5,031 | 1,848 | 4,732 |
| Other | 64 | 2,236 | 64 | 2,086 |
| Ending balance | <u>\$ 53,072</u> | <u>\$ 54,295</u> | <u>\$ 53,072</u> | <u>\$ 54,295</u> |

- (1) Consists of amounts accrued for probable losses in connection with legal and regulatory settlements and judgments. Such amounts are reported in Professional services expense in the unaudited consolidated statements of operations.
- (2) Includes cash payments made in connection with resolved legal and regulatory matters.
- (3) In January 2018, Ocwen issued 1,875,000 shares of common stock in connection with a securities litigation settlement.

Note 15 – Derivative Financial Instruments and Hedging Activities

The following table summarizes derivative activity, including the derivatives used in each of our identified hedging programs. 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 at June 30, 2019:

| | Interest Rate Risk | | |
|---|---|----------------------------------|-------------------------|
| | IRLCs | IRLCs and Loans Held for Sale | Borrowings |
| | | Forward MBS Trades | Interest Rate Caps |
| | | | IRLCs |
| Notional balance at June 30, 2019 | \$ 118,099 | \$ 126,762 | \$ 122,083 |
| Maturity | July 2019 - Sept. 2019 | July 2019 | Aug. 2019 - May 2020 |
| Fair value of derivative assets (liabilities) (1) at: | | | |
| June 30, 2019 | \$ 4,105 | \$ (3,863) | \$ 47 |
| December 31, 2018 | 3,871 | (4,983) | 678 |
| Gains (losses) on derivatives during the six months ended: | | | |
| | Gain on loans held for sale, net | | Other, Net |
| June 30, 2019 | \$ (296) | \$ (3,238) | \$ (335) |
| June 30, 2018 | 111 | 1,998 | (78) |

(1) Derivatives are reported at fair value in Other assets or in Other liabilities on our unaudited consolidated balance sheets.

As loans are originated and sold or as loan commitments expire, our forward MBS trade positions mature and are replaced by new positions based upon new loan originations and commitments and expected time to sell.

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. We have not entered into any forward exchange contracts during the reported periods to hedge against the effect of changes in the value of the India Rupee or Philippine Peso. Foreign currency remeasurement exchange gains (losses) were \$(0.1) million and \$0.1 million, and \$(1.9) million and \$(2.7) million, during the three and six months ended June 30, 2019 and 2018, respectively, and are reported in Other, net in the unaudited consolidated statements of operations. The losses in the 2018 periods are primarily attributed to depreciation of the India Rupee against the U.S. Dollar.

Interest Rate Risk

Interest Rate Lock Commitments

A loan commitment binds us (subject to the loan approval process) to fund the loan at the specified rate, regardless of whether interest rates have changed between the commitment date and the loan funding date. As such, outstanding IRLCs are subject to interest rate risk and related price risk during the period from the date of the commitment through the loan funding date or expiration date. The borrower is not obligated to obtain the loan; thus, we are subject to fallout risk related to IRLCs, which is realized if approved borrowers choose not to close on the loans within the terms of the IRLCs. Our interest rate exposure on these derivative loan commitments is hedged with freestanding derivatives such as forward contracts. We enter into forward contracts with respect to both fixed and variable rate loan commitments.

Loans Held for Sale, at Fair Value

Mortgage loans held for sale that we carry at fair value are subject to interest rate and price risk from the loan funding date until the date the loan is sold into the secondary market. Generally, the fair value of a loan will decline in value when interest rates increase and will rise in value when interest rates decrease. To mitigate this risk, we enter into forward MBS trades to provide an economic hedge against those changes in fair value on mortgage loans held for sale. Forward MBS trades are primarily used to fix the forward sales price that will be realized upon the sale of mortgage loans into the secondary market.

Match Funded Liabilities

As required by certain of our advance financing arrangements, we have purchased interest rate caps to minimize future interest rate exposure from increases in the interest on our variable rate debt as a result of increases in the index, such as 1ML, which is used in determining the interest rate on the debt. We currently do not hedge our fixed rate debt.

Accumulated Other Comprehensive Loss (AOCL)

Included in AOCL at June 30, 2019 and 2018, were \$1.0 million and \$1.1 million of deferred unrealized losses, before taxes of \$0.1 million and \$0.1 million, respectively, on interest rate swaps that we had designated as cash flow hedges. These deferred losses in AOCL are amortized to Other, net in the unaudited consolidated statements of operations.

Note 16 – Interest Expense

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|------------------------------|-----------------------------|------------------|---------------------------|-------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Financing liabilities | | | | |
| NRZ | \$ 2,930 | \$ 51,490 | \$ 46,885 | \$ 74,539 |
| Other financing liabilities | 822 | 1,349 | 1,892 | 2,544 |
| | 3,752 | 52,839 | 48,777 | 77,083 |
| Senior notes | 8,502 | 7,452 | 17,014 | 14,903 |
| Other secured borrowings | 9,245 | 8,044 | 17,123 | 16,232 |
| Match funded liabilities | 7,045 | 7,714 | 14,697 | 17,262 |
| Other | 3,027 | 1,454 | 4,405 | 2,833 |
| | <u>\$ 31,571</u> | <u>\$ 77,503</u> | <u>\$ 102,016</u> | <u>\$ 128,313</u> |

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 stock options and restricted stock awards. For the three and six months ended June 30, 2019 and 2018, we have excluded the effect of all stock options and common stock awards from the computation of diluted loss per share because of the anti-dilutive effect of our reported net loss.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|------------------|---------------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Basic and Diluted loss per share | | | | |
| Net loss attributable to Ocwen stockholders | \$ (89,737) | \$ (29,831) | \$ (134,231) | \$ (27,283) |
| Weighted average shares of common stock — basic and diluted | 134,465,741 | 133,856,132 | 134,193,874 | 133,490,828 |
| Basic and Diluted loss per share | <u>\$ (0.67)</u> | <u>\$ (0.22)</u> | <u>\$ (1.00)</u> | <u>\$ (0.20)</u> |

Stock options and common stock awards excluded from the computation of diluted earnings per share

| | | | | |
|-------------------|-----------|-----------|-----------|-----------|
| Anti-dilutive (1) | 4,107,485 | 6,492,703 | 4,126,819 | 6,498,025 |
| Market-based (2) | 854,181 | 645,984 | 854,181 | 645,984 |

(1) Includes stock options that are anti-dilutive because their exercise price was greater than the average market price of Ocwen's stock, 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 we use to evaluate operating performance of services and to assess the allocation of our resources. A brief description of our current business segments is as follows:

Servicing. This segment is primarily comprised of our core residential mortgage servicing business and currently accounts for most of our total revenues. We provide residential and commercial mortgage loan servicing, special servicing and asset management services. We earn fees for providing these services to owners of the mortgage loans and foreclosed real estate. In most cases, we provide these services either because we purchased the MSR from the owner of the mortgage, retained the MSR on the sale of residential mortgage loans or because we entered into a subservicing or special servicing agreement with the entity that owns the MSR. Our residential servicing portfolio includes conventional, government-insured and non-Agency loans. Non-Agency loans include subprime loans, which represent residential loans that generally did not qualify under GSE guidelines or have subsequently become delinquent.

Lending. The Lending segment purchases and originates conventional and government-insured residential forward and reverse mortgage loans. The loans are typically sold shortly after origination into a liquid market on a servicing retained (securitization) or servicing released (sale to a third party) basis. We originate loans directly with customers (retail channel) in forward lending as well as through our correspondent lending arrangements, broker relationships (wholesale) and retail channels of reverse mortgage lending.

Corporate Items and Other. Corporate Items and Other includes revenues and expenses of corporate support services, CR Limited (CRL), our wholly-owned captive reinsurance subsidiary, discontinued operations and inactive entities, business activities that are individually insignificant, revenues and expenses that are not directly related to other reportable segments, interest income on short-term investments of cash and interest expense on corporate debt. Corporate Items and Other also includes severance, retention, facility-related and other expenses incurred in 2019 related to our re-engineering plan. Our cash balances are included in Corporate Items and Other. CRL provides re-insurance related to coverage on foreclosed real estate properties owned or serviced by us.

We allocate a portion of interest income to each business segment, including interest earned on cash balances and short-term investments. We also allocate expenses incurred by corporate support services to each business segment. Interest expense on direct asset financings are recorded in the respective Servicing and Lending segments, while interest expense on the SSTL and Senior Notes is recorded in Corporate Items and Other and is not allocated.

Financial information for our segments is as follows:

| Results of Operations | Three Months Ended June 30, 2019 | | | | |
|-----------------------------------|----------------------------------|-----------|---------------------------|------------------------|--------------------------------|
| | Servicing | Lending | Corporate Items and Other | Corporate Eliminations | Business Segments Consolidated |
| Revenue | \$ 242,510 | \$ 28,794 | \$ 3,034 | \$ — | \$ 274,338 |
| Expenses (1) | 290,087 | 21,026 | 20,381 | — | 331,494 |
| Other income (expense): | | | | | |
| Interest income | 1,872 | 1,546 | 419 | — | 3,837 |
| Interest expense | (14,191) | (1,399) | (15,981) | — | (31,571) |
| Bargain purchase gain | — | — | (96) | — | (96) |
| Other | 890 | 444 | (681) | — | 653 |
| Other income (expense), net | (11,429) | 591 | (16,339) | — | (27,177) |
| Income (loss) before income taxes | \$ (59,006) | \$ 8,359 | \$ (33,686) | \$ — | \$ (84,333) |

Three Months Ended June 30, 2018

| Results of Operations | Servicing | Lending | Corporate Items and Other | Corporate Eliminations | Business Segments Consolidated |
|-----------------------------------|------------------|-----------------|--------------------------------------|-----------------------------------|---|
| Revenue | \$ 230,509 | \$ 19,002 | \$ 4,070 | \$ — | \$ 253,581 |
| Expenses (1) | 166,888 | 17,785 | 20,977 | — | 205,650 |
| Other income (expense): | | | | | |
| Interest income | 1,466 | 1,360 | 529 | — | 3,355 |
| Interest expense | (62,675) | (1,472) | (13,356) | — | (77,503) |
| Other | (326) | 294 | (2,156) | — | (2,188) |
| Other income (expense), net | (61,535) | 182 | (14,983) | — | (76,336) |
| Income (loss) before income taxes | <u>\$ 2,086</u> | <u>\$ 1,399</u> | <u>\$ (31,890)</u> | <u>\$ —</u> | <u>\$ (28,405)</u> |

Six months ended June 30, 2019

| | | | | | |
|-----------------------------------|---------------------|------------------|--------------------|-------------|---------------------|
| Revenue | \$ 501,784 | \$ 69,885 | \$ 6,557 | \$ — | \$ 578,226 |
| Expenses (1) (2) | 555,984 | 42,357 | 13,258 | — | 611,599 |
| Other income (expense): | | | | | |
| Interest income | 4,165 | 3,095 | 1,135 | — | 8,395 |
| Interest expense | (68,889) | (3,067) | (30,060) | — | (102,016) |
| Bargain purchase gain | — | — | (381) | — | (381) |
| Other | 2,416 | 663 | (1,121) | — | 1,958 |
| Other income (expense), net | (62,308) | 691 | (30,427) | — | (92,044) |
| Income (loss) before income taxes | <u>\$ (116,508)</u> | <u>\$ 28,219</u> | <u>\$ (37,128)</u> | <u>\$ —</u> | <u>\$ (125,417)</u> |

Six months ended June 30, 2018

| | | | | | |
|-----------------------------------|------------------|------------------|--------------------|-------------|--------------------|
| Revenue | \$ 456,605 | \$ 48,197 | \$ 9,036 | \$ — | \$ 513,838 |
| Expenses (1) | 337,984 | 38,081 | 36,086 | — | 412,151 |
| Other income (expense): | | | | | |
| Interest income | 1,894 | 2,852 | 1,309 | — | 6,055 |
| Interest expense | (97,193) | (3,417) | (27,703) | — | (128,313) |
| Other | (754) | 620 | (2,735) | — | (2,869) |
| Other income (expense), net | (96,053) | 55 | (29,129) | — | (125,127) |
| Income (loss) before income taxes | <u>\$ 22,568</u> | <u>\$ 10,171</u> | <u>\$ (56,179)</u> | <u>\$ —</u> | <u>\$ (23,440)</u> |

| Total Assets | Servicing | Lending | Corporate Items and Other | Corporate Eliminations | Business Segments Consolidated |
|-------------------|--------------|--------------|---------------------------|------------------------|--------------------------------|
| June 30, 2019 | \$ 3,195,218 | \$ 5,978,325 | \$ 454,250 | \$ — | \$ 9,627,793 |
| December 31, 2018 | \$ 3,306,208 | \$ 5,603,481 | \$ 484,527 | \$ — | \$ 9,394,216 |
| June 30, 2018 | \$ 2,851,910 | \$ 5,242,716 | \$ 325,570 | \$ — | \$ 8,420,196 |

| Depreciation and Amortization Expense | Servicing | Lending | Corporate Items and Other | Business Segments Consolidated |
|---|-----------|---------|---------------------------|--------------------------------|
| Three months ended June 30, 2019 | | | | |
| Depreciation expense | \$ 761 | \$ 46 | \$ 10,205 | \$ 11,012 |
| Amortization of debt discount | — | — | 350 | 350 |
| Amortization of debt issuance costs | — | — | 751 | 751 |
| Three months ended June 30, 2018 | | | | |
| Depreciation expense | \$ 1,256 | \$ 25 | \$ 4,834 | \$ 6,115 |
| Amortization of debt discount | — | — | 442 | 442 |
| Amortization of debt issuance costs | — | — | 1,005 | 1,005 |
| Six months ended June 30, 2019 | | | | |
| Depreciation expense | \$ 1,569 | \$ 81 | \$ 17,913 | \$ 19,563 |
| Amortization of debt discount | — | — | 701 | 701 |
| Amortization of debt issuance costs | — | — | 1,451 | 1,451 |
| Six months ended June 30, 2018 | | | | |
| Depreciation expense | \$ 2,613 | \$ 54 | \$ 9,973 | \$ 12,640 |
| Amortization of debt discount | — | — | 706 | 706 |
| Amortization of debt issuance costs | — | — | 1,662 | 1,662 |

- (1) Compensation and benefits expense in the Corporate Items and Other segment for the three and six months ended June 30, 2019 and 2018 includes \$0.8 million and \$19.2 million, and \$1.6 million, and \$7.3 million, respectively, of severance expense attributable to PHH integration-related headcount reductions of primarily U.S.-based employees in 2019 and headcount reductions in connection with our strategic decisions to exit the automotive capital services business and the forward lending correspondent and wholesale channels in late 2017 and early 2018, as well as our overall efforts to reduce costs.
- (2) Included in the Corporate Items and Other segment for the six months ended June 30, 2019, we recorded in Professional services expense a recovery from a service provider of \$30.7 million during the first quarter of 2019 of amounts previously recognized as expense.

Note 19 – Regulatory Requirements

Our business is subject to extensive regulation by federal, state and local governmental authorities, including the Consumer Financial Protection Bureau (CFPB), HUD, the SEC and various state agencies that license and conduct examinations of our servicing and lending activities. In addition, we operate under a number of regulatory settlements that subject us to ongoing reporting and other obligations. From time to time, we also receive requests (including requests in the form of subpoenas and civil investigative demands) from federal, state and local agencies for records, documents and information relating to our servicing and lending activities. The GSEs (and their conservator, the Federal Housing Finance Authority (FHFA)), Ginnie Mae, the United States Treasury Department, various investors, non-Agency securitization trustees and others also subject us to periodic reviews and audits.

In the current regulatory environment, we have faced and expect to continue to face heightened regulatory and public scrutiny as an organization as well as stricter and more comprehensive regulation of the entire mortgage sector. We continue to work diligently to assess and understand the implications of the evolving regulatory environment in which we operate and to meet its requirements. We devote substantial resources to regulatory compliance, while, at the same time, striving to meet the needs and expectations of our customers, clients and other stakeholders. Our failure to comply with applicable federal, state and local laws, regulations and licensing requirements 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. In addition to amounts paid to resolve regulatory matters, we could incur costs to comply with the terms of such resolutions, including, but not limited to, the costs of audits, reviews and third-party firms to monitor our compliance with such resolutions.

We must comply with a large number of federal, state and local consumer protection and other laws and regulations, including, among others, 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, the Real Estate Settlement Procedures Act (RESPA), the Truth in Lending Act (TILA), the Servicemembers Civil Relief Act, the Homeowners Protection Act, the Federal Trade Commission Act, the Fair Credit Reporting Act, the Equal Credit Opportunity Act, as well as individual state licensing and foreclosure laws, individual state and local laws relating to registration of vacant or foreclosed properties, and federal and local bankruptcy rules. These laws and regulations apply to many facets of our business, including loan origination, default servicing and collections, use of credit reports, safeguarding of non-public personally identifiable information about our customers, foreclosure and claims handling, investment of, and interest payments on, escrow balances and escrow payment features and fees assessed on borrowers, and they mandate certain disclosures and notices to borrowers. These requirements can and do change as laws and regulations are enacted, promulgated, amended, interpreted and enforced, including through CFPB interpretive bulletins and other regulatory pronouncements. In addition, the actions of legislative bodies and regulatory agencies relating to a particular matter or business practice may or may not be coordinated or consistent. As a result, ensuring ongoing compliance with applicable legal and regulatory requirements can be challenging. Over the past decade, 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. New regulatory and legislative measures, or changes in enforcement practices, including those related to the technology we use, could, either individually or in the aggregate, require significant changes to our business practices, impose additional costs on us, limit our product offerings, limit our ability to efficiently pursue business opportunities, negatively impact asset values or reduce our revenues. Accordingly, they could materially and adversely affect our business and our financial condition, liquidity and results of operations.

As further described below and in Note 21 – Contingencies, in recent years Ocwen has entered into a number of significant settlements with federal and state regulators and state attorneys general that have imposed additional requirements on our business. For example, we made various commitments relating to the process of transferring loans off the REALServicing servicing system and onto Black Knight MSP, we have engaged a third-party auditor to perform an analysis with respect to our compliance with certain federal and state laws relating to the escrow of mortgage loan payments, we have revised various aspects of our complaint handling processes and we have extensive review and reporting obligations to various regulatory bodies with respect to various matters, including our financial condition. We devote significant management time and resources to compliance with these additional requirements. These requirements are generally unique to Ocwen and, while certain of our competitors may have entered into regulatory-related settlements of their own, our competitors are generally not subject to either the same specific or the same breadth of additional requirements to which we are subject.

Ocwen has various subsidiaries that are licensed to originate and/or service forward and reverse mortgage loans in those jurisdictions in which they operate, and which require licensing. 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. Failure to satisfy any of the requirements to which our licensed entities are subject could result in a variety of regulatory actions ranging from a fine, a directive requiring a certain step to be taken, entry into a consent order, a suspension or, ultimately, a revocation of a license, any of which could have a material adverse impact on our business, reputation, results of operations and financial condition. The minimum net worth requirements to which our licensed entities are subject are unique to each state and type of license. We believe our licensed entities were in compliance with all of their minimum net worth requirements at June 30, 2019.

PMC and Liberty are also subject to seller/servicer obligations under agreements with one or more of the GSEs, HUD, FHA, VA and Ginnie Mae. These seller/servicer obligations contain financial requirements, including capital requirements related to tangible net worth, as defined by the applicable agency, an obligation to provide audited consolidated financial statements within 90 days of the applicable entity's fiscal year end as well as extensive requirements regarding servicing, selling and other matters. To the extent that these requirements are not met or waived, the applicable agency may, at its option, utilize a variety of remedies including requirements to provide certain information or take actions at the direction of the applicable agency, requirements to deposit funds as security for our obligations, sanctions, suspension or even termination of approved seller/servicer status, which would prohibit future originations or securitizations of forward or reverse mortgage loans

or servicing for the applicable agency. Any of these actions could have a material adverse impact on us. To date, none of these counterparties has communicated any material sanction, suspension or prohibition in connection with our seller/servicer obligations. We believe we were in compliance with applicable net worth requirements at June 30, 2019. Our non-Agency servicing agreements also contain requirements regarding servicing practices and other matters, and a failure to comply with these requirements could have a material adverse impact on our business.

The most restrictive of the various net worth requirements referenced above is based on the total assets of PMC, and the required net worth was \$214.6 million at June 30, 2019.

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, employment, safety, 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. Non-compliance with these laws and regulations could result in adverse actions against us, including (i) restrictions on our operations in these countries, (ii) fines, penalties or sanctions or (iii) reputational damage.

New York Department of Financial Services. In March 2017, we entered into a consent order with the NY DFS (the 2017 NY Consent Order) that provided for the termination of the engagement of a monitor appointed pursuant to an earlier 2014 consent order and for us to address certain concerns raised by the NY DFS that primarily relate to our servicing operations, as well as for us to comply with certain reporting and other obligations. In addition, in connection with the NY DFS' approval in September 2018, of our acquisition of PHH, we agreed to satisfy certain post-closing requirements, including reporting obligations and record retention and other requirements relating to the transfer of loans collateralized by New York property (New York loans) onto Black Knight MSP and certain requirements with respect to the evaluation and supervision of management of both Ocwen Financial Corporation and PHH Mortgage Corporation. In addition, we are prohibited from boarding any additional loans onto the current REALServicing system and we were required to transfer all New York loans off the REALServicing system by April 30, 2020. The conditional approval also modified a preexisting restriction on our ability to acquire MSR's such that the restriction applies only to New York loans and, with respect to New York loans, provides that Ocwen may not increase its aggregate portfolio of New York loans serviced or subserviced by Ocwen by more than 2% per year (based on the unpaid principal balance of loans serviced at the prior calendar year-end). This restriction will remain in place until the NY DFS determines that all loans serviced on the REALServicing system have been successfully migrated to Black Knight MSP and that Ocwen has developed a satisfactory infrastructure to board sizable portfolios of MSR's.

We continue to work with the NY DFS to address matters they continue to raise with us as well as to fulfill our commitments under the 2017 NY Consent Order and PHH acquisition conditional approval. To the extent that we fail to address adequately any concerns raised by the NY DFS or fail to fulfill our commitments to the NY DFS, the NY DFS could take regulatory action against us, including imposing fines or penalties or otherwise restricting our business activities. Any such actions could have a material adverse impact on our business, financial condition liquidity and results of operations.

California Department of Business Oversight. In January 2015, OLS entered into a consent order (the 2015 CA Consent Order) with the CA DBO relating to our alleged failure to produce certain information and documents during a routine licensing examination. In February 2017, we entered into another consent order with the CA DBO (the 2017 CA Consent Order) that terminated the 2015 CA Consent Order and resolved open matters between us and the CA DBO. We believe that we have completed those obligations of the 2017 CA Consent Order that have already come due, and we have so notified the CA DBO. We have certain remaining reporting and other obligations under the 2017 CA Consent Order. Pursuant to the 2017 CA Consent Order, the CA DBO has engaged a third-party administrator who, at the expense of the CA DBO, has commenced work to confirm that Ocwen has completed certain commitments under the 2017 CA Consent Order. Still outstanding, however, is confirmation of our completion of \$198.0 million in debt forgiveness for California borrowers by June 30, 2019. We believe that we fulfilled this requirement during the first quarter of 2019. However, our completion of this requirement is subject to testing by the CA DBO's third-party administrator who must confirm, among other things, that modified loans have remained current for specified time periods. If we are unable to satisfy this requirement or obtain an extension, the 2017 CA Consent Order obligates us to pay the remaining amount to the CA DBO in cash. Our debt forgiveness activities take place as we modify loans - our loan modifications are designed to be sustainable for homeowners while providing a net present value for mortgage loan investors that is superior to that of foreclosure. Debt forgiveness as part of a loan modification is determined on a case-by-case basis in accordance with the applicable servicing agreement. Debt forgiveness does not involve an expense to Ocwen other than the operating expense incurred in arranging the modification, which is part of Ocwen's role as loan servicer. If the CA DBO were to allege that we failed to comply with our obligations under the 2017 CA Consent Order or that we otherwise were in breach of applicable laws, regulations or licensing requirements, the CA DBO could also take regulatory actions against us, including imposing fines or penalties or otherwise restricting our business activities. Any such actions could have a material adverse impact on our business, financial condition liquidity and results of operations.

Note 20 — Commitments

Unfunded Lending Commitments

We have originated floating-rate reverse mortgage loans under which the borrowers have additional borrowing capacity of \$1.5 billion at June 30, 2019. This additional borrowing capacity is available on a scheduled or unscheduled payment basis. We also had short-term commitments to lend \$95.8 million and \$22.3 million in connection with our forward and reverse mortgage loan IRLCs, respectively, outstanding at June 30, 2019. We finance originated and purchased forward and reverse mortgage loans with repurchase and participation agreements, commonly 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 the related HECM is equal to or greater than 98% of the maximum claim amount (MCA repurchases). Active repurchased loans are assigned to HUD and payment is received from HUD, typically within 60 days of repurchase. 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 amount of the outstanding principal balance on a loan exceeds the maximum claim amount. Inactive repurchased loans (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, with a claim filed with HUD for recoverable remaining principal and advance balances. The recovery timeline for inactive repurchased loans depends on various factors, including foreclosure status at the time of repurchase, state-level foreclosure timelines, and the post-foreclosure REO liquidation timeline.

The timing and amount of our obligation with respect to MCA repurchases is uncertain as repurchase is dependent largely on circumstances outside of our control including the amount and timing of future draws and the status of the loan. MCA repurchases are expected to continue to increase due to the increased flow of HECMs and REO that are reaching 98% of their maximum claim amount. Activity with regard to HMBS repurchases, including MCA repurchases, follows:

Six Months Ended June 30, 2019

| | Active | | Inactive | | Total | |
|--------------------------|-----------|-----------------|------------|------------------|------------|------------------|
| | Number | Amount | Number | Amount | Number | Amount |
| Beginning balance | 10 | \$ 2,047 | 252 | \$ 14,833 | 262 | \$ 16,880 |
| Additions (1) | 21 | 6,333 | 100 | 9,354 | 121 | 15,687 |
| Recoveries, net (2) | (9) | (4,429) | (113) | (5,076) | (122) | (9,505) |
| Transfers | 1 | (332) | (1) | 332 | — | — |
| Changes in value | — | — | — | (939) | — | (939) |
| Ending balance | 23 | \$ 3,619 | 238 | \$ 18,504 | 261 | \$ 22,123 |

(1) Total repurchases during the six months ended June 30, 2019 includes 44 loans totaling \$8.3 million related to MCA repurchases.

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

Active loan repurchases are classified as Receivables as reimbursement from HUD is generally received within 60 days and are initially recorded at fair value. Inactive loan repurchases are classified as Loans held for sale and are initially recorded at fair value. Loans are reclassified to REO in Other assets or Receivables as the loans move through the resolution process and permissible claims are submitted to HUD for reimbursement. Loans held for sale repurchased prior to October 1, 2018 are carried at the lower of cost or fair value. Receivables are valued at net realizable value. REO is valued at the estimated value of the underlying property less cost to sell.

Long-Term Contracts

Our business is currently reliant on certain services provided by Altisource S.à r.l, a subsidiary of Altisource Portfolio Solutions, S.A. (Altisource).

Each of Ocwen and OMS are parties to long-term agreements with Altisource, including a Services Agreement and a Technology Products Services Agreement. Under the Services Agreements, Altisource provides various business process outsourcing services, such as valuation services and property preservation and inspection services, among other things. Altisource provides certain technology products and support services under the Technology Products Services Agreement, including the REALServicing loan servicing system. These agreements expire August 31, 2025 and include renewal provisions. However, Ocwen anticipates that Altisource will cease providing technology products and support services under the Technology Products Services Agreement by the end of 2019 now that we have completed the transition to Black Knight MSP

from REALServicing. Ocwen and Altisource have also entered into a Master Services Agreement pursuant to which Altisource currently provides title services to Liberty. Ocwen also has a General Referral Fee Agreement with Altisource pursuant to which Ocwen receives referral fees which are paid out of the commission that would otherwise be paid to Altisource as the selling broker in connection with real estate sales services provided by Altisource. However, for MSRs that transferred to NRZ in September 2017, as well as those subject to the New RMSR Agreements we entered into in January 2018, we are not entitled to REO referral commissions. If Altisource were to fail to fulfill its contractual obligations to us, including through a failure to provide services at the required level, or if Altisource were to become unable to fulfill such obligations, our business and operations could suffer.

On February 22, 2019, Ocwen and Altisource signed a Binding Term Sheet, which among other things, contains provisions regarding assuring that data is accurately transferred to Ocwen in connection with the deboarding of loans from REALServicing, including Ocwen having the ability to verify data accuracy and having continued access to the REALServicing system for an acceptable period of time.

The Binding Term Sheet also amends certain provisions in the Services Agreements. After certain conditions have been met and where Ocwen has the right to select the services provider, Ocwen will use Altisource to provide the types of services that Altisource currently provides under the Services Agreements for at least 90% of services for all portfolios for which Ocwen is the servicer or subservicer, except that Altisource will be the provider for all such services for the portfolios: (i) acquired by Ocwen pursuant to loan servicing under agreements from Homeward (acquired in 2012) or assigned and assumed by Ocwen from Residential Capital, LLC, et al (assets acquired in 2013); and (ii) acquired from Ocwen, excluding certain portfolios in which PHH has an interest, by NRZ or its affiliates prior to the date of the Binding Term Sheet. Notwithstanding the foregoing, Altisource will be the provider of mortgage charge-off collections services under the Services Agreements. The Binding Term Sheet also sets forth a framework for negotiating additional service level changes in the future. As specified in the Binding Term Sheet, if Altisource fails certain performance standards for specified periods of time, then Ocwen may terminate Altisource as a provider for the applicable service(s), subject to Altisource's right to cure. For certain claims arising from referrals received by Altisource after the effective date of the Binding Term Sheet, the provisions include reciprocal indemnification obligations in the event of negligence by either party and Altisource's indemnification of Ocwen in the event of any breach by Altisource of its obligations under the Services Agreements. The limitations of liability provisions include an exception for losses either party suffers as a result of third-party claims.

Certain services provided by Altisource under these agreements are charged to the borrower and/or mortgage loan investor. Accordingly, such services, while derived from our loan servicing portfolio, are not reported as expenses by Ocwen. These services include residential property valuation, residential property preservation and inspection services, title services and real estate sales-related services. Similar to other vendors, in the event that Altisource's activities do not comply with the applicable servicing criteria, we could be exposed to liability as the servicer and it could negatively impact our relationships with our servicing clients, borrowers or regulators, among others. Under certain circumstances, we would have recourse under our contractual agreements with Altisource if we were to experience adverse consequences as a result of Altisource's non-compliance with applicable servicing criteria.

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 regulatory agencies (discussed further under "Regulatory" below), those brought on behalf of various classes of claimants, those brought derivatively on behalf of Ocwen against certain current or former officers and directors or others and those brought by commercial counterparties.

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

Fair Debt Collection Practices Act (FDCPA), the RESPA, the Truth in Lending Act, 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 and federal and local bankruptcy rules. Such proceedings include wrongful foreclosure and eviction 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, claims related to our payment, escrow and other processing operations, claims relating to fees imposed on borrowers relating to payment processing, payment facilitation, or payment convenience, claims related to ancillary products marketed and sold to borrowers, and claims regarding certifications of our legal compliance related to our participation in certain government programs. 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, (2) we violated the TCPA by using an automated telephone dialing system to call class members' cell phones without their consent, (3) we committed securities fraud in connection with certain of our public disclosures, (4) certain fees we assess on borrowers are marked up improperly in violation of applicable state and federal law, (5) the solicitation and marketing to borrowers of certain ancillary products was unfair and deceptive, (6) we breached fiduciary duties we purportedly owe to benefit plans due to the discretion we exercise in servicing certain securitized mortgage loans and (7) certain legacy mortgage reinsurance arrangements violated RESPA. 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 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 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 \$53.1 million at June 30, 2019. We cannot currently estimate the amount, if any, of reasonably possible losses above amounts that have been recorded at June 30, 2019.

In 2014, plaintiffs filed a putative class action against Ocwen in the United States District Court for the Northern District of Alabama, alleging that Ocwen violated the FDCPA by charging borrowers a convenience fee for making certain loan payments. See *McWhorter et al. v. Ocwen Loan Servicing, LLC (N.D. Ala.)*. The plaintiffs are seeking statutory damages under the FDCPA, compensatory damages and injunctive relief. The presiding court previously ruled on Ocwen's motions to dismiss, and Ocwen answered the operative complaint. Ocwen subsequently entered into an agreement in principle to resolve this matter, and in January 2019, the presiding court granted preliminary approval of the parties' proposed class settlement. At a hearing in July 2019, the court indicated that it would grant final approval of the parties' proposed class settlement. While Ocwen believes that it has sound legal and factual defenses, we agreed to this settlement in principle in order to avoid the uncertain outcome of litigation and the additional expense and demands on the time of its senior management that such litigation would involve. There can be no assurance that the court will finally approve the settlement. In the event the settlement is not finally approved, the litigation would continue, and we would vigorously defend the allegations made against Ocwen. Our accrual with respect to this matter is included in the \$53.1 million legal and regulatory accrual referenced above. We cannot currently estimate the amount, if any, of reasonably possible loss above the amount accrued.

Ocwen has been named in putative class actions and individual actions related to its compliance with the TCPA. Generally, plaintiffs in these actions allege that Ocwen knowingly and willfully violated the TCPA by using an automated telephone dialing system to call individuals' cell phones without their consent. In July 2017, Ocwen entered into an agreement in principle to resolve two such putative class actions, which have been consolidated in the United States District Court for the Northern District of Illinois. See *Snyder v. Ocwen Loan Servicing, LLC (N.D. Ill.)*; *Beecroft v. Ocwen Loan Servicing, LLC (N.D. Ill.)*. The settlement would provide for the establishment of a settlement fund to be distributed to impacted borrowers that submit claims for settlement benefits pursuant to a claims administration process.

While Ocwen believes that it has sound legal and factual defenses, Ocwen agreed to the settlement in order to avoid the uncertain outcome of litigation and the additional expense and demands on the time of its senior management that such

litigation would involve. In October 2017, the court preliminarily approved the settlement and, thereafter, we paid the settlement amount into an escrow account held by the settlement administrator. However, in September 2018, the Court denied the motion for final approval. In November 2018, the parties engaged in mediation to address the issues raised by the Court in its denial order. The parties thereafter reached a revised agreement, and in June 2019 the court entered an order approving the settlement. However, in July 2019, the court stated that it might re-visit its order granting final approval of the settlement depending on certain events in a related TCPA class action. The court nevertheless directed Ocwen to move forward with fulfilling its obligations under the settlement. The related TCPA class action is pending in front of the same judge and involves claims against trustees of RMBS trusts based on vicarious liability for Ocwen's alleged non-compliance with the TCPA. The trustees have indicated they may seek indemnification from Ocwen based on the vicarious liability claims. Additional lawsuits may be filed against us in relation to our TCPA compliance. At this time, Ocwen is unable to predict the outcome of existing lawsuits or any additional lawsuits that may be filed, the possible loss or range of loss, if any, associated with the resolution of such lawsuits or the potential impact such lawsuits may have on us or our operations. Ocwen intends to vigorously defend against these lawsuits. If our efforts to defend these lawsuits are not successful, our business, financial condition liquidity and results of operations could be materially and adversely affected.

We have settled two "opt-out" securities fraud actions brought on behalf of certain putative shareholders of Ocwen based on allegations in connection with the restatements of our 2013 and first quarter 2014 financial statements, among other matters. See *Brahman Partners et al. v. Ocwen Financial Corporation et al.* (S.D. Fla.) and *Owl Creek et al. v. Ocwen Financial Corporation et al.* (S.D. Fla.). Both of these cases have been dismissed with prejudice in February 2019.

We have previously disclosed that as a result of the federal and state regulatory actions taken in April 2017 and shortly thereafter, which are described below under "Regulatory", and the impact on our stock price, several putative securities fraud class action lawsuits were filed against Ocwen and certain of its officers that contain allegations in connection with Ocwen's statements concerning its efforts to satisfy the evolving regulatory environment, and the resources it devoted to regulatory compliance, among other matters. Those lawsuits were consolidated in the United States District Court for the Southern District of Florida in the matter captioned *Carvelli v. Ocwen Financial Corporation et al.* (S.D. Fla.). In April 2018, the court in Carvelli granted our motion to dismiss, and dismissed the consolidated case with prejudice. Plaintiffs thereafter filed a notice of appeal, and that appeal remains pending. Ocwen and the other defendants intend to defend themselves vigorously. Additional lawsuits may be filed against us in relation to these matters. At this time, Ocwen is unable to predict the outcome of this existing lawsuit or any additional lawsuits that may be filed, the possible loss or range of loss, if any, associated with the resolution of such lawsuits or the potential impact such lawsuits may have on us or our operations. If additional lawsuits are filed, Ocwen intends to vigorously defend itself against such lawsuits. If our efforts to defend the existing lawsuit or any future lawsuit are not successful, our business, financial condition, liquidity and results of operations could be materially and adversely affected.

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

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

In addition, several RMBS trustees have received notices of default alleging material failures by servicers to comply with applicable servicing agreements. Although Ocwen has not yet been sued by an RMBS trustee in response to a notice of default, 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 certificateholders, or, under certain circumstances, that the RMBS investors who issue notices 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 a notice of default, nor can we predict at this time the potential loss or range of loss, if any, associated with the resolution of any notices of default 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, financing activities, financial condition and results of operations.

Regulatory

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

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

CFPB

In April 2017, the CFPB filed a lawsuit in the federal district court for the Southern District of Florida against Ocwen, OMS and OLS alleging violations of federal consumer financial laws relating to our servicing business dating back to 2014. The CFPB's claims include allegations regarding (1) the adequacy of Ocwen's servicing system and integrity of Ocwen's mortgage servicing data, (2) Ocwen's foreclosure practices and (3) various purported servicer errors with respect to borrower escrow accounts, hazard insurance policies, timely cancellation of private mortgage insurance, handling of customer complaints, and marketing of optional products. The CFPB alleges violations of unfair, deceptive acts or abusive practices, as well as violations of specific laws or regulations. The CFPB does not claim specific monetary damages, although it does seek consumer relief, disgorgement of allegedly improper gains, and civil money penalties. We believe we have factual and legal defenses to the CFPB's allegations and are vigorously defending ourselves. Prior to the initiation of legal proceedings, we had been engaged with the CFPB in efforts to resolve the matter and recorded \$12.5 million as of December 31, 2016 as a result of these discussions. Our accrual with respect to this matter is included in the \$53.1 million legal and regulatory accrual referenced above. The outcome of the matters raised by the CFPB, whether through negotiated settlements, court rulings or otherwise, could have a material adverse impact on our business, reputation, financial condition, liquidity and results of operations.

State Licensing, State Attorneys General and Other Matters

Our licensed entities are required to renew their licenses, typically on an annual basis, and to do so they must satisfy the license renewal requirements of each jurisdiction, which generally include financial requirements such as providing audited financial statements or satisfying minimum net worth requirements and non-financial requirements such as satisfactorily completing examinations as to the licensee's compliance with applicable laws and regulations. Failure to satisfy any of the requirements to which our licensed entities are subject could result in a variety of regulatory actions ranging from a fine, a directive requiring a certain step to be taken, entry into a consent order, a suspension or ultimately a revocation of a license, any of which could have a material adverse impact on our results of operations and financial condition. In addition, we receive information requests and other inquiries, both formal and informal in nature, from our state financial regulators as part of their general regulatory oversight of our servicing and lending businesses. We also regularly engage with state attorneys general and the CFPB and, on occasion, we engage with other federal agencies, including the Department of Justice and various inspectors general on various matters, including responding to information requests and other inquiries. 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. 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.

In April 2017 and shortly thereafter, mortgage and banking regulatory agencies from 29 states and the District of Columbia took regulatory actions against OLS and certain other Ocwen companies that alleged deficiencies in our compliance with laws and regulations relating to our servicing and lending activities. An additional state regulator brought legal action together with that state's attorney general, as described below. In general, the regulatory actions took the form of orders styled as "cease and desist orders," and we use that term to refer to all of the orders for ease of reference; for ease of reference we also include the District of Columbia as a state when we reference states below. All of the cease and desist orders were applicable to OLS, but additional Ocwen entities were named in some orders, including Ocwen Financial Corporation, OMS, Homeward, Liberty, OFSPL and Ocwen Business Solutions, Inc. (OBS).

We entered into agreements with all 29 states plus the District of Columbia to resolve these regulatory actions. These agreements generally contained the following key terms (the Multi-State Common Settlement Terms):

- Ocwen would not acquire any new residential MSR's until April 30, 2018.
- Ocwen would develop a plan of action and milestones regarding its transition from the REALServicing servicing system to an alternate servicing system and, with certain exceptions, would not board any new loans onto the REALServicing system.
- In the event that Ocwen chose to merge with or acquire an unaffiliated company or its assets in order to effectuate a transfer of loans from the REALServicing system, Ocwen was required to comply with regulatory notice and waiting period requirements.
- Ocwen would engage a third-party auditor to perform an analysis with respect to our compliance with certain federal and state laws relating to escrow by testing approximately 9,000 loan files relating to residential real property in various states, and Ocwen would develop corrective action plans for any errors identified by the third-party auditor.
- Ocwen would develop and submit for review a plan to enhance our consumer complaint handling processes.
- Ocwen would provide financial condition reporting on a confidential basis as part of each state's supervisory framework through September 2020.

In addition to the terms described above, Ocwen entered into settlements with certain states on different or additional terms, which include making additional communications with and for borrowers, certain restrictions, certain review, reporting and remediation obligations, and the following additional terms:

- Ocwen agreed with the Connecticut Department of Banking to pay certain amounts only in the event we fail to comply with certain requirements under our agreement with Connecticut.
- In its agreement with the Maryland Office of the Commissioner of Financial Regulation, Ocwen agreed to complete an independent management assessment and enterprise risk assessment and to a prohibition, with certain *de minimis* exceptions, on repurchases of our stock until December 7, 2018. Ocwen also agreed to make certain payments to Maryland, to provide remediation to certain borrowers in the form of cash payments or credits and to pay certain amounts only in the event we fail to comply with certain requirements under our agreement with Maryland.
- Ocwen agreed with the Massachusetts Division of Banks to pay \$1.0 million to the Commonwealth of Massachusetts Mortgage Education Trust. Ocwen and the Massachusetts regulatory agency also agreed on a schedule pursuant to which we will regain eligibility to acquire residential MSR's on Massachusetts loans (including loans originated by Ocwen) as it meets certain thresholds in its transition to a new servicing system. All restrictions on Massachusetts MSR acquisitions will be lifted when Ocwen completes the second phase of a three-phase data integrity audit which will be conducted by an independent third-party following completion of Ocwen's servicing system transition. The first phase of this audit, which was required to be completed prior to transitioning any Massachusetts loans to a new servicing system, has already been completed.
- Ocwen agreed with the Nebraska Department of Banking and Finance until April 30, 2019, to limit its growth through acquisition from correspondent relationships to no more than ten percent per year for Nebraska loans (based on the total number of loans held at the prior calendar year-end).

Accordingly, we have now resolved all of the administrative actions (but not all of the legal actions, which are described below) taken by state regulators in April 2017.

We have taken substantial steps toward fulfilling our commitments under the agreements described above, including completing the transfer of loans to Black Knight MSP, developing and implementing certain enhancements to our consumer complaint process, engaging a third-party auditor who is currently performing escrow-related testing, and complying with our other information sharing and reporting obligations.

In April 2017 and shortly thereafter, and concurrent with the issuance of the cease and desist orders and the filing of the CFPB lawsuit discussed above, two state attorneys general took actions against us relating to our servicing practices. The Florida Attorney General, together with the Florida Office of Financial Regulation, filed a lawsuit in the federal district court for the Southern District of Florida against Ocwen, OMS and OLS alleging violations of federal and state consumer financial laws relating to our servicing business. These claims are similar to the claims made by the CFPB. The Florida lawsuit seeks injunctive and equitable

relief, costs, and civil money penalties in excess of \$10,000 per confirmed violation of the applicable statute. We believe we have factual and legal defenses to the allegations raised in this lawsuit and are vigorously defending ourselves. The outcome of this lawsuit, whether through a negotiated settlement, court rulings or otherwise, could potentially involve monetary fines or penalties or additional restrictions on our business and could be materially adverse to our business, reputation, financial condition, liquidity and results of operations. Our accrual with respect to this matter is included in the \$53.1 million litigation and regulatory matters accrual referenced above. We cannot currently estimate the amount, if any, of reasonably possible loss above the amount currently accrued.

The Massachusetts Attorney General filed a lawsuit against OLS in the Superior Court for the Commonwealth of Massachusetts alleging violations of state consumer financial laws relating to our servicing business, including with respect to our activities relating to lender-placed insurance and property preservation fees. In April 2019, we agreed to resolve this matter without admitting liability. The resolution includes a payment to the Commonwealth of Massachusetts of \$675,000, a loan modification program for certain eligible Massachusetts borrowers, and certain already-completed relief. The settlement amount of \$675,000 was paid in April 2019.

Our accrual with respect to the administrative and legal actions initiated in April 2017 is included in the \$53.1 million litigation and regulatory matters accrual referenced above. We will also incur costs complying with the terms of the settlements we have entered into, including the costs of conducting an escrow analysis, Maryland organizational assessments, Massachusetts data integrity audits, and transition to Black Knight MSP. For example, with respect to the escrow review, which is currently underway, we will incur remediation costs to the extent that errors are identified which require remediation. If we fail to comply with the terms of our settlements, additional administrative or legal regulatory actions could be taken against us. Such actions could have a materially adverse impact on our business, reputation, financial condition, liquidity and results of operations.

Certain of the state regulators' cease and desist orders referenced a confidential supervisory memorandum of understanding (MOU) that we entered into with the Multistate Mortgage Committee (MMC), a multistate coalition of various mortgage banking regulators, and six states relating to a servicing examination from 2013 to 2015. The MOU contained various provisions relating to servicing practices and safety and soundness aspects of the regulatory review, as a step toward closing the 2013-2015 examination. Ocwen responded to the MOU items and continues to provide certain reports and other information pursuant to the MOU. There were no monetary or other penalties imposed under the MOU. However, the MOU prohibited us from repurchasing stock during the development of a going forward plan and, thereafter, except as permitted by the plan. We prepared and submitted a plan that contained no stock repurchase restrictions and, therefore, we do not believe we are currently restricted from repurchasing stock. However, the MMC may not agree with our interpretation. For this reason, and on the basis of our progress to date responding to our obligations under the MOU, we have requested that the MOU be terminated. To the extent that we cannot terminate the MOU, we may remain subject to a share repurchase restriction and continued reporting obligations.

On occasion, we engage with agencies of the federal government on various matters. For example, OLS received a letter from the Department of Justice, Civil Rights Division, notifying OLS that the Department of Justice had initiated a general investigation into OLS's policies and procedures to determine whether violations of the Servicemembers Civil Relief Act by OLS might exist. We continue to provide information to the Department of Justice and we are engaged in ongoing discussions with the Department of Justice relating to this inquiry. In addition, Ocwen was named as a defendant in a HUD administrative complaint filed by a non-profit organization alleging discrimination in the manner in which the company maintains REO properties in minority communities. In February 2018, this matter was administratively closed, and similar claims were filed in federal court. We believe these claims are without merit and intend to vigorously defend ourselves.

In May 2016, Ocwen received a subpoena from the Office of Inspector General of HUD requesting the production of documentation related to HECM loans originated by Liberty. We understand that other lenders in the industry have received similar subpoenas. In April 2017, Ocwen received a subpoena from the Office of Inspector General of HUD requesting the production of documentation related to lender-placed insurance arrangements with a mortgage insurer and the amounts paid for such insurance. We understand that other servicers in the industry have received similar subpoenas. In May 2017, Ocwen received a subpoena from the Office of the Special Inspector General for the Troubled Asset Relief Program requesting documents and information related to Ocwen's participation from 2009 to the present in the Treasury Department's Making Home Affordable Program and its HAMP. We have been providing documents and information in response to these subpoenas. In April 2019, PMC received a subpoena from the VA Office of the Inspector General requesting the production of documentation related to the origination and underwriting of loans guaranteed by the Veterans Benefits Administration. We understand that other servicers in the industry have received similar subpoenas.

Loan Put-Back and Related Contingencies

Our contracts with purchasers of originated loans contain provisions that require indemnification or repurchase of the related loans under certain circumstances. While the language in the purchase contracts varies, they contain provisions that require us to indemnify purchasers of related loans or repurchase such loans if:

- representations and warranties concerning loan quality, contents of the loan file or loan underwriting circumstances are inaccurate;
- adequate mortgage insurance is not secured within a certain period after closing;
- a mortgage insurance provider denies coverage; or
- there is a failure to comply, at the individual loan level or otherwise, with regulatory requirements.

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 incur.

We believe that, as a result of historical actions by investors, many purchasers of residential mortgage loans are particularly aware of the conditions under which originators must indemnify or repurchase loans and under which such purchasers would benefit from enforcing any indemnification rights and repurchase remedies they may have.

In our lending business, we have exposure to indemnification risks and repurchase requests. If home values were to decrease, our realized loan losses from loan repurchases and indemnifications may increase as well. As a result, our liability for repurchases may increase beyond our current expectations. If we are required to indemnify or repurchase loans that we originate and sell, or where we have assumed this risk on loans that we service, as discussed above, in either case resulting in losses that exceed our related liability, our business, financial condition and results of operations could be adversely affected.

We have exposure to origination representation, warranty and indemnification obligations because of our lending, sales and securitization activities and in connection with our servicing practices. We initially recognize these obligations at fair value. Thereafter, the estimation of the liability considers probable future obligations based on industry data of loans of similar type segregated by year of origination, to the extent applicable, and estimated loss severity based on current loss rates for similar loans, our historical rescission rates and the current pipeline of unresolved demands. Our historical loss severity considers the historical loss experience that we incur upon sale or liquidation of a repurchased loan as well as current market conditions. We monitor the adequacy of the overall liability and make adjustments, as necessary, after consideration of other qualitative factors including ongoing dialogue and experience with our counterparties.

At June 30, 2019 and June 30, 2018, we had outstanding representation and warranty repurchase demands of \$15.9 million UPB (85 loans) and \$29.0 million UPB (184 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 compensatory fees for foreclosures that may ultimately exceed investor timelines and similar indemnification obligations:

| | Six Months Ended June 30, | |
|---|---------------------------|------------------|
| | 2019 | 2018 |
| Beginning balance (1) | \$ 49,267 | \$ 19,229 |
| Provision for (reversal of) representation and warranty obligations | (3,831) | 2,072 |
| New production reserves | 132 | 198 |
| Charge-offs and other (2) | (2,718) | (3,643) |
| Ending balance (1) | <u>\$ 42,850</u> | <u>\$ 17,856</u> |

(1) The liability for representation and warranty obligations and compensatory fees for foreclosures is reported in Other liabilities (a component of Liability for indemnification obligations) on our unaudited consolidated balance sheets.

(2) Includes principal and interest losses realized in connection with repurchased loans, make-whole, indemnification and fee payments and settlements net of recoveries, if any.

We believe that it is reasonably possible that losses beyond amounts currently recorded for potential representation and warranty obligations and other claims described above could occur, and such losses could have an adverse impact on our results of operations, financial condition or cash flows. However, based on currently available information, we are unable to estimate a range of reasonably possible losses above amounts that have been recorded at June 30, 2019.

Other

Ocwen, on its own behalf and on behalf of various mortgage loan investors, is engaged in a variety of activities to seek payments from mortgage insurers for unpaid claims, including claims where the mortgage insurers paid less than the full claim amount. Ocwen believes that many of the actions by mortgage insurers were in violation of the applicable insurance policies and insurance law. In some cases, Ocwen has entered into tolling agreements, initiated arbitration or litigation, engaged in settlement discussions, or taken other similar actions. To date, Ocwen has settled with four mortgage insurers, and expects the ultimate outcome to result in recovery of additional unpaid claims, although we cannot quantify the likely amount at this time.

We may, from time to time, have affirmative indemnification and other claims against parties from whom we acquired MSR or other assets. 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 MSR or other assets. We cannot currently estimate the amount, if any, of reasonably possible loss above amounts recorded.

Note 22 – Subsequent Events

On July 1, 2019, PMC entered into a committed financing facility (the Facility) with Barclays Bank PLC and its affiliate that is secured by certain Fannie Mae and Freddie Mac MSR. In the future, borrowings under the Facility may also be secured by Ginnie Mae MSR.

In connection with the Facility, PMC entered into repurchase agreements with Barclays Bank PLC and its affiliate pursuant to which PMC sold trust certificates representing certain indirect economic interests in the MSR and agreed to repurchase such trust certificates at a future date at the repurchase price set forth in the repurchase agreements. PMC's obligations under the Facility are secured by a lien on the related MSR. Ocwen guarantees the obligations of PMC under the Facility. The agreements documenting the Facility contain representations, warranties and covenants that are customary for a transaction of this nature. The maximum amount which we may borrow pursuant to the repurchase agreements is \$300.0 million. The Facility will terminate in June 2020 unless the parties mutually agree to renew or extend. The interest rate is 1ML plus 3.0%.

During July 2019, in three separate transactions we repurchased a total of \$29.4 million of our 8.375% Senior secured notes in the open market for a price of \$25.7 million, or approximately 87% of the repurchased principal amount. These repurchases represent approximately 9% of the \$330.9 million principal balance outstanding at June 30, 2019. The 8.375% Senior secured notes are scheduled to mature in November 2022.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Dollars in thousands, except per share amounts and unless otherwise indicated)

The following Management's Discussion and Analysis of Financial Condition and Results of Operations, as well as other portions of this Form 10-Q, may contain certain statements that constitute forward-looking statements within the meaning of the federal securities laws. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "intend," "consider," "expect," "plan," "anticipate," "believe," "estimate," "predict" or "continue" or the negative of such terms or other comparable terminology. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. Our business has been undergoing substantial change, which has magnified such risks and uncertainties. You 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. You should consider all uncertainties and risks discussed or referenced in this report, including those under "Forward-Looking Statements" and Part II, Item 1A. Risk Factors, as well as those discussed in our other reports and filings with the SEC, including those in our Annual Report on Form 10-K for the year ended December 31, 2018 and any subsequent SEC filings.

OVERVIEW

General

We are a financial services company that services and originates loans. The majority of our revenues are generated from our residential mortgage servicing business. At June 30, 2019, our residential mortgage servicing portfolio consisted of 1,491,029 loans with a UPB of \$229.3 billion. In our lending business, we originate, purchase, sell and securitize conventional and government-insured forward and reverse mortgage loans. During the six months ended June 30, 2019, our lending business originated or purchased forward and reverse mortgage loans with a UPB of \$361.9 million and \$283.4 million, respectively.

We have established a set of key business initiatives to achieve our objective of returning to profitability.

First, we must successfully execute on the integration of PHH's business with ours, including a smooth transition onto the Black Knight MSP servicing system which includes loan boarding, payment processing, escrow administration, and default management, among other functions. During the second quarter of 2019, we completed the transfer of the remainder of our portfolio of residential mortgages that were on the REALServicing® servicing system to Black Knight MSP.

Second, we must re-engineer our cost structure to go beyond eliminating redundant costs. We developed our cost re-engineering plan to address organizational, process and control redesign, human capital planning, off-shore utilization, strategic sourcing and facilities rationalization. As part of our cost re-engineering plans, we expect to reduce total staffing levels significantly and to close a number of our U.S. facilities. We believe these steps are necessary in order to drive stronger financial performance and, in the longer term, simplify our operations. By the end of 2019, we intend to have reduced overall staffing levels by over 2,100 relative to combined Ocwen and PHH staffing levels at the end of the second quarter of 2018. Against this goal, as of June 30, 2019, headcount has declined by nearly 1,400. In terms of U.S. facilities consolidation, by the end of 2019, we intend to be primarily operating out of four U.S. and USVI locations: West Palm Beach, FL, Mount Laurel, NJ, Rancho Cordova, CA, and St. Croix, USVI.

We believe these cost re-engineering efforts will lower our expenses substantially, including in the areas of compensation and benefits, occupancy and equipment and technology and communications. However, in order to achieve these reductions, we will incur significant re-engineering-related expenses, primarily relating to severance and retention and facilities closures but also in the areas of technology and communications. Our cost re-engineering plans contain identified opportunities to achieve expense reductions totaling \$340.0 million against corresponding annualized second quarter 2018 expenses for both Ocwen and PHH. This target excludes the re-engineering costs necessary to achieve such savings, which we currently estimate to be \$65.0 million. We have incurred \$32.2 million of re-engineering costs, consisting primarily of \$24.2 million of employee-related expenses, during the six months ended June 30, 2019.

We anticipate that a substantial portion of our expense reductions, and the related re-engineering costs, will be realized in the second half of 2019 now that we have completed the transition onto Black Knight MSP and completed the mergers of two of our primary licensed operating entities into PMC. We successfully completed the first phase of our entity mergers during the first quarter, merging Homeward into PMC, with PMC being the surviving corporation. We successfully completed the second phase of our entity mergers with the merger of OLS into PMC (with PMC being the surviving corporation) during the second quarter of 2019.

Our ability to re-engineer our cost structure is not certain and is dependent on the successful execution of several complex actions, including our ability to acquire MSRs with appropriate financial return targets, U.S. facilities consolidation and organizational redesign and headcount reductions, as well as the absence of significant unforeseen costs, including regulatory

or legal costs, that could negatively impact our cost re-engineering efforts. There can be no assurances that the desired strategic and financial benefits of these actions will be realized.

Third, we must manage the size of our servicing portfolio through expanding our lending business and making permissible MSR acquisitions that are prudent and well-executed with appropriate financial return targets. During the six months ended June 30, 2019, we closed MSR acquisitions with \$10.8 billion UPB. We expect to continue to focus on acquiring Agency and government-insured MSR portfolios that meet or exceed our minimum targeted investment returns. We have also executed on our plans to re-enter the forward lending correspondent channel and we continue to pursue a number of other MSR acquisition options, including driving improved recapture rates within our existing servicing portfolio.

Fourth, we must ensure that we continue to manage our balance sheet to provide a solid platform for executing on our other key business initiatives. On March 18, 2019, we increased our SSTL by \$120.0 million, providing incremental liquidity to address maturing debt assumed in the PHH acquisition. On July 1, 2019, we established a financing facility secured by MSRs that provides up to \$300.0 million in committed borrowings. We believe this facility will enable the funding of our near term MSR acquisition initiatives.

Unless we are able to return to sustainable profitability, continuing losses will erode our stockholders' equity and negatively impact our available liquidity which could impair our ability to invest in growth and investment opportunities, including our ability to acquire MSRs.

Finally, we must fulfill our regulatory commitments and resolve our remaining legal and regulatory matters on satisfactory terms. We have intensified our focus over the past several years on our risk and compliance infrastructure to drive stronger regulatory performance and enhance our relationships with regulators. We are also very focused on fulfilling the commitments we have made to regulators, including those relating to our acquisition of PHH and our transition to Black Knight MSP. Our business, operating results and financial condition have been significantly impacted by regulatory actions against us and by significant litigation matters. Should the number or scope of regulatory or legal actions against us increase or expand or should we be unable to reach reasonable resolutions in existing regulatory and legal matters, our business, reputation, financial condition, liquidity and results of operations could be materially and adversely affected, even if we are successful in our ongoing efforts to optimize our cost structure and improve our financial performance.

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 on Form 10-K for the fiscal year ended December 31, 2018.

| Results of Operations Summary | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|--|-----------------------------|--------------------|--------------|---------------------------|--------------------|--------------|
| | 2019 | 2018 | % Change | 2019 | 2018 | % Change |
| Revenue | | | | | | |
| Servicing and subservicing fees | \$ 239,182 | \$ 222,227 | 8 % | \$ 495,045 | \$ 444,365 | 11 % |
| Gain on loans held for sale, net | 15,075 | 24,393 | (38) | 32,670 | 44,193 | (26) |
| Other revenue, net | 20,081 | 6,961 | 188 | 50,511 | 25,280 | 100 |
| Total revenue | 274,338 | 253,581 | 8 | 578,226 | 513,838 | 13 |
| Expenses | | | | | | |
| MSR valuation adjustments, net | 147,268 | 33,118 | 345 | 256,266 | 50,247 | 410 |
| Compensation and benefits | 82,283 | 69,838 | 18 | 176,979 | 147,913 | 20 |
| Servicing and origination | 21,510 | 28,276 | (24) | 50,208 | 59,694 | (16) |
| Technology and communications | 20,001 | 23,906 | (16) | 44,436 | 46,709 | (5) |
| Professional services | 37,136 | 32,389 | 15 | 40,577 | 70,159 | (42) |
| Occupancy and equipment | 18,699 | 12,859 | 45 | 35,288 | 25,473 | 39 |
| Other expenses | 4,597 | 5,264 | (13) | 7,845 | 11,956 | (34) |
| Total expenses | 331,494 | 205,650 | 61 | 611,599 | 412,151 | 48 |
| Other income (expense) | | | | | | |
| Interest income | 3,837 | 3,355 | 14 | 8,395 | 6,055 | 39 |
| Interest expense | (31,571) | (77,503) | (59) | (102,016) | (128,313) | (20) |
| Bargain purchase gain | (96) | — | n/m | (381) | — | n/m |
| Other, net | 653 | (2,188) | (130) | 1,958 | (2,869) | (168) |
| Total other expense, net | (27,177) | (76,336) | (64) | (92,044) | (125,127) | (26) |
| Loss before income taxes | (84,333) | (28,405) | 197 | (125,417) | (23,440) | 435 |
| Income tax expense | 5,404 | 1,348 | 301 | 8,814 | 3,696 | 138 |
| Net loss | (89,737) | (29,753) | 202 | (134,231) | (27,136) | 395 |
| Net income attributable to non-controlling interests | — | (78) | (100) | — | (147) | (100) |
| Net loss attributable to Ocwen stockholders | \$ (89,737) | \$ (29,831) | 201 % | \$ (134,231) | \$ (27,283) | 392 % |
| Segment income (loss) before income taxes | | | | | | |
| Servicing | \$ (59,006) | \$ 2,086 | n/m | \$ (116,508) | \$ 22,568 | (616)% |
| Lending | 8,359 | 1,399 | 497 | 28,219 | 10,171 | 177 |
| Corporate Items and Other | (33,686) | (31,890) | 6 | (37,128) | (56,179) | (34) |
| | \$ (84,333) | \$ (28,405) | 197 % | \$ (125,417) | \$ (23,440) | 435 % |
| n/m: not meaningful | | | | | | |

Three Months Ended June 30, 2019 versus 2018

Servicing and subservicing fee revenue increased \$17.0 million, or 8%, as compared to the second quarter of 2018, primarily due to the increase in the portfolio resulting from the acquisition of PHH on October 4, 2018 and the acquisition of MSRs during the first six months of 2019, partially offset by portfolio runoff and a decline in completed modifications.

Gain on loans held for sale, net declined \$9.3 million, or 38%, as compared to the second quarter of 2018 due to a \$5.3 million decline in reverse lending gains and a \$3.9 million decline in gains on loans repurchased in connection with our servicing obligations. According to the HUD HECM Endorsement Summary Report, industry endorsements, or the number of new HECM loans insured by the FHA during the reporting period, totaled 8,144 and 9,542, for the three months ended June 30, 2019 and 2018, respectively, representing a decline of 15%. Reverse lending gain on loans held for sale declined by \$5.3

million, or 41%, due to a 7% decline in loan production, which was lower across all channels, and lower overall margin. Our reverse lending volume decline for the three months ended June 30, 2019 versus the same period in 2018 was proportionately less than the decline in industry endorsements for the comparable periods due to our efforts to re-start purchases with former customers and increase wallet share with existing customers in our wholesale, correspondent and closed whole-loan purchase channels. The reduction in margin was largely attributable to lower gain on sales rates, and increased price competition when bidding on wholesale and correspondent loans, as compared to the same period in 2018.

Other revenue, net increased \$13.1 million, or 188%, as compared to the second quarter of 2018, largely due to a \$14.8 million favorable net change in the fair values of our HECM reverse mortgage loans and the related HMBS financing liability due to the fair value election for future draw commitments on HECM reverse mortgage loans purchased or originated after December 31, 2018 and lower interest rates, partially offset by a \$1.3 million decline in CRL premium revenue consistent with the decline in the number of foreclosed real estate properties in the servicing portfolio.

MSR valuation adjustments, net, increased \$114.2 million, or 345%, as compared to the second quarter of 2018, primarily due to portfolio runoff on MSRs subsequently added from the PHH acquisition and other Agency MSR purchases and the impact of changes in interest rates. The 10-year swap rate declined 45 basis points in the second quarter of 2019, as compared to the 15 basis-point increase in the second quarter of 2018. The increase in MSR valuation adjustments, net, includes \$19.2 million due to runoff and \$69.3 million from interest rate changes on MSRs acquired subsequent to the second quarter of 2018, and \$37.1 million from interest rate changes on the remainder of the portfolio. This is partially offset by \$12.7 million of net favorable impacts from lower runoff (excluding the impact of new acquisitions) and other assumption updates unrelated to interest rates on existing MSRs. The acquired MSRs are primarily Agency loans that are more sensitive to interest rates. Fair value adjustments to our MSRs are offset, in part, by fair value adjustments related to the NRZ financing liabilities, which are recorded in interest expense.

Excluding MSR valuation adjustments, net, total expenses increased \$11.7 million, or 7%, as compared to the second quarter of 2018.

Compensation and benefits expense increased \$12.4 million, or 18%, as compared to the second quarter of 2018, primarily due to the acquisition of PHH and \$3.5 million of severance and retention costs recognized in connection with our integration-related headcount reductions of primarily U.S.-based employees, partially offset by a decrease in expenses that reflects the results of our efforts to re-engineer our cost structure, align headcount in our servicing operations and corporate segment with the size of our servicing portfolio as well as the strategic decisions executed in late 2017 and early 2018 to exit the automotive capital services business and the forward lending correspondent and wholesale channels. Despite the increase in headcount attributable to the PHH acquisition, average total headcount declined 3% as compared to the second quarter of 2018. However, the average of higher-cost U.S. headcount increased to 35% of the total from 25% for the second quarter of 2018.

Servicing and origination expense decreased \$6.8 million, or 24%, as compared to the second quarter of 2018, primarily due to a \$4.5 million reduction in government-insured claim loss provisions on reinstated or modified loans in line with a decline in claims and a \$2.6 million decrease in provisions for non-recoverable servicing advances and receivables. Government-insured claim loss provisions are generally offset by changes in the fair value of the corresponding MSRs, which are recorded in MSR valuation adjustments, net.

Technology and communication expense declined \$3.9 million, or 16%, as compared to the second quarter of 2018 primarily due to our cost reduction efforts, which include bringing technology services in-house, offset by an increase in expenses as a result of the PHH acquisition.

Professional services expense increased \$4.7 million, or 15%, as compared to the second quarter of 2018, primarily due to expenses incurred by PHH offset in part by a \$2.8 million decline in provisions for probable losses in connection with litigation.

Occupancy and equipment expense increased \$5.8 million, or 45%, as compared to the second quarter of 2018 due to the recognition of \$2.8 million of accelerated amortization of ROU assets in connection with our decision to vacate four leased properties prior to the contractual maturity date of the lease agreements and expenses attributed to PHH, offset in part by the results of our cost reduction efforts which include consolidating vendors and closing and consolidating certain facilities.

Interest expense declined \$45.9 million, or 59%, as compared to the second quarter of 2018, primarily because of the \$48.6 million decline in interest expense on the NRZ financing liabilities, which we account for at fair value, partially offset by \$1.4 million of interest expense incurred on the PHH senior unsecured notes. Changes in the fair value of the NRZ financing liabilities offset, to a large extent, changes in the fair value of our MSRs which are recorded in MSR valuation adjustments, net.

The net decrease in interest expense on the NRZ financing liabilities was largely due to a \$47.8 million favorable fair value adjustment in the second quarter of 2019 which reduced the NRZ financing liability, and interest expense, related to the PMC MSR Agreements offsetting the unfavorable fair value adjustment of the underlying MSRs. Runoff of \$15.8 million further reduced interest expense under the PMC MSR Agreements. MSRs underlying the PMC MSR Agreements are Agency mortgage

loans and as a result, both their fair value and runoff are highly sensitive to changes in interest rates. In the second quarter of 2018, an unfavorable fair value adjustment increased the NRZ financing liabilities, and interest expense, related to the Original Rights to MSR Agreements by \$8.9 million. Runoff attributed to the Original Rights to MSR Agreements and the 2017 and New RMSR Agreements declined by \$12.5 million in the second quarter of 2019 as compared to the second quarter of 2018. The MSRs underlying the Ocwen agreements are seasoned non-Agency mortgage loans and changes in interest rates do not have any significant impact on prepayments.

Six Months Ended June 30, 2019 versus 2018

Servicing and subservicing fee revenue increased \$50.7 million, or 11%, as compared to the six months ended June 30, 2018, primarily due to the increase in the portfolio resulting from the acquisition of PHH and the acquisition of MSRs during the first six months of 2019, partially offset by portfolio runoff and a decline in completed modifications.

Gain on loans held for sale, net declined \$11.5 million, or 26%, as compared to the six months ended June 30, 2018. Reverse lending gain on loans held for sale declined by \$7.5 million, or 32%, due to an 11% decline in loan production, which was lower across all channels, and lower overall margin. Our reverse lending volume decline for the six months ended June 30, 2019 versus the same period in 2018 was proportionately less than the decline in industry endorsements for the comparable periods due to the reasons noted above. The reduction in margin was largely attributable to lower gain on sales rates, and increased price competition when bidding on wholesale and correspondent loans, as compared to the same period in 2018. Gains on loans repurchased in connection with our servicing obligations declined \$3.6 million as compared to the six months ended June 30, 2018.

Other revenue, net increased \$25.2 million, or 100%, as compared to the six months ended June 30, 2018, largely due to a \$29.3 million increase in the favorable net change in the fair values of our HECM reverse mortgage loans and the related HMBS financing liability. This increase is due to the fair value election for future draw commitments on HECM reverse mortgage loans purchased or originated after December 31, 2018, lower interest rates and an update in the first quarter of 2019 of the financing assumption for active HECM reverse mortgage loan repurchases in connection with our HMBS Issuer obligations. This increase was partially offset by a \$2.5 million decline in CRL premium revenue consistent with the decline in the number of foreclosed real estate properties in the servicing portfolio.

MSR valuation adjustments, net, increased \$206.0 million, or 410%, as compared to the six months ended June 30, 2018, primarily due to portfolio runoff on MSRs subsequently added from the PHH acquisition and other Agency MSR purchases and the impact of changes in interest rates. The 10-year swap rate declined 75 basis points in the six months ended June 30, 2019, as compared to the 55 basis-point increase in the six months ended June 30, 2018. The increase in MSR valuation adjustments, net, includes \$37.0 million due to runoff and \$105.6 million from interest rate changes on MSRs acquired subsequent to the second quarter of 2018, and \$101.6 million from interest rate changes on the remainder of the portfolio. This is partially offset by \$39.5 million of net favorable other assumption updates unrelated to interest rates on existing MSRs.

Excluding MSR valuation adjustments, net, total expenses decreased \$6.6 million, or 2%, as compared to the six months ended June 30, 2018.

Compensation and benefits expense increased \$29.1 million, or 20%, as compared to the six months ended June 30, 2018, primarily due to PHH compensation and benefits expense and \$24.2 million of severance and retention costs recognized in connection with our integration-related headcount reductions of primarily U.S.-based employees, partially offset by a decline in expenses resulting from our efforts to re-engineer our cost structure, align headcount in our servicing operations and corporate segment with the size of our servicing portfolio as well as the strategic decisions executed in late 2017 and early 2018 to exit the automotive capital services business and the forward lending correspondent and wholesale channels. Despite the increase in headcount attributable to the PHH acquisition, average total headcount declined 4% as compared to the six months ended June 30, 2018. However, the average of higher-cost U.S. headcount increased to 35% of the total from 26% for the six months ended June 30, 2018.

Servicing and origination expense decreased \$9.5 million, or 16%, as compared to the six months ended June 30, 2018, primarily due to an \$8.8 million reduction in government-insured claim loss provisions on reinstated or modified loans in line with a decline in claims and a \$5.4 million decrease in provisions for non-recoverable servicing advances and receivables. These declines were offset in part by an increase in other servicing-related expenses associated with a larger portfolio.

Technology and communication expense decreased \$2.3 million, or 5%, as compared to the six months ended June 30, 2018, primarily due to our cost reduction efforts, which include bringing technology services in-house, offset by an increase in expenses as a result of the PHH acquisition.

Professional services expense decreased \$29.6 million, or 42%, as compared to the six months ended June 30, 2018, primarily due to the recovery from a service provider in the first quarter of 2019 of \$30.7 million of amounts previously recognized as expense and a \$10.9 million decline in provisions for probable losses in connection with litigation, partially offset by professional services expense attributed to PHH and a \$1.2 million increase in fees incurred in connection with our

conversion of NRZ's Rights to MSRs to fully-owned MSRs. The fees incurred in connection with the MSR conversions are primarily legal fees of our counsel and the fees of counsel of counterparties that we are required to pay. NRZ is currently responsible for paying 50% of the costs that are incurred in connection with the MSR conversions. We do not expect to incur significant costs in connection with the MSR conversions in the future.

Occupancy and equipment expense increased \$9.8 million, or 39%, as compared to the six months ended June 30, 2018, due to PHH expenses and the recognition of \$2.8 million of accelerated amortization of ROU assets, offset in part by a decline resulting from our cost reduction efforts which include consolidating vendors and closing and consolidating certain facilities.

Other expenses decreased \$4.1 million, or 34%, as compared to the six months ended June 30, 2018, due in large part to decreases attributable to the timing of recognition of certain expenses, including expenses in connection with borrower advocacy groups and licensing expenses.

Interest expense declined \$26.3 million, or 20%, as compared to the six months ended June 30, 2018, primarily because of the \$27.7 million decline in interest expense on the NRZ financing liabilities and a \$2.6 million decrease in interest on match funded liabilities, offset in part by \$2.9 million of interest expense on the PHH senior unsecured notes.

The net decline in interest expense on the NRZ financing liabilities was due to an \$80.9 million favorable fair value adjustment in the six months ended June 30, 2019 which reduced the NRZ financing liability, and interest expense, related to the PMC MSR Agreements offsetting the unfavorable fair value adjustment of the underlying MSRs. Runoff of \$33.6 million further reduced interest expense under the PMC MSR Agreements. In the six months ended June 30, 2018, a favorable fair value adjustment reduced the NRZ financing liabilities, and interest expense, related to the 2017 and New RMSR Agreements by \$17.4 million, driven by the initial fair value gain attributable to the \$279.6 million lump-sum cash payment received in connection with the New RMSR Agreements. This compares to a \$2.3 million unfavorable fair value adjustment in the six months ended June 30, 2019 in connection with changes in estimated cash flows. Runoff attributed to the Original Rights to MSRs Agreements and the 2017 and New RMSR Agreements declined by \$34.7 million in the six months ended June 30, 2019 as compared to the six months ended June 30, 2018

Although we incurred a pre-tax loss for the six months ended June 30, 2019 of \$125.4 million, we recorded income tax expense of \$8.8 million due to the mix of earnings among different tax jurisdictions with different statutory tax rates. Our overall effective tax rates for the six months ended June 30, 2019 and 2018 were (7.0)% and (15.8)%, respectively. 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 continuing operations these foreign operations have taxable income, which is subject to statutory tax rates in these jurisdictions that are significantly higher than the U.S. statutory rate of 21%. The change in income tax expense for the six months ended June 30, 2019, compared with the same period in 2018, was primarily due to tax expense on the gain recognized in the USVI on the merger of OLS into PMC, the effects of the Base Erosion and Anti-Abuse Tax (BEAT) provision of the Tax Act and the increase in the BEAT tax rate from 5% in 2018 to 10% in 2019 as well as increased income tax expense as a result of recognizing income previously deferred for tax related to our NRZ agreements.

| Financial Condition Summary | June 30, 2019 | December 31, 2018 | % Change |
|--|----------------------|--------------------------|-----------------|
| Cash | \$ 287,724 | \$ 329,132 | (13)% |
| Restricted cash (amounts related to variable interest entities (VIEs) of \$15,489 and \$20,968) | 60,708 | 67,878 | (11) |
| MSRs, at fair value | 1,312,633 | 1,457,149 | (10) |
| Advances and match funded advances (amounts related to VIES of \$875,332 and \$937,294) | 1,104,499 | 1,186,676 | (7) |
| Loans held for sale (\$135,691 and \$176,525 carried at fair value) | 196,071 | 242,622 | (19) |
| Loans held for investment, at fair value (amounts related to VIEs of \$25,324 and \$26,520) | 5,897,731 | 5,498,719 | 7 |
| Other assets (\$7,760 and \$7,568 carried at fair value)(amounts related to VIEs of \$1,418 and \$2,874) | 768,427 | 612,040 | 26 |
| Total assets | \$ 9,627,793 | \$ 9,394,216 | 2 % |
| Total Assets by Segment | | | |
| Servicing | \$ 3,195,218 | \$ 3,306,208 | (3)% |
| Lending | 5,978,325 | 5,603,481 | 7 |
| Corporate Items and Other | 454,250 | 484,527 | (6) |
| | \$ 9,627,793 | \$ 9,394,216 | 2 % |
| HMBS-related borrowings, at fair value | \$ 5,745,383 | \$ 5,380,448 | 7 % |
| Match funded liabilities (related to VIEs) | 671,796 | 778,284 | (14) |
| Other financing liabilities (\$868,610 and \$1,057,671 carried at fair value) (amounts related to VIEs of \$23,697 and \$24,815) | 931,451 | 1,127,613 | (17) |
| SSTL and other secured borrowings, net | 516,481 | 382,538 | 35 |
| Senior notes, net | 447,577 | 448,727 | — |
| Other liabilities (\$3,934 and \$4,986 carried at fair value) | 892,211 | 721,901 | 24 |
| Total liabilities | 9,204,899 | 8,839,511 | 4 % |
| Total stockholders' equity | 422,894 | 554,705 | (24) |
| Total liabilities and equity | \$ 9,627,793 | \$ 9,394,216 | 2 % |
| Total Liabilities by Segment | | | |
| Servicing | \$ 2,273,069 | \$ 2,437,383 | (7)% |
| Lending | 5,965,622 | 5,532,069 | 8 |
| Corporate Items and Other | 966,208 | 870,059 | 11 |
| | \$ 9,204,899 | \$ 8,839,511 | 4 % |

Changes in the composition and balance of our assets and liabilities during the six months ended June 30, 2019 are principally attributable to the impact of our ongoing HMBS activity, which is accounted for as secured financings, increasing Loans held for investment and HMBS-related borrowings. Match funded liabilities declined during the six months ended June 30, 2019 as a result of lower advances and match funded advances, consistent with our declining servicing portfolio and declines in the non-performing portion of our servicing portfolio, and our decision to partially fund advances with corporate cash. NRZ financing liabilities and the related MSRs declined due to declines in fair value, and borrowings under our SSTL increased due to the additional \$120.0 million term loan executed during the first quarter of 2019. Total equity decreased as a result of the net loss we recognized for the six months ended June 30, 2019. See the Overview and Cash Flows sections of "Liquidity and Capital Resources" for a discussion regarding the decline in Cash during the six months ended June 30, 2019.

SEGMENT RESULTS OF OPERATIONS

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

Servicing

We earn contractual monthly servicing fees pursuant to servicing agreements, 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 Speedpay fees. We also earn fees under both subservicing and special servicing arrangements with banks and other institutions that own the MSR's. Subservicing and special servicing fees are earned either as a percentage of UPB or on a per-loan basis. Per loan fees typically vary based on delinquency status. As of June 30, 2019, we serviced 1.5 million loans with an aggregate UPB of \$229.3 billion.

We are actively pursuing actions to manage the size of our servicing portfolio through expanding our lending business and making permissible MSR acquisitions that are prudent and well-executed with appropriate financial return targets. During the first six months of 2019, we closed MSR acquisitions with \$10.8 billion UPB. We expect to continue to focus on acquiring Agency and government-insured MSR portfolios that meet or exceed our minimum targeted investment returns. We have also executed on our plans to re-enter the forward lending correspondent channel and we continue to pursue a number of other MSR acquisition options, including driving improved recapture rates within our existing servicing portfolio.

NRZ is our largest servicing client, accounting for 53% and 60% of the UPB and loans in our servicing portfolio as of June 30, 2019, respectively. NRZ subservicing fees retained by Ocwen represented 27% of the total servicing and subservicing fees earned by Ocwen, net of servicing fees remitted to NRZ, for the three and six months ended June 30, 2019, and 27% and 26% for the three and six months ended June 30, 2018, respectively.

In 2017 and early 2018, we renegotiated the Ocwen agreements with NRZ to more closely align with a typical subservicing arrangement whereby we receive a base servicing fee and certain ancillary fees, primarily late fees, loan modification fees and Speedpay fees. We may also receive certain incentive fees or pay penalties tied to various contractual performance metrics. We received upfront cash payments in 2017 and 2018 of \$54.6 million and \$279.6 million, respectively, from NRZ in connection with the resulting 2017 and New RMSR Agreements. These upfront payments generally represent the net present value of the difference between the future revenue stream Ocwen would have received under the original agreements and the future revenue Ocwen will receive under the renegotiated agreements. These upfront payments amortize through the remaining term of the original agreements (April 2020). Accordingly, the aggregate economics of these agreements will be similar through the end of April 2020, although cash receipts will be lower in future periods as a result of the upfront payments.

The following table presents subservicing fees retained by Ocwen under the NRZ agreements and the amortization (including fair value change) of the lump-sum payments received in connection with the 2017 and New RMSR Agreements:

| | Three Months | | Six Months | |
|--|----------------|---------------|----------------|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| Retained subservicing fees on NRZ agreements | \$ 35,905 | \$ 34,444 | \$ 73,312 | \$ 68,661 |
| Reduction in interest expense in connection with the amortization of the lump-sum cash payments received (including fair value change) | 30,696 | 34,799 | 47,036 | 87,090 |
| Total retained subservicing fees and amortization of lump-sum payments (including fair value change) | \$ 66,601 | \$ 69,243 | \$ 120,348 | \$ 155,751 |
| Average NRZ UPB | \$ 123,856,714 | \$ 96,553,022 | \$ 126,114,653 | \$ 98,299,462 |
| Average annualized retained subservicing fees as a % of NRZ UPB | 0.12% | 0.14% | 0.12% | 0.14% |

Our MSR portfolio is carried at fair value. The value of our MSR's are typically correlated to changes in interest rates; as interest rates rise, the value of the servicing portfolio typically rises as a result of lower anticipated prepayment speeds. Valuation is also impacted by loan delinquency rates whereby as delinquency rates decline, the value of the servicing portfolio rises. While we do not hedge changes in the fair value of our MSR's, changes in fair value of any fair value elected MSR financing liabilities, which are recorded in interest expense in our unaudited consolidated statements of operations, will partially offset the changes in fair value of the related MSR's.

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, S&P and Fitch. Favorable ratings from these agencies are important to the conduct of our loan servicing and lending businesses.

The following table summarizes our key servicer ratings by these rating agencies:

| | PHH Mortgage Corporation | | |
|--|--------------------------|-----------------|------------------|
| | Moody's | S&P | Fitch |
| Residential Prime Servicer | SQ3 | Average | RPS3 |
| Residential Subprime Servicer | SQ3 | Average | RPS3 |
| Residential Special Servicer | SQ3 | Average | RPS3 |
| Residential Second/Subordinate Lien Servicer | SQ3 | Average | RPS3 |
| Residential Home Equity Servicer | — | — | RPS3 |
| Residential Alt-A Servicer | — | — | RPS3 |
| Master Servicer | — | Average | — |
| Ratings Outlook | N/A | Stable | Stable |
| Date of last action | October 30, 2018 | October 8, 2018 | November 1, 2018 |

Following the merger of OLS into PMC on June 1, 2019, Ocwen submitted requests to withdraw the servicer ratings for OLS. S&P has transferred the Master Servicer rating for OLS to PMC, and Fitch is currently addressing a similar transfer.

In addition to servicer ratings, each of the rating 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."

Downgrades in servicer ratings could adversely affect our ability to sell or finance servicing advances and could impair our ability to consummate future servicing transactions or adversely affect our dealings with lenders, other contractual counterparties, and regulators, including our ability to maintain our status as an approved servicer by Fannie Mae and Freddie Mac. The servicer rating requirements of Fannie Mae do not necessarily require or imply immediate action, as Fannie Mae has discretion with respect to whether we are in compliance with their requirements and what actions it deems appropriate under the circumstances if we fall below their desired servicer ratings.

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:

| Periods ended June 30, | Three Months | | | Six Months | | |
|--|--------------------|-----------------|------------|---------------------|------------------|---------------|
| | 2019 | 2018 | % Change | 2019 | 2018 | % Change |
| Revenue | | | | | | |
| Servicing and subservicing fees | | | | | | |
| Residential | \$ 238,536 | \$ 221,322 | 8 % | \$ 493,747 | \$ 442,225 | 12 % |
| Commercial | 616 | 1,506 | (59) | 1,843 | 3,251 | (43) |
| | 239,152 | 222,828 | 7 | 495,590 | 445,476 | 11 |
| Gain on loans held for sale, net | 1,723 | 5,589 | (69) | 2,939 | 6,581 | (55) |
| Other revenue | 1,635 | 2,092 | (22) | 3,255 | 4,548 | (28) |
| Total revenue | 242,510 | 230,509 | 5 | 501,784 | 456,605 | 10 |
| Expenses | | | | | | |
| MSR valuation adjustments, net | 147,199 | 33,043 | 345 | 256,113 | 50,018 | 412 |
| Compensation and benefits | 40,834 | 34,058 | 20 | 81,237 | 71,235 | 14 |
| Servicing and origination | 17,157 | 24,376 | (30) | 42,043 | 52,420 | (20) |
| Occupancy and equipment | 11,868 | 9,770 | 21 | 24,475 | 19,860 | 23 |
| Professional services | 11,037 | 7,367 | 50 | 22,460 | 24,817 | (9) |
| Technology and communications | 7,649 | 10,048 | (24) | 17,149 | 20,988 | (18) |
| Corporate overhead allocations | 53,721 | 46,462 | 16 | 111,315 | 96,866 | 15 |
| Other expenses | 622 | 1,764 | (65) | 1,192 | 1,780 | (33) |
| Total expenses | 290,087 | 166,888 | 74 | 555,984 | 337,984 | 65 |
| Other income (expense) | | | | | | |
| Interest income | 1,872 | 1,466 | 28 | 4,165 | 1,894 | 120 |
| Interest expense | (14,191) | (62,675) | (77) | (68,889) | (97,193) | (29) |
| Other, net | 890 | (326) | (373) | 2,416 | (754) | (420) |
| Total other expense, net | (11,429) | (61,535) | (81) | (62,308) | (96,053) | (35) |
| Income (loss) before income taxes | \$ (59,006) | \$ 2,086 | n/m | \$ (116,508) | \$ 22,568 | (616)% |

n/m: not meaningful

The following tables provide selected operating statistics:

| At June 30, | 2019 | 2018 | % Change |
|--|-----------------------|-----------------------|----------|
| Residential Assets Serviced | | | |
| <i>Unpaid principal balance (UPB):</i> | | | |
| Performing loans (1) | \$ 220,730,631 | \$ 153,223,657 | 44 % |
| Non-performing loans | 6,486,472 | 11,290,071 | (43) |
| Non-performing real estate | 2,065,942 | 2,613,286 | (21) |
| Total | <u>\$ 229,283,045</u> | <u>\$ 167,127,014</u> | 37 % |
| Conventional loans (2) | \$ 106,409,963 | \$ 45,194,057 | 135 % |
| Government-insured loans | 29,150,397 | 20,314,542 | 43 |
| Non-Agency loans | 93,722,685 | 101,618,415 | (8) |
| Total | <u>\$ 229,283,045</u> | <u>\$ 167,127,014</u> | 37 % |
| <i>Percent of total UPB:</i> | | | |
| Servicing portfolio | 35% | 42% | (17)% |
| Subservicing portfolio | 12 | 1 | n/m |
| NRZ (3) | 53 | 57 | (7) |
| Non-performing residential assets serviced | 4 | 8 | (50) |
| <i>Number:</i> | | | |
| Performing loans (1) | 1,443,253 | 1,076,410 | 34 % |
| Non-performing loans | 36,860 | 56,569 | (35) |
| Non-performing real estate | 10,916 | 13,110 | (17) |
| Total | <u>1,491,029</u> | <u>1,146,089</u> | 30 % |
| Conventional loans (2) | 639,648 | 276,394 | 131 % |
| Government-insured loans | 187,527 | 148,723 | 26 |
| Non-Agency loans | 663,854 | 720,972 | (8) |
| Total | <u>1,491,029</u> | <u>1,146,089</u> | 30 % |
| <i>Percent of total number:</i> | | | |
| Servicing portfolio | 33% | 40% | (18)% |
| Subservicing portfolio | 7 | 1 | 600 |
| NRZ (3) | 60 | 59 | 2 |
| Non-performing residential assets serviced | 3 | 6 | (50) |

| Periods ended June 30, | Three Months | | | Six Months | | |
|--|-----------------------|-----------------------|----------|-----------------------|-----------------------|----------|
| | 2019 | 2018 | % Change | 2019 | 2018 | % Change |
| Residential Assets Serviced | | | | | | |
| <i>Average UPB:</i> | | | | | | |
| Servicing portfolio | \$ 78,942,809 | \$ 72,028,123 | 10 % | \$ 76,253,458 | \$ 73,234,657 | 4 % |
| Subservicing portfolio | 38,568,363 | 1,624,284 | n/m | 44,636,396 | 1,738,018 | n/m |
| NRZ (3) | 123,856,714 | 96,553,022 | 28 | 126,114,653 | 98,299,462 | 28 |
| Total | <u>\$ 241,367,886</u> | <u>\$ 170,205,429</u> | 42 % | <u>\$ 247,004,507</u> | <u>\$ 173,272,137</u> | 43 % |
| <i>Prepayment speed (average CPR)</i> | | | | | | |
| | 15% | 15% | — % | 14% | 14% | — % |
| % Voluntary | 93 | 81 | 15 | 92 | 82 | 12 |
| % Involuntary | 7 | 19 | (63) | 8 | 18 | (56) |
| % CPR due to principal modification | — | 1 | (100) | — | 1 | (100) |
| <i>Average number:</i> | | | | | | |
| Servicing portfolio | 484,538 | 464,130 | 4 % | 473,961 | 471,639 | — % |
| Subservicing portfolio | 122,013 | 16,508 | 639 | 134,503 | 17,608 | 664 |
| NRZ (3) | 910,325 | 684,802 | 33 | 924,069 | 695,266 | 33 |
| | <u>1,516,876</u> | <u>1,165,440</u> | 30 % | <u>1,532,533</u> | <u>1,184,513</u> | 29 % |
| Residential Servicing and Subservicing Fees | | | | | | |
| Loan servicing and subservicing fees: | | | | | | |
| Servicing | \$ 54,942 | \$ 55,468 | (1)% | \$ 107,457 | \$ 114,159 | (6)% |
| Subservicing | 4,203 | 872 | 382 | 10,410 | 1,786 | 483 |
| NRZ | 141,091 | 126,712 | 11 | 296,938 | 253,729 | 17 |
| | 200,236 | 183,052 | 9 | 414,805 | 369,674 | 12 |
| Late charges | 13,182 | 15,236 | (13) | 28,520 | 29,744 | (4) |
| Custodial accounts (float earnings) | 13,288 | 8,575 | 55 | 25,198 | 15,806 | 59 |
| Loan collection fees | 3,395 | 4,757 | (29) | 7,657 | 9,759 | (22) |
| HAMP fees | 1,565 | 4,153 | (62) | 3,342 | 8,257 | (60) |
| Other | 6,870 | 5,549 | 24 | 14,225 | 8,985 | 58 |
| | <u>\$ 238,536</u> | <u>\$ 221,322</u> | 8 % | <u>\$ 493,747</u> | <u>\$ 442,225</u> | 12 % |

| Periods ended June 30, Interest Expense on NRZ Financing Liability (4) | Three Months | | | Six Months | | |
|--|--------------|------------|----------|------------|------------|----------|
| | 2019 | 2018 | % Change | 2019 | 2018 | % Change |
| Servicing fees collected on behalf of NRZ | \$ 141,091 | \$ 126,712 | 11 % | \$ 296,938 | \$ 253,729 | 17 % |
| Less: Subservicing fee retained by Ocwen | 35,905 | 34,444 | 4 | 73,312 | 68,661 | 7 |
| Net servicing fees remitted to NRZ | 105,186 | 92,268 | 14 | 223,626 | 185,068 | 21 |
| Less: Reduction (increase) in financing liability | | | | | | |
| Changes in fair value: | | | | | | |
| Original Rights to MSR Agreements | (1,671) | (8,897) | (81) | (1,550) | (8,782) | (82) |
| 2017 Agreements and New RMSR Agreements | 4,634 | 828 | 460 | (2,346) | 17,424 | (113) |
| PMC MSR Agreements | 47,782 | — | n/m | 80,878 | — | n/m |
| | 50,745 | (8,069) | (729) | 76,982 | 8,642 | 791 |
| Runoff and settlement: | | | | | | |
| Original Rights to MSR Agreements | 11,412 | 15,991 | (29) | 20,447 | 34,843 | (41) |
| 2017 Agreements and New RMSR Agreements | 26,062 | 33,971 | (23) | 49,382 | 69,666 | (29) |
| PMC MSR Agreements | 15,814 | — | n/m | 33,588 | — | n/m |
| | 53,288 | 49,962 | 7 | 103,417 | 104,509 | (1) |
| Other | (1,777) | (1,115) | 59 | (3,658) | (2,622) | 40 |
| | \$ 2,930 | \$ 51,490 | (94)% | \$ 46,885 | \$ 74,539 | (37)% |

| Periods ended June 30, | Three Months | | | Six Months | | |
|---|--------------|--------------|----------|--------------|--------------|----------|
| | 2019 | 2018 | % Change | 2019 | 2018 | % Change |
| Number of Completed Modifications | | | | | | |
| HAMP | 250 | 314 | (20)% | 503 | 671 | (25)% |
| Non-HAMP | 5,051 | 10,438 | (52) | 13,083 | 21,679 | (40) |
| Total | 5,301 | 10,752 | (51)% | 13,586 | 22,350 | (39)% |
| Financing Costs | | | | | | |
| Average balance of advances and match funded advances | \$ 1,147,164 | \$ 1,220,650 | (6)% | \$ 1,087,925 | \$ 1,266,534 | (14)% |
| Average borrowings | | | | | | |
| Match funded liabilities | 646,369 | 745,983 | (13) | 681,813 | 779,792 | (13) |
| Financing liabilities | 1,008,982 | 775,241 | 30 | 942,894 | 780,452 | 21 |
| Other secured borrowings | 10,992 | — | n/m | 19,649 | 2,735 | 618 |
| Interest expense on borrowings | | | | | | |
| Match funded liabilities | 7,045 | 7,714 | (9) | 14,697 | 16,094 | (9) |
| Financing liabilities | 3,752 | 53,084 | (93) | 48,777 | 77,365 | (37) |
| Other secured borrowings | 383 | 422 | (9) | 1,029 | 901 | 14 |
| Effective average interest rate | | | | | | |
| Match funded liabilities | 4.36% | 4.14% | 5 | 4.31% | 4.13% | 4 |
| Financing liabilities (4) | 1.49 | 27.39 | (95) | 10.35 | 19.83 | (48) |
| Other secured borrowings | 13.94 | — | n/m | 10.47 | 65.89 | (84) |
| Facility costs included in interest expense | | | | | | |
| Average 1ML | \$ 1,369 | \$ 1,475 | (7) | \$ 2,652 | \$ 3,002 | (12) |
| Average 1ML | 2.40% | 1.97% | 22 | 2.17% | 1.81% | 20 |
| Average Employment | | | | | | |
| India and other | 3,497 | 4,189 | (17)% | 3,585 | 4,297 | (17)% |
| U.S. | 1,452 | 1,019 | 42 | 1,482 | 1,041 | 42 |
| Total | 4,949 | 5,208 | (5)% | 5,067 | 5,338 | (5)% |

n/m: not meaningful

- (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 123,747 and 125,824 prime loans with a UPB of \$28.1 billion and \$21.7 billion at June 30, 2019 and June 30, 2018, respectively, which we service or subservice.
- (3) Loans serviced or subserved pursuant to our agreements with NRZ.
- (4) The effective average interest rate on the financing liability that we recognized in connection with the sales of Rights to MSRs to NRZ is 1.27% and 29.49% for the three months ended June 30, 2019 and 2018, respectively, and 5.51% and 21.27% for the six months ended June 30, 2019 and 2018, respectively.

The following table provides information regarding the changes in our portfolio of residential assets serviced or subserviced:

| | Amount of UPB | | Count | |
|-------------------------------|----------------|----------------|-----------|-----------|
| | 2019 | 2018 | 2019 | 2018 |
| Portfolio at January 1 | \$ 256,000,490 | \$ 179,352,554 | 1,562,238 | 1,221,695 |
| Additions (1) | 5,387,517 | 546,619 | 18,430 | 2,694 |
| Sales | (78,061) | (3,292) | (723) | (39) |
| Servicing transfers | (1,157,156) | (302,120) | (5,103) | (1,840) |
| Runoff | (9,072,050) | (6,204,885) | (40,491) | (36,598) |
| Portfolio at March 31 | \$ 251,080,740 | \$ 173,388,876 | 1,534,351 | 1,185,912 |
| Additions (1) | 10,005,573 | 655,943 | 40,309 | 2,906 |
| Sales | (166,082) | (6,459) | (1,288) | (43) |
| Servicing transfers (2) | (21,865,696) | (218,871) | (35,811) | (2,467) |
| Runoff | (9,771,490) | (6,692,475) | (46,532) | (40,219) |
| Portfolio at June 30 | \$ 229,283,045 | \$ 167,127,014 | 1,491,029 | 1,146,089 |

- (1) Additions include purchased MSR on portfolios consisting of 31,616 loans with a UPB of \$8.0 billion that have not yet transferred to the Black Knight MSP servicing system. These loans are scheduled to transfer onto Black Knight MSP in the third quarter of 2019. Because we have legal title to the MSRs, the UPB and count of the loans are included in our reported portfolio. The seller continues to subservice the loans on an interim basis between the transaction closing date and the servicing transfer date.
- (2) Primarily represents the termination of a subservicing client relationship consisting of 33,626 loans with a UPB of \$21.4 billion. For the three and six months ended June 30, 2019, total servicing fee revenue for this client was \$0.3 million and \$1.3 million, respectively.

The key drivers of our servicing segment operating results for the three and six months ended June 30, 2019, as compared to the same periods of 2018, are the PHH acquisition and related integration, portfolio runoff and the effects of cost improvements achieved in aligning our servicing operations more appropriately to the size of our servicing portfolio. Until the Black Knight MSP conversion was completed in June 2019, we were maintaining the infrastructure and related costs of two servicing platforms, including certain corporate functions. Now that the conversion is complete, and once all post-conversion support and validation is finalized, we expect further expense reductions to be enabled.

Three Months Ended June 30, 2019 versus 2018

Servicing and subservicing fee revenue increased by \$16.3 million, or 7%, as compared to the second quarter of 2018, due to the increase in the portfolio resulting from the acquisition of PHH and the acquisition of MSRs during the first six months of 2019, offset in part by portfolio runoff and a decline in completed modifications. Revenue recognized in connection with loan modifications declined 53% to \$7.8 million for the second quarter of 2019 as compared to \$16.6 million in the second quarter of 2018. Total completed loan modifications decreased 51% as compared to the second quarter of 2018, primarily due to the expiration of government sponsored modification programs and fewer available modification opportunities due to the reduction in non-performing loans in our servicing portfolio.

MSR valuation adjustments, net, increased \$114.2 million, or 345%, as compared to the second quarter of 2018, primarily due to portfolio runoff on MSRs subsequently added from the PHH acquisition and other Agency MSR purchases, and the 45 basis-point decline in the 10-year swap rate in the second quarter of 2019, as compared to the 15 basis-point increase in the second quarter of 2018. The increase in MSR valuation adjustments, net, includes \$19.2 million due to runoff and \$69.3 million from interest rate changes on MSRs acquired subsequent to the second quarter of 2018, and \$37.1 million from interest rate changes on the remainder of the portfolio. This is partially offset by \$12.7 million of net favorable impacts from lower runoff (excluding the impact of new acquisitions) and other assumption updates unrelated to interest rates on existing MSRs. The acquired MSRs are primarily Agency loans that are more sensitive to interest rates. Fair value adjustments to our MSRs are offset, in part, by fair value adjustments related to the NRZ financing liabilities, which are recorded in interest expense.

Excluding MSR valuation adjustments, net, total expenses increased \$9.0 million, or 7%, as compared to the second quarter of 2018.

Compensation and benefits expense increased \$6.8 million, or 20%, as compared to the second quarter of 2018, due to PHH compensation and benefits expense offset in part by a reduction in expenses resulting from our efforts to re-engineer our cost structure and align headcount in our servicing operations with the size of our servicing portfolio. Although average total

servicing headcount decreased 5% compared to the second quarter of 2018, despite the increase in headcount attributable to the PHH acquisition, average higher-cost U.S. headcount increased to 29% of the total from 20% for the second quarter of 2018.

Servicing and origination expense declined \$7.2 million, or 30%, as compared to the second quarter of 2018, primarily due to a \$4.5 million reduction in government-insured claim loss provisions on reinstated or modified loans in line with a decline in the volume of claims and a \$2.6 million decrease in provisions for non-recoverable servicing advances and receivables. Government-insured claim loss provisions are generally offset by changes in the fair value of the corresponding MSR, which are recorded in MSR valuation adjustments, net.

Occupancy and equipment expense increased \$2.1 million, or 21%, as compared to the second quarter of 2018, primarily due to expenses attributed to PHH.

Professional services expense increased \$3.7 million, or 50%, as compared to the second quarter of 2018, primarily due to PHH professional services expense.

Technology and communication expense declined \$2.4 million, or 24%, as compared to the second quarter of 2018. The increase attributed to PHH was more than offset by the results of our cost reduction efforts which included bringing technology services in-house.

Corporate overhead allocations increased \$7.3 million, as compared to the second quarter of 2018, primarily due to PHH overhead expense allocations.

Interest expense declined by \$48.5 million, or 77%, as compared to the second quarter of 2018, due to a \$48.6 million decline in interest expense on the NRZ financing liabilities. Changes in the fair value of the NRZ financing liabilities offset, to a large extent, changes in the fair value of our MSR, which are recorded in MSR valuation adjustments, net.

The net decrease in interest expense on the NRZ financing liabilities was largely due to a \$47.8 million favorable fair value adjustment in the second quarter of 2019 which reduced the NRZ financing liability, and interest expense, related to the PMC MSR Agreements offsetting the unfavorable fair value adjustment of the underlying MSR. Runoff of \$15.8 million further reduced interest expense under the PMC Agreements. MSR underlying the PMC Agreements are Agency mortgage loans and as a result, both their fair value and runoff are highly sensitive to changes in interest rates. In the second quarter of 2018, an unfavorable fair value adjustment increased the NRZ financing liabilities, and interest expense, related to the Original Rights to MSR Agreements by \$8.9 million. Runoff attributed to the Original Rights to MSR Agreements and the 2017 and New RMSR Agreements declined by \$12.5 million in the second quarter of 2019 as compared to the second quarter of 2018. The MSR underlying the Original Rights to MSR Agreements and the 2017 and New RMSR Agreements are seasoned non-Agency mortgage loans and changes in interest rates do not have any significant impact on prepayments.

Six Months Ended June 30, 2019 versus 2018

Servicing and subservicing fee revenue increased by \$50.1 million, or 11%, as compared to the six months ended June 30, 2018, due to the increase in the portfolio resulting from the acquisition of PHH and the acquisition of MSR during the first six months of 2019, offset in part by portfolio runoff and a decline in completed modifications. Revenue recognized in connection with loan modifications declined 41% to \$19.4 million during the six months ended June 30, 2019 as compared to \$32.6 million during the six months ended June 30, 2018. Total completed loan modifications decreased 39% as compared to the six months ended June 30, 2018.

MSR valuation adjustments, net, increased \$206.1 million, or 412%, as compared to the six months ended June 30, 2018, primarily due to portfolio runoff on MSR subsequently added from the PMC acquisition and other Agency MSR purchases, and the 75 basis-point decline in the 10-year swap rate in the six months ended June 30, 2019, as compared to the 55 basis-point increase in the six months ended June 30, 2018. The increase in MSR valuation adjustments, net, includes \$37.0 million due to runoff and \$105.6 million from interest rate changes on MSR acquired subsequent to June 30, 2018, and \$101.6 million from interest rate changes on the remainder of the portfolio. This is offset by \$39.5 million net favorable other assumption updates unrelated to interest rates on existing MSR.

Excluding MSR valuation adjustments, net, total expenses increased \$11.9 million, or 4%, as compared to the six months ended June 30, 2018.

Compensation and benefits expense increased \$10.0 million, or 14%, as compared to the six months ended June 30, 2018, due to PHH compensation and benefits expenses offset in part by a reduction in expenses resulting from our efforts to re-engineer our cost structure and align headcount in our servicing operations with the size of our servicing portfolio. Although average total servicing headcount decreased 5% compared to the six months ended June 30, 2018, despite the increase in headcount attributable to the PHH acquisition, average higher-cost U.S. headcount increased to 29% of the total from 20% for the six months ended June 30, 2018.

Servicing and origination expense declined \$10.4 million, or 20%, as compared to the six months ended June 30, 2018, primarily due to an \$8.8 million reduction in government-insured claim loss provisions on reinstated or modified loans in line with a decline in the volume of claims and a \$5.4 million decrease in provisions for non-recoverable servicing advances and receivables. These declines were offset in part by an increase in other servicing-related expenses associated with a larger portfolio.

Occupancy and equipment expense increased \$4.6 million, or 23%, as compared to the six months ended June 30, 2018, primarily due to PHH expenses.

Professional services expense declined \$2.4 million, or 9%, as compared to the six months ended June 30, 2018, primarily due to a \$5.9 million decline in provisions for probable losses in connection with litigation, partially offset by PHH professional services expense and a \$1.2 million increase in fees incurred in connection with our conversion of NRZ's Rights to MSRs to fully-owned MSRs.

Technology and communication expense declined \$3.8 million, or 18%, as compared to the six months ended June 30, 2018. PHH expenses were more than offset by the results of our cost reduction efforts which included bringing technology services in-house.

Corporate overhead allocations increased \$14.4 million, as compared to the six months ended June 30, 2018, primarily due to the allocation of PHH overhead expenses.

Interest expense declined by \$28.3 million, or 29%, as compared to the six months ended June 30, 2018, primarily due to a \$27.7 million decline in interest expense on the NRZ financing liabilities.

The net decline in interest expense on the NRZ financing liabilities was due to an \$80.9 million favorable fair value adjustment in the six months ended June 30, 2019 which reduced the NRZ financing liability, and interest expense, related to the PMC MSR Agreements offsetting the unfavorable fair value adjustment of the underlying MSRs. Runoff of \$33.6 million further reduced interest expense under the PMC MSR Agreements. In the six months ended June 30, 2018, a favorable fair value adjustment reduced the NRZ financing liabilities, and interest expense, related to the 2017 and New RMSR Agreements by \$17.4 million, driven by the initial fair value gain attributable to the \$279.6 million lump-sum cash payment received in connection with the New RMSR Agreements. This compares to a \$2.3 million unfavorable fair value adjustment in the six months ended June 30, 2019 in connection with changes in estimated cash flows. Runoff attributed to the Original Rights to MSRs Agreements and the 2017 and New RMSR Agreements declined by \$34.7 million in the six months ended June 30, 2019 as compared to the six months ended June 30, 2018.

Lending

We originate and purchase conventional and government-insured forward mortgage loans through our forward lending operations. During 2018 and the first half of 2019, our forward lending efforts were principally focused on targeting existing Ocwen customers by offering them competitive mortgage refinance opportunities (i.e., portfolio recapture), 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. During the second quarter of 2019, we executed on our plans to re-enter the forward lending correspondent channel to drive higher loan production.

Under the terms of our agreements with NRZ, to the extent we refinance a loan underlying the MSRs subject to these agreements, we are obligated to transfer such recaptured MSR to NRZ under the terms of a separate subservicing agreement. Effective June 1, 2019, we will no longer perform any portfolio recapture on behalf of NRZ. We expect this change will not have a material negative impact on pre-tax earnings after associated direct cost reductions and factoring in additional marketing opportunities to customers obtained through acquiring MSRs.

We originate and purchase reverse mortgages through our reverse lending operations under the guidelines of the HECM reverse mortgage insurance program of HUD. Loans originated under this program are generally guaranteed by the FHA, which provides investors with protection against risk of borrower default. We retain the servicing rights to reverse loans securitized through the Ginnie Mae HMBS program. We have originated HECM loans under which the borrowers have additional borrowing capacity of \$1.5 billion at June 30, 2019. These draws are funded by the servicer and can be subsequently securitized or sold (Future Value). 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. At June 30, 2019, unrecognized Future Value related to future draw commitments on loans purchased or originated prior to January 1, 2019 is estimated to be \$60.0 million (versus \$68.1 million at December 31, 2018) and will be recognized over time as future draws are securitized or sold. Effective for loans purchased or originated after December 31, 2018, we elected to fair value future draw commitments.

On February 28, 2019, we merged Homeward into PMC with PMC being the surviving entity. All of our forward lending purchase and origination activities are conducted under the PHH brand effective April 1, 2019.

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

| Periods ended June 30, | Three Months | | | Six Months | | |
|-----------------------------------|-----------------|-----------------|--------------|------------------|------------------|--------------|
| | 2019 | 2018 | % Change | 2019 | 2018 | % Change |
| Revenue | | | | | | |
| Gain on loans held for sale, net | | | | | | |
| Forward loans | \$ 5,793 | \$ 5,914 | (2)% | \$ 13,479 | \$ 13,847 | (3)% |
| Reverse loans | 7,559 | 12,890 | (41) | 16,243 | 23,765 | (32) |
| | 13,352 | 18,804 | (29) | 29,722 | 37,612 | (21) |
| Other revenue, net | 15,442 | 198 | n/m | 40,163 | 10,585 | 279 |
| Total revenue | 28,794 | 19,002 | 52 | 69,885 | 48,197 | 45 |
| Expenses | | | | | | |
| Compensation and benefits | 11,501 | 10,225 | 12 | 23,943 | 22,180 | 8 |
| Servicing and origination | 3,996 | 3,650 | 9 | 7,857 | 7,695 | 2 |
| Occupancy and equipment | 1,665 | 1,607 | 4 | 3,521 | 2,412 | 46 |
| Technology and communications | 1,121 | 439 | 155 | 1,802 | 836 | 116 |
| Professional services | 517 | 330 | 57 | 862 | 695 | 24 |
| MSR valuation adjustments, net | 69 | 75 | (8) | 153 | 229 | (33) |
| Corporate overhead allocations | 1,661 | 605 | 175 | 3,346 | 1,619 | 107 |
| Other expenses | 496 | 854 | (42) | 873 | 2,415 | (64) |
| Total expenses | 21,026 | 17,785 | 18 | 42,357 | 38,081 | 11 |
| Other income (expense) | | | | | | |
| Interest income | 1,546 | 1,360 | 14 | 3,095 | 2,852 | 9 |
| Interest expense | (1,399) | (1,472) | (5) | (3,067) | (3,417) | (10) |
| Other, net | 444 | 294 | 51 | 663 | 620 | 7 |
| Total other income, net | 591 | 182 | 225 | 691 | 55 | n/m |
| Income before income taxes | \$ 8,359 | \$ 1,399 | 497 % | \$ 28,219 | \$ 10,171 | 177 % |
| n/m: not meaningful | | | | | | |

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

| | June 30, | | | | | | | | | | |
|--|--------------|-----------|----------|------------|--------|----------|---------|----|---------|--|-------|
| | 2019 | 2018 | | | | | | | | | |
| Short-term loan funding commitments | | | | | | | | | | | |
| Forward loans | \$ | 95,823 | \$ | 85,191 | | 12 % | | | | | |
| Reverse loans | | 22,276 | | 21,227 | | 5 | | | | | |
| Future Value (1) (2) | | 59,953 | | 75,314 | | (20)% | | | | | |
| Future draw commitment (UPB) (3) | | 1,489,374 | | 1,458,689 | | 2 % | | | | | |
| | | | | | | | | | | | |
| Periods ended June 30, | Three Months | | | Six Months | | | | | | | |
| | 2019 | 2018 | % Change | 2019 | 2018 | % Change | | | | | |
| Loan Production by Channel | | | | | | | | | | | |
| Forward loans | | | | | | | | | | | |
| Correspondent | \$ | 3,283 | \$ | — | n/m | \$ | 3,283 | \$ | 408 | | 705 % |
| Wholesale | | — | | — | n/m | | — | | 1,750 | | (100) |
| Retail | | 147,355 | | 216,432 | (32) | | 358,602 | | 430,037 | | (17) |
| | \$ | 150,638 | \$ | 216,432 | (30)% | \$ | 361,885 | \$ | 432,195 | | (16)% |
| | | | | | | | | | | | |
| % HARP production | | —% | | 7% | (100)% | | 1% | | 9% | | (89)% |
| % Purchase production | | 10 | | — | n/m | | 6 | | — | | n/m |
| % Refinance production | | 90 | | 100 | (10) | | 94 | | 100 | | (6) |
| | | | | | | | | | | | |
| Reverse loans | | | | | | | | | | | |
| Correspondent | \$ | 83,180 | \$ | 92,195 | (10)% | \$ | 171,765 | \$ | 184,050 | | (7)% |
| Wholesale | | 44,055 | | 44,620 | (1) | | 86,366 | | 97,672 | | (12) |
| Retail | | 14,898 | | 16,737 | (11) | | 25,295 | | 35,683 | | (29) |
| | \$ | 142,133 | \$ | 153,552 | (7)% | \$ | 283,426 | \$ | 317,405 | | (11)% |
| | | | | | | | | | | | |
| Average Employment | | | | | | | | | | | |
| U.S. | | 407 | | 371 | 10 % | | 451 | | 401 | | 12 % |
| India and other | | 115 | | 123 | (7) | | 123 | | 130 | | (5) |
| Total | | 522 | | 494 | 6 % | | 574 | | 531 | | 8 % |

- (1) Future Value represents the net present value of estimated future cash flows from customer draws of the loans and projected performance assumptions based on historical experience and industry benchmarks discounted at 12% related to HECM loans originated prior to January 1, 2019. We recognize this Future Value over time as future draws are securitized or sold.
- (2) Excludes the fair value of future draw commitments related to HECM loans purchased or originated after December 31, 2018 that we elected to carry at fair value.
- (3) Includes all future draw commitments.

Our Lending segment results for the three and six months ended June 30, 2019, as compared to the same periods of 2018, were primarily driven by the acquisition of PHH and reverse lending HECM program and market changes and the related impacts on loan production, revenue and expenses. According to the HUD HECM Endorsement Summary Report, industry endorsements, or the number of new HECM loans insured by the FHA during the reporting period, totaled 8,144 and 16,368, and 9,542 and 25,356, for the three and six months ended June 30, 2019 and 2018, respectively, representing a decline of 15% and 35% in the 2019 periods as compared to 2018.

Three Months Ended June 30, 2019 versus 2018

Total revenue increased \$9.8 million, or 52%, as compared to the second quarter of 2018, due to a \$14.8 million increase in favorable fair value adjustments on our HECM reverse mortgage loans and the related HMBS financing liability, which is recorded in Other revenue, offset in part by a \$5.3 million decline in reverse lending gain on loans held for sale.

The \$13.7 million favorable fair value adjustments recognized in the second quarter of 2019 include \$2.7 million in connection with the fair value election for future draw commitments on HECM reverse mortgage loans purchased or originated after December 31, 2018 and \$8.0 million related to lower interest rates. Lower interest rates generally result in favorable net fair value impacts on our HECM reverse mortgage loans and the related HMBS financing liability and higher interest rates generally result in unfavorable net fair value impacts.

Gain on loans held for sale, net, declined \$5.5 million, or 29%, as compared to the second quarter of 2018, as total loan production decreased \$77.2 million, or 21%. Reverse lending gain on loans held for sale declined by \$5.3 million, or 41%, due to a 7% decline in loan production, which was lower across all channels, and lower overall margin. Our reverse lending volume decline for the three months ended June 30, 2019 versus the same period in 2018 was less than the decline in industry endorsements for the comparable periods due to our efforts to re-start purchases with former customers and increase wallet share with existing customers in our wholesale, correspondent and closed whole-loan purchase channels. The reduction in margin was largely attributable to lower gain on sales rates, and increased price competition when bidding on wholesale and correspondent loans, as compared to the same period in 2018. The slight decrease in forward lending gain on loans held for sale was due to a 30% decline in loan production offset by higher margins due to lower interest rates and an increase in higher-margin FHA and cash-out refinance loans as a percentage of volume.

Total expenses increased \$3.2 million, or 18%, as compared to the second quarter of 2018, primarily due to expenses attributed to PHH. The majority of expenses are variable, and as a result, as origination volume declines so do the related expenses. Examples include commissions, recorded in Compensation and benefits expense, and advertising expense, recorded in Other expenses. Total average headcount increased 6% as compared to the second quarter of 2018, reflecting the increase due to the acquisition of PHH offset by reductions driven by lower forward and reverse origination volume.

Six Months Ended June 30, 2019 versus 2018

Total revenue increased \$21.7 million, or 45%, as compared to the six months ended June 30, 2018, primarily due to \$29.3 million increase in favorable fair value adjustments on our HECM reverse mortgage loans and the related HMBS financing liability included in Other revenue, offset in part by a \$7.5 million decline in reverse lending gain on loans held for sale.

The \$37.2 million favorable fair value adjustments for the six months ended June 30, 2019 includes \$5.6 million in connection with the fair value election for future draw commitments on HECM reverse mortgage loans purchased or originated after December 31, 2018, \$14.0 million related to lower interest rates and \$11.5 million driven by an update in the first quarter of 2019 of the financing assumption for active HECM reverse mortgage loan repurchases in connection with our HMBS Issuer obligations. As these repurchases have become more prevalent, a more liquid market for financing has developed, resulting in a lower financing cost assumption.

Gain on loans held for sale, net, declined \$7.9 million, or 21%, as compared to the six months ended June 30, 2018, as total loan production decreased \$104.3 million, or 14%. Reverse lending gain on loans held for sale declined by \$7.5 million, or 32%, due to an 11% decline in loan production, which was lower across all channels, and lower overall margin. Our reverse lending volume decline for the six months ended June 30, 2019 versus the same period in 2018 was less than the decline in industry endorsements for the comparable periods for the reasons noted above. The reduction in margin was largely attributable to lower gain on sales rates, and increased price competition when bidding on wholesale and correspondent loans, as compared to the same period in 2018. An insignificant reduction in the forward lending gain on loans held for sale resulted from a 16% decline in loan production offset by higher margins due to lower interest rates and an increase in higher-margin FHA and cash-out refinance loans as a percentage of volume.

Total expenses increased \$4.3 million, or 11%, as compared to the six months ended June 30, 2018, due to expenses attributed to PHH. As noted above, the majority of expenses are variable, and as a result, as origination volume declines so do the related expenses. Total average headcount increased 8% as compared to the six months ended June 30, 2018, reflecting the increase due to the acquisition of PHH offset by reductions driven by lower forward and reverse origination volume.

Corporate Items and Other

Corporate Items and Other includes revenues and expenses of corporate support services, CRL, discontinued operations and 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 and interest expense on corporate debt. Interest expense on direct asset financings are recorded in the respective Servicing and Lending segments, while

interest expense on the SSTL and the Senior Notes is recorded in Corporate Items and Other and is not allocated. Our cash balances are included in Corporate Items and Other.

Corporate support services include finance, facilities, human resources, internal audit, legal, risk and compliance and technology functions. Corporate support services costs, specifically compensation and benefits and professional services expense, have been, and continue to be, significantly impacted by regulatory actions against us and by significant litigation matters. As part of our drive to return to profitability as soon as possible, we will seek to reduce our corporate support services expenses while complying with our legal and regulatory obligations. We anticipate that our ability to return to sustainable profitability will be significantly impacted by the degree to which we can reduce these costs going forward. Corporate Items and Other also includes severance, retention, facility-related and other expenses incurred in the first six months of 2019 related to our re-engineering plan.

CRL, our wholly-owned captive reinsurance subsidiary, provides re-insurance related to coverage on REO properties owned or serviced by us. CRL assumes a quota share of REO insurance coverage written by a third-party insurer under a blanket policy issued to PMC (formerly OLS). The underlying REO policy provides coverage for direct physical loss on commercial and residential properties, subject to certain limitations. Under the terms of the reinsurance agreement, CRL assumes a 40% share of all related losses and loss adjustment expenses incurred by the third-party insurer. The reinsurance agreement excludes properties located in the State of New York and has an expiration date of December 31, 2020, although it may be terminated by either party at any time with thirty days' advance written notice.

Certain expenses incurred by corporate support services are allocated to the Servicing and Lending segments.

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:

| Periods ended June 30, | Three Months | | | Six Months | | |
|--|--------------------|--------------------|------------|--------------------|--------------------|--------------|
| | 2019 | 2018 | % Change | 2019 | 2018 | % Change |
| Revenue | | | | | | |
| Premiums (CRL) | \$ 3,016 | \$ 4,307 | (30)% | \$ 6,427 | \$ 8,911 | (28)% |
| Other revenue | 18 | (237) | (108) | 130 | 125 | 4 |
| Total revenue | 3,034 | 4,070 | (25) | 6,557 | 9,036 | (27) |
| Expenses | | | | | | |
| Compensation and benefits | 29,948 | 25,555 | 17 | 71,799 | 54,498 | 32 |
| Technology and communications | 11,231 | 13,419 | (16) | 25,485 | 24,885 | 2 |
| Professional services | 25,582 | 24,692 | 4 | 17,255 | 44,647 | (61) |
| Occupancy and equipment | 5,166 | 1,482 | 249 | 7,292 | 3,201 | 128 |
| Servicing and origination | 357 | 250 | 43 | 308 | (421) | (173) |
| Other expenses | 3,479 | 2,646 | 31 | 5,780 | 7,761 | (26) |
| Total expenses before corporate overhead allocations | 75,763 | 68,044 | 11 | 127,919 | 134,571 | (5) |
| Corporate overhead allocations | | | | | | |
| Servicing segment | (53,721) | (46,462) | 16 | (111,315) | (96,866) | 15 |
| Lending segment | (1,661) | (605) | 175 | (3,346) | (1,619) | 107 |
| Total expenses | 20,381 | 20,977 | (3) | 13,258 | 36,086 | (63) |
| Other income (expense), net | | | | | | |
| Interest income | 419 | 529 | (21) | 1,135 | 1,309 | (13) |
| Interest expense | (15,981) | (13,356) | 20 | (30,060) | (27,703) | 9 |
| Bargain purchase gain | (96) | — | n/m | (381) | — | n/m |
| Other, net | (681) | (2,156) | (68) | (1,121) | (2,735) | (59) |
| Total other expense, net | (16,339) | (14,983) | 9 | (30,427) | (29,129) | 4 |
| Loss before income taxes | \$ (33,686) | \$ (31,890) | 6 % | \$ (37,128) | \$ (56,179) | (34)% |

n/m: not meaningful

Three Months Ended June 30, 2019 versus 2018

CRL premium revenue decreased \$1.3 million, or 30%, as compared to the second quarter of 2018, as a result of a 27% decline in the average number of foreclosed real estate properties in our servicing portfolio.

Expenses before allocations increased \$7.7 million, or 11%, as compared to the second quarter of 2018 primarily due to increases in Compensation and benefits expense and Occupancy and equipment expense.

Compensation and benefits expense increased \$4.4 million, or 17%, as compared to the second quarter of 2018, primarily due to the PHH acquisition and \$3.5 million of severance and retention costs recognized in connection with our integration-related headcount reductions of primarily U.S. based employees. Partially offsetting the PHH costs and severance and retention costs is the impact of our efforts to re-engineer our cost structure and align headcount in the corporate support service functions with the size of our servicing portfolio and lower loan production in our lending segment. Although average total corporate headcount declined slightly (less than 1%), despite the increase in headcount attributed to the PHH acquisition, average higher-cost U.S. headcount increased to 37% of the total from 30% for the second quarter of 2018.

Technology and communication expense declined \$2.2 million, or 16%, as compared to the second quarter of 2018, as the effects of our cost reduction efforts, which include bringing technology services in-house, more than offset the expenses attributed to PHH.

Occupancy and equipment expense increased \$3.7 million, or 249%, as compared to the second quarter of 2018, primarily due to \$2.8 million of accelerated amortization of ROU assets in connection with our decision to vacate four leased properties prior to the contractual maturity date of the lease agreements.

Other, net declined \$1.5 million, or 68%, as compared to the second quarter of 2018, primarily due to a \$1.8 million decrease in foreign currency remeasurement losses. The higher foreign currency remeasurement losses in 2018 were primarily attributable to depreciation of the India Rupee against the U.S. Dollar. While we do not currently hedge our foreign currency exposure, we do maintain India Rupee denominated investments in higher-yielding term deposits to partially offset our exposure.

Six Months Ended June 30, 2019 versus 2018

CRL premium revenue decreased \$2.5 million, or 28%, as compared to the six months ended June 30, 2018, as a result of a 28% decline in the average number of foreclosed real estate properties in our servicing portfolio.

Expenses before allocations declined \$6.7 million, or 5%, as compared to the six months ended June 30, 2018 primarily due to a decline in Professional services expense offset in part by an increase in Compensation and benefits expense.

Compensation and benefits expense increased \$17.3 million, or 32%, as compared to the six months ended June 30, 2018, due to the PHH acquisition and \$24.2 million of severance and retention costs recognized in connection with our integration-related headcount reductions of primarily U.S. based employees. Partially offsetting the PHH costs and severance and retention costs is the impact of our efforts to re-engineer our cost structure and align headcount in the corporate support service functions with the size of our servicing portfolio and lower loan production in our lending segment. Although average total corporate headcount declined 3%, despite the increase in headcount attributed to the PHH acquisition, average higher-cost U.S. headcount increased to 38% of the total from 30% for the six months ended June 30, 2018.

Professional services expense declined \$27.4 million, or 61%, as compared to the six months ended June 30, 2018, primarily due to the recovery in the first quarter of 2019 of \$30.7 million of amounts previously recognized as expense from a service provider and a \$5.0 million decline in provisions for probable losses in connection with litigation, partially offset by professional services expense incurred by PHH.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We closely monitor our liquidity position and ongoing funding requirements, and we regularly monitor and project cash flow over various time horizons as a way to anticipate and mitigate liquidity risk.

In assessing our liquidity outlook, our primary focus is on five measures:

- Financial projections for ongoing business revenues, costs and net income;
- Anticipated amounts and timing of payments relating to our cost re-engineering plans and integration costs;
- Requirements for maturing liabilities compared to sources of cash;
- The projected change in advances and match funded advances compared to the projected borrowing capacity to fund such advances under our facilities, including capacity for cyclical and monthly peak funding dates; and
- Projected funding requirements of our business, projected future acquisitions of MSR and other investment opportunities.

At June 30, 2019, our unrestricted cash position was \$287.7 million compared to \$329.1 million at December 31, 2018. Historically, we invest cash in excess of our immediate operating needs to fund certain of our most liquid assets and in money market deposit accounts. Our June 30, 2019 cash position was reduced by \$23.5 million used to fund servicing advances compared to \$62.4 million used to fund loans held by our lending business as of December 31, 2018. Our liquidity was bolstered by the upsizing of our SSTL in the amount of \$120.0 million during the first quarter of 2019, which was partially offset by \$99.4 million of cash paid to acquire MSR during the six months ended June 30, 2019.

We regularly evaluate capital structure options that we believe will most effectively provide the necessary capacity to invest in targeted assets, address upcoming debt maturities and accommodate our business needs. For example, on July 1, 2019, we closed a \$300.0 million MSR funding facility and we are currently evaluating other capital structure alternatives in order to optimize access to capital, improve our cost of capital and reduce funding risk. Historical losses have significantly eroded our stockholder's equity and weakened our financial condition. To the extent we are not successful in achieving our objective of returning to profitability, funding continuing losses will limit our opportunities to grow our business.

The available borrowing capacity under our advance financing facilities has increased by \$101.5 million from \$46.7 million at December 31, 2018 to \$148.2 million at June 30, 2019. The \$106.5 million decline in outstanding borrowings primarily drove the net increase in available capacity as our maximum borrowing capacity was reduced by \$5.0 million from December 31, 2018. Our ability to continue to pledge collateral under our advance financing facilities depends on the

performance of the advances, among other factors. At June 30, 2019, \$23.5 million of the available borrowing capacity could be used based on the amount of eligible collateral that had been pledged to our advance financing facilities.

At June 30, 2019, we had maximum borrowing capacity under our warehouse facilities of \$1.1 billion. Of the borrowing capacity extended on a committed basis, \$165.4 million was available at June 30, 2019, and none of the available borrowing capacity could have been used based on the amount of eligible collateral that could be pledged. Uncommitted amounts (\$726.6 million available at June 30, 2019) can be advanced solely at the discretion of the lender, and there can be no assurance that any uncommitted amounts will be available to us at any particular time. At June 30, 2019, none of the uncommitted borrowing capacity could have been used based on the amount of eligible collateral that could be pledged, assuming our lenders were willing to do so.

We are required to maintain certain minimum levels of cash under our debt agreements and portions of our cash balances are held in our non-U.S. subsidiaries. We would have to repatriate the cash held by our non-U.S. subsidiaries, potentially with tax consequences and in compliance with applicable laws, should we wish to utilize that cash in the U.S.

We have considered the impact of financial projections on our liquidity analysis and have evaluated the appropriateness of the key assumptions in our forecast such as revenues, expenses, our assessment of the likely impact of open regulatory and litigation matters, recurring and nonrecurring costs, levels of investment and availability of funding sources. As part of this analysis, we have also assessed the cash requirements to operate our business and our financial obligations coming due. Based upon these evaluations and analysis, we believe that we have sufficient liquidity and access to adequate sources of new capital to meet our obligations and fund our operations for the next twelve months.

Sources of Funds

Our primary sources of funds for near-term liquidity are:

- Collections of servicing 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; and
- Proceeds from sales and securitizations of originated loans and repurchased loans.

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 servicing advance financing strategy. Revolving variable funding notes issued by our advance financing facilities to large global financial institutions have revolving periods of 12 to 18 months. Term notes are generally issued to institutional investors with one-, two- or three-year maturities.

We use mortgage loan warehouse facilities to fund newly-originated loans on a short-term basis until they are sold to secondary market investors, including GSEs or other third-party investors, and to fund repurchases of certain Ginnie Mae forward loans and HECM loans. Warehouse facilities are structured as repurchase or participation agreements under which ownership of the loans is temporarily transferred to the lender. Currently, our master repurchase and participation 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 long-term capital 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 or VA.

Collateral

Our assets held as collateral related to secured borrowings, committed under sale or other contractual obligations and which may be subject to a secured lien under the SSTL are as follows at June 30, 2019:

| | Total Assets | Collateral for Secured Borrowings | Sale Commitments | Other Commitments (1) | Other (2) |
|-----------------------------|---------------------|-----------------------------------|------------------|-----------------------|---------------------|
| Cash | \$ 287,724 | \$ — | \$ — | \$ — | \$ 287,724 |
| Restricted cash | 60,708 | 19,588 | — | 41,120 | — |
| MSRs | 1,312,633 | 824,442 | — | — | 488,191 |
| Advances, net | 229,167 | — | 30,757 | — | 198,410 |
| Match funded assets | 875,332 | 875,332 | — | — | — |
| Loans held for sale | 196,071 | 151,878 | — | — | 44,193 |
| Loans held for investments | 5,897,731 | 5,856,734 | — | — | 40,997 |
| Receivables, net | 187,985 | 35,903 | — | — | 152,082 |
| Premises and equipment, net | 57,598 | — | — | — | 57,598 |
| Other assets | 522,844 | 4,000 | — | 473,412 | 45,432 |
| Total assets | \$ 9,627,793 | \$ 7,767,877 | \$ 30,757 | \$ 514,532 | \$ 1,314,627 |

- (1) Other Commitments includes Restricted cash and deposits held as collateral to support certain contractual obligations, and Contingent loan repurchase assets related to the Ginnie Mae EBO program for which a corresponding liability is recognized in Other liabilities.
- (2) The borrowings under the SSTL are secured by a first priority security interest in substantially all of the assets of Ocwen, PHH, PMC and the other guarantors thereunder, excluding among other things, 35% of the voting capital stock of foreign subsidiaries, securitization assets and equity interests of securitization entities, assets securing permitted funding indebtedness and non-recourse indebtedness, REO assets, Agency MSRs with respect to which an acknowledgment agreement acknowledging such security interest has not been obtained, as well as other customary carve-outs (collectively, the Collateral). The Collateral is subject to certain permitted liens set forth under the SSTL and related security agreement. The Senior Secured Notes are guaranteed by Ocwen and the other guarantors that guarantee the SSTL, and the borrowings under the Senior Secured Notes are secured by a second priority security interest in the Collateral. Security interests securing borrowings under the SSTL and Senior Secured Notes may include amounts presented in Other as well as certain assets presented in Collateral for Secured Borrowings and Sale Commitments, subject to permitted liens as defined in the applicable debt documents. The amounts presented here may differ in their calculation and are not intended to represent amounts that may be used in connection with covenants under the applicable debt documents.

Use of Funds

Our primary uses of funds are:

- Payment of operating costs;
- Payments relating to our cost re-engineering plans and integration costs;
- Payments for advances in excess of collections;
- Investing in our servicing and lending businesses, including MSR and other asset acquisitions;
- Funding of originated and repurchased loans;
- Repayments of borrowings, including under our advance financing facilities and warehouse facilities, and payment of interest expense; and
- Working capital and other general corporate purposes.

Under the terms of our SSTL facility agreement, subject to certain exceptions, we are required to prepay the SSTL with 100% of the net cash proceeds from certain permitted asset sales, subject to our ability to reinvest such proceeds in our business within 270 days of receipt.

Outlook

Regarding the current maturities of our borrowings, as of June 30, 2019, we have approximately \$827.7 million of debt outstanding that will either come due, begin amortizing or require partial repayment in the next 12 months. This amount is comprised of \$25.4 million in contractual repayments of our SSTL, \$97.5 million of PHH's 7.375% Senior Notes due in September 2019, \$182.9 million of borrowings under warehouse facilities, and \$521.8 million of variable funding and term notes under advance financing facilities that will enter their respective amortization periods.

We believe that we will be able to renew, replace or extend our debt agreements to the extent necessary to finance our business before or as they become due, consistent with our historical experience.

We are actively engaged with our lenders and as a result, have successfully completed the following with respect to our current and anticipated financing needs:

- On January 23, 2019, we renewed a mortgage loan warehouse agreement through January 22, 2020. Under this agreement, the lender provides uncommitted financing for up to \$50.0 million for reverse mortgage loan originations.
- On February 4, 2019, we entered into a mortgage loan warehouse agreement under which the lender will provide \$300.0 million of borrowing capacity on an uncommitted basis for forward mortgage loan originations.
- On March 18, 2019, we amended the SSTL to provide an additional term loan of \$120.0 million subject to the same maturity, interest rate and other material terms of existing borrowings under the SSTL. The required quarterly principal payment was increased from \$4.2 million to \$6.4 million beginning March 31, 2019.
- On June 6, 2019, we renewed our OFAF advance financing facility through June 5, 2020 and reduced the borrowing capacity from \$65.0 million to \$60.0 million.
- On July 1, 2019, we entered into a committed financing facility that is secured by certain Fannie Mae and Freddie Mac MSR. In the future, borrowings under this facility may also be secured by Ginnie Mae MSR. The maximum amount which we may borrow is \$300.0 million. This facility will terminate in June 2020 unless the parties mutually agree to renew or extend. As of July 2, 2019, we had borrowed \$144.3 million under this facility to fund MSR acquired during the first and second quarters of 2019 as well as other owned MSR.

Our liquidity forecast requires management to use judgment and estimates and includes factors that may be beyond our control. Additionally, our business has been undergoing substantial change, which has magnified the uncertainties that are inherent in the forecasting process. Our actual results could differ materially from our estimates. If we were to default under any of our debt agreements, it could become very difficult for us to renew, replace or extend some or all of our debt agreements. Challenges to our liquidity position could have a material adverse effect on our operating results and financial condition and could cause us to take actions that would be outside the normal course of our operations to generate additional liquidity.

Covenants

Our debt agreements contain various qualitative and quantitative covenants including financial covenants, covenants to operate in material compliance with applicable laws, monitoring and reporting obligations and restrictions on our ability to engage in various activities, including but not limited to incurring additional debt, paying dividends, repurchasing or redeeming capital stock, transferring assets or making loans, investments or acquisitions. Because of the covenants to which we are subject, we may be limited in the manner in which we conduct our business and may be limited in 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.

Covenants and default provisions of this type are commonly found in debt agreements such as ours. Certain of these covenants and default provisions are open to subjective interpretation and, if our interpretation were contested by a lender, a court may ultimately be required to determine compliance or lack thereof. 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 qualitative and quantitative covenants in our debt agreements as of the date this Quarterly Report on Form 10-Q is filed with the SEC.

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 the current ratings and outlook for Ocwen by the respective nationally recognized rating agencies. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

| Rating Agency | Long-term Corporate Rating | Review Status / Outlook | Date of last action |
|---------------|----------------------------|-------------------------|---------------------|
| Moody's | Caa1 | Stable | December 11, 2018 |
| S&P | B- | Negative | June 18, 2018 |

As of June 30, 2019, the S&P long-term corporate rating was "B-". On December 11, 2018, Moody's affirmed the corporate family rating of "Caa1". It is possible that additional actions by credit rating agencies could have a material adverse

impact on our liquidity and funding position, including materially changing the terms on which we may be able to borrow money.

Cash Flows

Our operating cash flow is primarily impacted by operating results, changes in our servicing advance balances, the level of mortgage loan production and the timing of sales and securitizations of mortgage loans. We classify proceeds from the sale of servicing advances, including advances sold in connection with the sale of MSR, as investing activity. We classify changes in HECM loans held for investment as investing activity and changes in the related HMBS secured financing as financing activity.

Our NRZ agreements have a significant impact on our consolidated statements of cash flows. Because the lump-sum payments we received in connection with our 2017 and New RMSR Agreements are recorded as secured financings, additions to, and reductions in, the balance of those secured financings are recognized as financing activity in our consolidated statements of cash flows. Excluding the impact of changes to the secured financings attributed to changes in fair value, changes in the balance of these secured financings are reflected in cash flows from operating activities despite having no impact on our consolidated cash balance. Net cash provided by operating activities for the six months ended June 30, 2019 and 2018 includes \$49.4 million and \$69.7 million, respectively, of such cash flows and they were offset by corresponding amounts in net cash used in financing activities in the same periods.

Cash flows for the six months ended June 30, 2019

Our operating activities provided \$128.8 million of cash largely due to \$91.7 million of net collections of servicing advances. In addition, net cash received on loans held for sale was \$12.0 million for the six months ended June 30, 2019.

Our investing activities used \$287.8 million of cash. The primary uses of cash in our investing activities include net cash outflows in connection with our HECM reverse mortgages of \$194.5 million. Cash outflows also include \$99.4 million to purchase MSR.

Our financing activities provided \$110.4 million of cash. Cash inflows include \$425.1 million received in connection with our reverse mortgage securitizations, which are accounted for as secured financings, less repayments on the related financing liability of \$228.0 million. We increased borrowings under the SSTL through the issuance of an additional term loan of \$120.0 million (before a discount of \$0.9 million), less repayments of \$12.7 million. In addition, we increased borrowings under our mortgage loan warehouse facilities by \$27.2 million. Cash outflows include \$106.5 million of net repayments on match funded liabilities as a result of advance recoveries and \$103.4 million of net payments on the financing liabilities related to MSR pledged.

Cash flows for the six months ended June 30, 2018

Our operating activities provided \$196.6 million of cash largely due to \$182.5 million of net collections of servicing advances. Net cash paid on loans held for sale during the six months ended June 30, 2018 was \$37.6 million.

Our investing activities used \$266.2 million of cash. The primary uses of cash in our investing activities include net cash outflows in connection with our HECM reverse mortgages of \$301.3 million. Cash inflows include net proceeds of \$32.9 million in connection with the automotive capital services business and the receipt of \$5.0 million of net proceeds from the sale of MSR and related advances.

Our financing activities provided \$23.2 million of cash. Cash inflows include \$499.6 million received in connection with our reverse mortgage securitizations, less repayments on the related financing liability of \$181.5 million. In January 2018, Ocwen received a lump-sum payment of \$279.6 million in accordance with the terms of the New RMSR Agreements. Cash outflows include \$247.9 million of net repayments on match funded liabilities as a result of advance recoveries, \$104.5 million of net payments on the financing liabilities related to MSR pledged and \$58.4 million of repayments on the SSTL. In addition, we reduced borrowings under our mortgage loan warehouse facilities by \$149.2 million.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

Contractual Obligations

We believe that we have adequate resources to fund all unfunded commitments to the extent required and meet all contractual obligations as they come due. At June 30, 2019, such contractual obligations were primarily comprised of secured and unsecured borrowings, interest payments, leases and commitments to originate or purchase loans, including equity draws on reverse mortgages. There were no material changes to the table of specified contractual obligations contained in our Annual Report on Form 10-K during the six months ended June 30, 2019, other than changes related to our secured borrowings. We renewed our OFAF advance financing facility through June 5, 2020 and reduced the borrowing capacity from \$65.0 million to \$60.0 million, renewed an existing \$50.0 million mortgage loan warehouse facility through January 22, 2020, entered into a new \$300.0 million mortgage loan warehouse facility and amended the SSTL to provide an additional term loan of \$120.0

million subject to the same maturity and interest rate terms of existing borrowings under the SSTL. See Note 13 – Borrowings to the Unaudited Consolidated Financial Statements for additional information.

Our forecasting with respect to our ability to satisfy our contractual obligations requires management to use judgment and estimates and includes factors that may be beyond our control. Additionally, our business has been undergoing substantial change, which has magnified the uncertainties that are inherent in the forecasting process. Our actual results could differ materially from our estimates, and if this were to occur, it could have a material adverse effect on our business, financial condition, liquidity and results of operations.

Off-Balance Sheet Arrangements

In the normal course of business, we engage in transactions with a variety of financial institutions and other companies that are not reflected on our balance sheet. We are subject to potential financial loss if the counterparties to our off-balance sheet transactions are unable to complete an agreed upon transaction. We manage counterparty credit risk by entering into financial instrument transactions through national exchanges, primary dealers or approved counterparties and through the use of mutual margining agreements whenever possible to limit potential exposure. We regularly evaluate the financial position and creditworthiness of our counterparties. Our off-balance sheet arrangements include mortgage loan repurchase and indemnification obligations, unconsolidated SPEs (a type of VIE) and notional amounts of our derivatives.

Mortgage Loan Repurchase and Indemnification Liabilities. We have exposure to representation, warranty and indemnification obligations in our capacity as a loan originator and servicer. We recognize the fair value of representation and warranty obligations in connection with originations upon sale of the loan or upon completion of an acquisition. Thereafter, the estimation of the liability considers probable future obligations based on industry data of loans of similar type segregated by year of origination and estimated loss severity based on current loss rates for similar loans. Our historical loss severity considers the historical loss experience that we incur upon sale or liquidation of a repurchased loan as well as current market conditions. See Note 4 – Securitizations and Variable Interest Entities, Note 14 – Other Liabilities and Note 21 – Contingencies to the Unaudited Consolidated Financial Statements for additional information.

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 the related HECM is equal to or greater than 98% of the maximum claim amount (MCA repurchases). Active repurchased loans are assigned to HUD and payment is received from HUD, typically within 60 days of repurchase. 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 amount of the outstanding principal balance on a loan exceeds the maximum claim amount. Inactive repurchased loans (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, with a claim filed with HUD for recoverable remaining principal and advance balances. See Note 20 — Commitments to the Unaudited Consolidated Financial Statements for additional information.

Involvement with VIEs. We use SPEs and VIEs for a variety of purposes but principally in the financing of our servicing advances and in the securitization of mortgage loans. We include VIEs in our consolidated financial statements if we determine we are the primary beneficiary. See Note 4 – Securitizations and Variable Interest Entities to the Unaudited Consolidated Financial Statements for additional information.

We generally use match funded securitization facilities to finance our servicing advances. The SPEs to which the receivables for servicing advances are transferred in the securitization transaction are included in our consolidated financial statements either because we have the majority equity interest in the SPE or because we are the primary beneficiary where the SPE is a VIE. Holders of the debt issued by the SPEs have recourse only to the assets of the SPEs for satisfaction of the debt.

Derivatives. We record all derivatives at fair value on our consolidated balance sheets. We use these derivatives primarily to manage our interest rate risk. The notional amounts of our derivative contracts do not reflect our exposure to credit loss. See Note 15 – Derivative Financial Instruments and Hedging Activities to the Unaudited Consolidated Financial Statements for additional information.

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 significant accounting policies and critical accounting estimates are disclosed in our Annual Report on

Fair Value Measurements

We use fair value measurements to record fair value adjustments to certain instruments and to determine fair value disclosures. Refer to Note 5 – Fair Value to the Unaudited Consolidated Financial Statements for the fair value hierarchy, descriptions of valuation methodologies used to measure significant assets and liabilities at fair value and details of the valuation models, key inputs to those models, and significant assumptions utilized. We follow the fair value hierarchy to prioritize the inputs utilized to measure fair value. We review and modify, as necessary, our fair value hierarchy classifications on a quarterly basis. As such, there may be reclassifications between hierarchy levels.

The following table summarizes assets and liabilities measured at fair value on a recurring and nonrecurring basis and the amounts measured using Level 3 inputs:

| | June 30, 2019 | December 31, 2018 |
|---|---------------------|---------------------|
| Loans held for sale | \$ 196,071 | \$ 242,622 |
| Loans held for investment - Reverse mortgages | 5,872,407 | 5,472,199 |
| Loans held for investment - Restricted for securitization investors | 25,324 | 26,520 |
| MSRs | 1,312,633 | 1,457,149 |
| Derivative assets | 4,223 | 4,552 |
| Mortgage-backed securities | 2,014 | 1,502 |
| U.S. Treasury notes and corporate bonds | 1,523 | 1,514 |
| Assets at fair value | <u>\$ 7,414,195</u> | <u>\$ 7,206,058</u> |
| As a percentage of total assets | 77% | 77% |
| Financing liabilities | | |
| HMBS-related borrowings | 5,745,383 | 5,380,448 |
| Financing liability - MSRs pledged | 844,913 | 1,032,856 |
| Financing liability - Owed to securitization investors | 23,697 | 24,815 |
| | <u>6,613,993</u> | <u>6,438,119</u> |
| Derivative liabilities | 3,934 | 4,986 |
| Liabilities at fair value | <u>\$ 6,617,927</u> | <u>\$ 6,443,105</u> |
| As a percentage of total liabilities | 72% | 73% |
| Assets at fair value using Level 3 inputs | <u>\$ 7,272,805</u> | <u>\$ 7,024,145</u> |
| As a percentage of assets at fair value | 98% | 97% |
| Liabilities at fair value using Level 3 inputs | <u>\$ 6,613,993</u> | <u>\$ 6,438,119</u> |
| As a percentage of liabilities at fair value | 100% | 100% |

Assets at fair value using Level 3 inputs increased during the six months ended June 30, 2019 primarily due to reverse mortgage originations. Liabilities at fair value using Level 3 inputs increased primarily in connection with reverse mortgage securitizations, which we account for as secured financings. Our net economic exposure to Loans held for investment - Reverse mortgages and the related Financing liabilities (HMBS-related borrowings) is limited to the residual value we retain. Changes in inputs used to value the loans held for investment are largely offset by changes in the value of the related secured financing.

We have various internal controls in place to ensure the appropriateness of fair value measurements. Significant fair value measures are subject to analysis and management review and approval. Additionally, we utilize a number of operational controls to ensure the results are reasonable, including comparison, or “back testing,” of model results against actual performance and monitoring the market for recent trades, including our own price discovery in connection with potential and completed sales, and other market information that can be used to benchmark inputs or outputs. Considerable judgment is used in forming conclusions about Level 3 inputs such as interest rate movements, prepayment speeds, delinquencies, credit losses and discount rates. Changes to these inputs could have a significant effect on fair value measurements.

Valuation of MSRs

MSRs are assets that represent the right to service a portfolio of mortgage loans. We originate MSRs from our lending activities and obtain MSRs through asset acquisitions or business combinations. For initial measurement, acquired and

originated MSR are initially measured at fair value. Subsequent to acquisition or origination, we elect to account for MSR using either the amortization method or the fair value measurement method. Effective January 1, 2018, we elected fair value accounting for our MSR previously accounted for using the amortization method, which included Agency MSR and government-insured MSR. Effective with this election, our entire portfolio of MSR is accounted for using the fair value measurement method. This irrevocable election applies to all subsequently acquired or originated servicing assets and liabilities that have characteristics consistent with each of these classes.

The determination of the fair value of MSR requires management judgment due to the number of assumptions that underlie the valuation. We estimate the fair value of our MSR using a process based upon the use of independent third-party valuation experts and supported by commercially available discounted cash flow models and analysis of current market data. The key assumptions used in the valuation of these MSR include prepayment speeds, loan delinquency, cost to service and discount rates.

The following table provides the range of key assumptions and weighted average (expressed as a percentage of UPB) by class projected for the five-year period beginning June 30, 2019:

| | Conventional | Government-Insured | Non-Agency |
|-------------------------|---------------------|---------------------------|-------------------|
| Prepayment speed | | | |
| Range | 8.5% to 17.6% | 10.9% to 20.9% | 12.6% to 21.0% |
| Weighted average | 12.7% | 16.3% | 15.6% |
| Delinquency | | | |
| Range | 3.6% to 4.1% | 14.6% to 16.4% | 23.5% to 30.4% |
| Weighted average | 3.8% | 15.5% | 27.5% |
| Cost to service | | | |
| Range | \$77 to \$78 | \$129 to \$136 | \$199 to \$302 |
| Weighted average | \$77 | \$132 | \$288 |
| Discount rate | 9.1% | 10.2% | 12.6% |

Changes in these assumptions are generally expected to affect our results of operations as follows:

- Increases in prepayment speeds generally reduce the value of our MSR as the underlying loans prepay faster which causes accelerated MSR amortization, higher compensating interest payments and lower overall servicing fees, partially offset by a lower overall cost of servicing, increased float earnings on higher float balances and lower interest expense on lower servicing advance balances.
- Increases in delinquencies generally reduce the value of our MSR as the cost of servicing increases during the delinquency period, and the amounts of servicing advances and related interest expense also increase.
- Increases in the discount rate reduce the value of our MSR due to the lower overall net present value of the net cash flows.
- Increases in interest rate assumptions will increase interest expense for financing servicing advances although this effect is partially offset because rate increases will also increase the amount of float earnings that we recognize.

Allowance for Losses on Servicing Advances and Receivables

We record an allowance for losses on servicing advances through a charge to earnings to the extent that we believe that a portion of advances are uncollectible under the provisions of each servicing contract taking into consideration, among other factors, our historical collection rates, probability of cure or modification, length of delinquency and the amount of the advance. We continually assess collectability using proprietary cash flow projection models that incorporate a number of different factors, depending on the characteristics of the mortgage loan or pool, including, for example, the probable loan liquidation path, estimated time to a foreclosure sale, estimated costs of foreclosure action, estimated future property tax payments and the estimated value of the underlying property net of estimated carrying costs, commissions and closing costs. At June 30, 2019, the allowance for losses on servicing advances was \$27.7 million, which represents 2% of the total balance of servicing advances and match funded advances, combined.

We record an allowance for losses on receivables in our Servicing business related to defaulted FHA or VA insured loans repurchased from Ginnie Mae guaranteed securitizations (government-insured loan claims). This allowance represents management's estimate of incurred losses and is maintained at a level that management considers adequate based upon continuing assessments of collectability, current trends, and historical loss experience. At June 30, 2019, the allowance for losses on receivables related to government-insured claims was \$50.5 million, which represents 49% of the total balance of government-insured claims receivables.

Determining an allowance for losses involves degrees of judgment and assumptions that, given similar information at any given point, may result in a different but reasonable estimate.

Income Taxes

In December 2017, the Securities and Exchange Commission Staff issued Staff Accounting Bulletin (SAB) 118 (as further clarified by FASB ASU 2018-05, Income Taxes (Topic 740): “Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118”), which provides guidance on accounting for the income tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date of December 22, 2017 for companies to complete the accounting under ASC 740, *Income Taxes*. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Tax Act for which the accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements and should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Tax Act. We adopted the guidance of SAB 118 as of December 31, 2017. We finalized our provisional amounts under SAB 118 in the fourth quarter of 2018.

We record a tax provision for the anticipated tax consequences of the reported results of operations. We compute the provision for income taxes using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. We measure deferred tax assets and liabilities using the currently enacted tax rates in each jurisdiction that applies to taxable income in effect for the years in which those tax assets are expected to be realized or settled. We record a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized.

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 gave 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.

For the three-year periods ended December 31, 2018 and 2017, the USVI filing jurisdiction was in a material cumulative loss position. The U.S. jurisdiction was also in a three-year cumulative loss position as of December 31, 2018 and 2017. We recognize that cumulative losses in recent years is an objective form of negative evidence in assessing the need for a valuation allowance and that such negative evidence is difficult to overcome. Other factors considered in these evaluations are estimates of future taxable income, future reversals of temporary differences, tax character and the impact of tax planning strategies that may be implemented, if warranted.

As a result of these evaluations, we recognized a full valuation allowance of \$46.3 million and \$62.9 million on our U.S. deferred tax assets at December 31, 2018 and 2017, respectively, and a full valuation allowance of \$21.3 million and \$43.9 million on our USVI deferred tax assets at December 31, 2018 and 2017, respectively. The U.S. and USVI jurisdictional deferred tax assets are not considered to be more likely than not realizable based on all available positive and negative evidence. We intend to continue maintaining a full valuation allowance on our deferred tax assets in both the U.S. and USVI until there is sufficient evidence to support the reversal of all or some portion of these allowances. Release of the valuation allowance would result in the recognition of certain deferred tax assets and a decrease to income tax expense for the period in which the release is recorded. However, the exact timing and amount of the valuation allowance release are subject to change based on the profitability that we achieve.

We recognize tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

NOL carryforwards may be subject to annual limitations under Internal Revenue Code Section 382 (Section 382) (or comparable provisions of foreign or state law) in the event that certain changes in ownership were to occur. In addition, tax credit carryforwards may be subject to annual limitations under Internal Revenue Code Section 383 (Section 383). We periodically evaluate our NOL and tax credit carryforwards and whether certain changes in ownership have occurred as measured under Section 382 that would limit our ability to utilize a portion of our NOL and tax credit carryforwards. If it is determined that an ownership change(s) has occurred, there may be annual limitations on the use of these NOL and tax credit carryforwards under Sections 382 and 383 (or comparable provisions of foreign or state law).

We have evaluated whether we experienced an ownership change as measured under Section 382, and during 2018 we determined that an ownership change did occur in January 2015 and in December 2017 in the U.S. jurisdiction, which also results in an ownership change under Section 382 in the USVI jurisdiction. This determination was made based on information available as of the date of our Form 10-K filing for the fiscal year ended December 31, 2018. Due to the Section 382 and 383

limitations and the maximum carryforward period for our NOLs and tax credits, we will be unable to fully recognize certain deferred tax assets. Accordingly, as of December 31, 2018, we had reduced our gross deferred tax asset related to our NOLs by \$160.9 million, our foreign tax credit deferred tax asset by \$29.5 million and corresponding valuation allowance by \$55.7 million. The realization of all or a portion of our deferred income tax assets (including NOLs and tax credits) is dependent upon the generation of future taxable income during the statutory carryforward periods. In addition, the limitation on the utilization of our NOL and tax credit carryforwards could result in Ocwen incurring a current tax liability in future tax years. Our inability to utilize our pre-ownership change NOL carryforwards, any future recognized built-in losses or deductions, and tax credit carryforwards could have an adverse effect on our financial condition, results of operations and cash flows.

As part of our Section 382 evaluation and consistent with the rules provided within Section 382, Ocwen relies strictly on the existence or absence, as well as the information contained in certain publicly available documents (e.g., Schedule 13D, Schedule 13G or other documents filed with the SEC) to identify shareholders that own a 5-percent or greater interest in Ocwen stock throughout the period tested. Further, Ocwen relies on such public filings to identify dates in which such 5-percent shareholders acquired, disposed, or otherwise transacted in Ocwen common stock. As the requirement for filing such notices of ownership from the SEC is to report beneficial ownership, as opposed to actual economic ownership of the stock of Ocwen, certain SEC filings may not represent ownership in Ocwen stock that should be considered in determining whether Ocwen experienced an ownership change under the Section 382 rules. Notwithstanding the preceding sentences (regarding Ocwen's ability to rely on the existence and absence of information in publicly filed Schedules 13D and 13G), the rules prescribed in Section 382 and the regulations thereunder provide that Ocwen may (but is not required to) seek additional clarification from shareholders filing such Schedules 13D and 13G if there are questions or uncertainty regarding the true economic ownership of shares reported in such filing (whether due to ambiguity in the filing, an overly complex ownership structure, the type of instruments owned and reported in the filings, etc.) (often referred to "actual knowledge" questionnaires). Such information can be sought on a filer by filer basis (i.e., there is no requirement that if actual knowledge is sought with respect to one shareholder, actual knowledge must be sought with respect to all shareholders that filed schedules 13D or 13G). While the seeking of actual knowledge can be beneficial in some instances it may be detrimental in others. Once such actual knowledge is received, Section 382 requires the inclusion of such actual knowledge, even if such inclusion is detrimental to the conclusion reached.

Ocwen has performed its analysis of the rules under Section 382 and, based on all currently available information, identified it experienced an ownership change for Section 382 purposes in January 2015 and December 2017. Prior to 2018, Ocwen was aware of shareholder activity in 2015 and 2017 that may have caused a Section 382 ownership change(s), but determined that additional information could potentially be obtained from certain shareholders that would indicate a Section 382 ownership change had not occurred. In completing this analysis, Ocwen identified several shareholders that filed a schedule 13G during the period disclosing a greater than 5-percent interest in Ocwen stock where beneficial versus economic ownership of the stock was unclear, and Ocwen therefore requested further details. As of the date of this Form 10-Q, Ocwen has not received all requested responses from selected shareholders, and will continue to consider such shareholders as economic owners of Ocwen's stock until actual knowledge is otherwise received.

Ocwen is continuing to monitor the ownership in its stock to evaluate information that will become available later in 2019 and that may result in a different outcome for Section 382 purposes and our future cash tax obligations. As part of this monitoring, Ocwen periodically evaluates whether it is appropriate and beneficial to retroactively seek actual knowledge on certain previously identified and included 5-percent shareholders, whereby, depending on the responses received, Ocwen may conclude that either the January 2015 or December 2017 Section 382 ownership changes may have instead occurred on a different date, or did not occur at all. As such, our analysis regarding the amount of tax attributes that may be available to offset taxable income in the future without restrictions imposed by Section 382 may continue to evolve.

Indemnification Obligations

We have exposure to representation, warranty and indemnification obligations because of our lending, sales and securitization activities, our acquisitions to the extent we assume one or more of these obligations, and in connection with our servicing practices. We initially recognize these obligations at fair value. Thereafter, the estimation of the liability considers probable future obligations based on industry data of loans of similar type segregated by year of origination, to the extent applicable, and estimated loss severity based on current loss rates for similar loans, our historical rescission rates and the current pipeline of unresolved demands. Our historical loss severity considers the historical loss experience that we incur upon sale or liquidation of a repurchased loan as well as current market conditions. We monitor the adequacy of the overall liability and make adjustments, as necessary, after consideration of other qualitative factors including ongoing dialogue and experience with our counterparties.

Litigation

We monitor our litigation matters, including advice from external legal counsel, and regularly perform assessments of these matters for potential loss accrual and disclosure. We establish liabilities for settlements, judgments on appeal and filed

and/or threatened claims for which we believe it is probable that a loss has been or will be incurred and the amount can be reasonably estimated.

Going Concern

In accordance with ASC 205-40, *Presentation of Financial Statements - Going Concern*, we evaluate whether there are conditions that are known or reasonably knowable that raise substantial doubt about our ability to continue as a going concern within one year after the date that our financial statements are issued. We perform a detailed review and analysis of relevant quantitative and qualitative information from across our organization in connection with this evaluation. To support this effort, senior management from key business units reviews and assesses the following information:

- our current financial condition, including liquidity sources at the date that the financial statements are issued (e.g., available liquid funds and available access to credit, including covenant compliance);
- our conditional and unconditional obligations due or anticipated within one year after the date that the financial statements are issued (regardless of whether those obligations are recognized in our financial statements);
- funds necessary to maintain operations considering our current financial condition, obligations and other expected cash flows within one year after the date that the financial statements are issued (i.e., financial forecasting); and
- other conditions and events, when considered in conjunction with the above items, that may adversely affect our ability to meet obligations within one year after the date that the financial statements are issued (e.g., negative financial trends, indications of possible financial difficulties, internal matters such as a need to significantly revise operations and external matters such as adverse regulatory/legal proceedings or rating agency decisions).

If such conditions exist, management evaluates its plans that when implemented would mitigate the condition(s) and alleviate the substantial doubt about our ability to continue as a going concern. Such plans are considered only if information available as of the date that the financial statements are issued indicates both of the following are true:

- it is probable management's plans will be implemented within the evaluation period; and
- it is probable management's plans, when implemented individually or in the aggregate, will mitigate the condition(s) that raise substantial doubt about our ability to continue as a going concern in the evaluation period.

Our evaluation of whether it is probable that management's plans will be effectively implemented within the evaluation period is based on the feasibility of implementation of management's plans in light of our specific facts and circumstances.

Our evaluation of whether it is probable that our plans, individually or in the aggregate, will be implemented in the evaluation period involves a degree of judgment, including about matters that are, to different degrees, uncertain.

RECENT ACCOUNTING DEVELOPMENTS

Recent Accounting Pronouncements

We adopted the new leasing guidance (ASU 2016-02, ASU 2018-10, ASU 2018-11 and ASU 2019-01) on January 1, 2019 by applying the guidance at the adoption date with a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The transition adjustment resulted in an adjustment to the opening balance of retained earnings of \$16 thousand and we increased both our total assets and total liabilities by \$66.2 million, representing the gross recognition of the right-of-use assets and lease liabilities. See Note 1 – Organization, Business Environment and Basis of Presentation to the Unaudited Consolidated Financial Statements for additional information.

Our adoption of the standards listed below on January 1, 2019 did not have a material impact on our unaudited consolidated financial statements.

- ASU 2017-08: Receivables: Nonrefundable Fees and Other Costs
- ASU 2018-02: Income Statement - Reporting Comprehensive Income: Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income
- ASU 2018-09: Codification Improvements

We are also evaluating the impact of recently issued ASUs not yet adopted that are not effective for us until on or after January 1, 2020.

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

Interest Rates

Our principal market exposure is to interest rate risk due to the impact on our mortgage-related assets and commitments, including MSRs, loans held for sale, loans held for investment and IRLCs. Changes in interest rates could materially and adversely affect our volume of mortgage loan originations or reduce the value of our MSRs. We also have exposure to the effects of changes in interest rates on our borrowings, including advance financing facilities.

Interest rate risk is a function of (i) the timing of re-pricing and (ii) the dollar amount of assets and liabilities that re-price at various times. We are exposed to interest rate risk to the extent that our interest rate sensitive liabilities mature or re-price at different speeds, or on different bases, than interest-earning assets.

Our management-level Market Risk Committee establishes and maintains policies that govern our hedging program, including such factors as our target hedge ratio, 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. See Note 15 – Derivative Financial Instruments and Hedging Activities to the Unaudited Consolidated Financial Statements for additional information regarding our use of derivatives.

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.

MSRs and MSR Financing Liabilities

Effective January 1, 2018, we elected fair value accounting for our MSRs previously accounted for using the amortization method, which included Agency MSRs and government-insured MSRs. Effective with this election, our entire portfolio of MSRs is accounted for using the fair measurement method. MSRs are subject to interest rate risk as the mortgage loans underlying the MSRs permit borrowers to prepay their loans. The fair value of MSRs generally decreases in periods where interest rates are declining, as prepayments increase, and generally increases in periods where interest rates are increasing, as prepayments decrease.

While the majority of our non-Agency MSRs have been sold to NRZ, these transactions did not qualify as sales and are accounted for as secured financings. We have elected fair value accounting for these MSR financing liabilities. Through these transactions, the majority of the risks and rewards of ownership of the MSRs transferred to NRZ, including interest rate risk. Changes in the fair value of the MSRs sold to NRZ are offset by a corresponding change in the fair value of the MSR financing liabilities, which are recognized as a component of interest expense in our unaudited consolidated statements of operations.

Loans Held for Sale, Loans Held for Investment and IRLCs

In our lending business, newly-originated forward mortgage loans held for sale and newly originated reverse mortgage loans held for investment that we have elected to carry at fair value and IRLCs are subject to the effects of changes in mortgage interest rates from the date of the commitment through the sale of the loan into the secondary market. IRLCs represent an agreement to purchase loans from a third-party originator or an agreement to extend credit to a mortgage loan applicant, whereby the interest rate on the loan is set prior to funding. We are exposed to interest rate risk and related price risk during the period from the date of the lock commitment through (i) the lock commitment cancellation or expiration date or (ii) through the date of sale of the resulting loan into the secondary mortgage market. Loan commitments for forward loans range from 5 to 90 days, but the majority of our commitments are for 60 days. Our holding period for forward mortgage loans from funding to sale is typically less than 30 days. Loan commitments for reverse mortgage loans range from 10 to 30 days. The majority of our reverse loans are variable rate loan commitments. Our interest rate exposure is hedged with freestanding derivatives, including forward sales of agency “to be announced” securities (TBAs) and forward mortgage-backed securities (Forward MBS).

Loans Held for Investment and HMBS-related Borrowings

In our reverse mortgage business, the fair value of our HECM loan portfolio, which is held for investment, decreases as market rates rise and increases as market rates fall. The primary contributors to the portfolio earnings are estimated securitization gains on future interest and mortgage insurance premium balance accruals, servicing fee income net of subservicing fees and losses, and repurchase funding requirements related to the 98% MCA liquidation. As our HECM 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.

The asset value for securitized HECM loans, net of the corresponding HMBS-related liability for securitized loans is comprised of net servicing income on the existing securitized HECM portfolio which we currently do not hedge, but which acts as a partial hedge for our forward MSR value sensitivity.

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. Based on the extent to which the projected excess of our interest expense on variable rate debt exceeds interest income on our cash and float balances require, we would consider hedging this exposure with interest rate swaps or other derivative instruments. We may purchase interest rate caps as economic hedges (not designated as a hedge for accounting purposes) if required by our advance financing arrangements.

Interest Rate Sensitive Financial Instruments

The tables below present the notional amounts of our financial instruments that are sensitive to changes in interest rates and the related fair value of these instruments at the dates indicated. We use certain assumptions to estimate the fair value of these instruments. See Note 5 – Fair Value to the Unaudited Consolidated Financial Statements for additional information regarding fair value of financial instruments.

| | June 30, 2019 | | December 31, 2018 | |
|--|---------------------|---------------------|---------------------|---------------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Rate-Sensitive Assets: | | | | |
| Interest-earning cash | \$ 273,768 | \$ 273,768 | \$ 266,235 | \$ 266,235 |
| Loans held for sale, at fair value | 135,691 | 135,691 | 176,525 | 176,525 |
| Loans held for sale, at lower of cost or fair value(1) | 60,380 | 60,380 | 66,097 | 66,097 |
| Loans held for investment, at fair value | 5,872,407 | 5,872,407 | 5,472,199 | 5,472,199 |
| U.S. Treasury notes | 1,073 | 1,073 | 1,064 | 1,064 |
| Debt service accounts and time deposits | 19,989 | 19,989 | 27,964 | 27,964 |
| Total rate-sensitive assets | <u>\$ 6,363,308</u> | <u>\$ 6,363,308</u> | <u>\$ 6,010,084</u> | <u>\$ 6,010,084</u> |
| Rate-Sensitive Liabilities: | | | | |
| Match funded liabilities | \$ 671,796 | \$ 673,168 | \$ 778,284 | \$ 776,485 |
| HMBS-related borrowings, at fair value | 5,745,383 | 5,745,383 | 5,380,448 | 5,380,448 |
| SSTL and other secured borrowings (2) | 516,481 | 521,079 | 382,538 | 383,162 |
| Senior notes (2) | 447,577 | 389,823 | 448,727 | 426,147 |
| Total rate-sensitive liabilities | <u>\$ 7,381,237</u> | <u>\$ 7,329,453</u> | <u>\$ 6,989,997</u> | <u>\$ 6,966,242</u> |

| | June 30, 2019 | | December 31, 2018 | |
|---|------------------|---------------|-------------------|-----------------|
| | Notional Balance | Fair Value | Notional Balance | Fair Value |
| Rate-Sensitive Derivative Financial Instruments: | | | | |
| Derivative assets (liabilities): | | | | |
| Interest rate caps | \$ 122,083 | \$ 47 | \$ 260,000 | \$ 678 |
| IRLCs | 118,099 | 4,105 | 150,175 | 3,871 |
| Forward MBS trades | 126,762 | (3,863) | 165,363 | (4,983) |
| Derivatives, net | | <u>\$ 289</u> | | <u>\$ (434)</u> |

(1) Net of market valuation allowances and including non-performing loans.

(2) Carrying values are net of unamortized debt issuance costs and discount.

Sensitivity Analysis

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

The following table summarizes the estimated change in the fair value of our MSR, HECM loans held for investment and loans held for sale that we have elected to carry at fair value as well as any related derivatives at June 30, 2019, given hypothetical instantaneous parallel shifts in the yield curve. We used June 30, 2019 market rates to perform the sensitivity analysis. The estimates are based on the market risk sensitive portfolios described in the preceding paragraphs and assume instantaneous, parallel shifts in interest rate yield curves. These sensitivities are hypothetical and presented for illustrative

purposes only. Changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship to the change in fair value may not be linear.

| | Change in Fair Value | |
|---|----------------------|------------|
| | Down 25 bps | Up 25 bps |
| HECM loans held for investment | \$ 2,920 | \$ (2,872) |
| Loans held for sale | 639 | (787) |
| Forward MBS trades | (577) | 717 |
| Total loans held for sale and related derivatives | 2,982 | (2,942) |
| MSRs (1) | (57,423) | 57,172 |
| MSRs, embedded in pipeline | (31) | 24 |
| Total MSRs | (57,454) | 57,196 |
| Total, net | \$ (54,472) | \$ 54,254 |

- (1) Primarily reflects the impact of market rate changes on projected prepayments on the Agency MSR portfolio and on advance funding costs on the non-Agency MSR portfolio carried at fair value. The acquisition of PHH MSRs significantly increased sensitivity on the Agency MSR portfolio. Fair value adjustments to our MSRs are offset, in part, by fair value adjustments related to the NRZ financing liabilities, which are recorded in interest expense. Approximately 48% of the above change in fair value would be offset by interest expense on the NRZ financing liabilities.

Borrowings

The debt used to finance much of our operations is exposed to interest rate fluctuations. We may purchase interest rate swaps and interest rate caps to minimize future interest rate exposure from increases in 1ML interest rates.

Based on June 30, 2019 balances, if interest rates were to increase by 1% on our variable rate debt and interest earning cash and float balances, we estimate a net positive impact of approximately \$15.4 million resulting from an increase of \$28.6 million in annual interest income and an increase of \$13.2 million in annual interest expense. The increase in interest expense reflects the effect of our hedging activities, which would offset \$0.6 million of the increase in interest on our variable rate debt.

ITEM 4. CONTROLS AND PROCEDURES

Our management, under the supervision of and with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act), as of June 30, 2019.

Based on such evaluation, management concluded that our disclosure controls and procedures as of June 30, 2019 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 Securities Exchange Act of 1934 (i) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to management, including our principal executive officer or principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

There have not been any changes in our internal control over financial reporting that occurred during the fiscal quarter ended June 30, 2019 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 19 – Regulatory Requirements and Note 21 – Contingencies to the Unaudited Consolidated Financial Statements. 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 of our Annual Report on Form 10-K for the year ended December 31, 2018. Understanding these risks is important to understanding any statement in such Annual Report 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 above 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) |
| 10.1* | Form of Annual Performance-Based Cash Award Agreement (filed herewith) |
| 10.2* | Form of Annual Performance-Based Stock Award Agreement (filed herewith) |
| 10.3* | Form of Annual Time-Based Cash Award Agreement (filed herewith) |
| 10.4* | Form of Annual Time-Based Stock Award Agreement (filed herewith) |
| 10.5* | Form of Transitional Cash Award Agreement (filed herewith) |
| 10.6* | Consulting Agreement between Ocwen Financial Corporation and Catherine Dondzila, effective June 1, 2019 (filed herewith) |
| 10.7* | Separation and Release Agreement between Ocwen Financial Corporation and Catherine Dondzila, effective June 19, 2019 (filed herewith) |
| 10.8* | Amendment to April 17, 2018 Offer Letter between Ocwen Financial Corporation and Glen Messina, effective April 11, 2019 (filed herewith) |
| 10.9** | Amended and Restated Flow Mortgage Loan Subservicing Agreement between New Residential Mortgage LLC and PHH Mortgage Corporation (filed herewith) dated March 29, 2019 |
| 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.INS | XBRL Instance Document (filed herewith) |
| 101.SCH | XBRL Taxonomy Extension Schema Document (filed herewith) |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith) |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document (filed herewith) |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document (filed herewith) |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document (filed herewith) |

* Management contract or compensatory plan or agreement.

** Certain confidential information contained in this agreement has been omitted because it (i) is not material and (ii) would be competitively harmful if publicly disclosed.

(1) Incorporated by reference to the similarly described exhibit to the Registrant’s Form 10-Q for the quarter ended June 30, 2017 filed on August 3, 2017.

(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/ June C. Campbell

Executive Vice President and Chief Financial Officer
(On behalf of the Registrant and as its principal financial officer)

Date: August 6, 2019

CASH-SETTLED PERFORMANCE STOCK UNIT AWARD AGREEMENT

THIS CASH-SETTLED PERFORMANCE STOCK UNIT AWARD AGREEMENT (this “Agreement”) is made as of _____ (the “Award Date”) between Ocwen Financial Corporation, a Florida corporation (the “Corporation”), and _____, 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 2017 Performance Incentive Plan (the “2017 Plan”), to further the objectives of the 2017 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 2017 Plan, an aggregate “target” of _____ 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 2017 Plan) solely for purposes of the 2017 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 2017 Plan.

2. VESTING OF STOCK UNITS

A. Generally

Subject to the following provisions of this Paragraph 2 and Paragraph 4, in order for the Stock Units to become vested and payable, the Stock Units subject to the Award must satisfy the performance-based vesting conditions as set forth in Appendix A hereto, incorporated herein by this reference, with one hundred percent (100%) of the target number of Stock Units subject to the award eligible to vest on the third anniversary of the Award Date (the “Vesting Date”, subject to adjustment as set forth in Paragraph 2 hereof).

B. Retirement or Termination by the Corporation Without Cause

If the Participant’s employment with the Corporation or any of its Subsidiaries terminates by reason of the Participant’s (i) Retirement or (ii) termination by the Participant’s employer without Cause (other than following a 409A Change of Control (as defined below)) at any time on or before the Vesting Date, the Award shall remain outstanding and eligible to vest as though no such termination of the Participant’s employment had occurred. In such circumstances, if the performance-based vesting conditions set forth in Appendix A are satisfied as of the Vesting Date, the Award shall vest as provided in Appendix A, provided that (i) the number of Stock Units eligible to vest shall be reduced on a pro-rata basis in proportion to the percentage of the three-year period between the Award Date and the 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) the Participant satisfies the release requirement set forth in the following sentence, and (iii) the Participant complies with the conditions set forth in Paragraph 5 hereof through the Vesting Date. 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. Any such Stock Units that vest after the Participant’s Retirement or termination by the Participant’s employer without Cause shall be paid in accordance with Paragraph 7 hereof.

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.

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. Death or Disability

If the Participant's employment with the Corporation or any of its Subsidiaries is terminated by reason of the Participant's death or Disability on or before the Vesting Date, the Award shall immediately vest on a pro-rata basis in proportion to the percentage of the three-year period between the Award Date and the Vesting Date that the Participant was employed by the Corporation or one of its Subsidiaries prior to such termination of the Participant's employment. In such circumstances, the performance-based vesting condition shall be deemed to have been achieved at "Target", as set forth in Appendix A, as of the date of the termination of the Participant's employment (the "Separation Date") 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 by reason of the Participant's death or Disability mid-way between the first anniversary of the Award Date and the second anniversary of the Award Date, the Participant would vest in one-half of the "target" 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, "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 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.

D. 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 condition shall be deemed to have been achieved at "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 a 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 and such Stock Units shall be paid in accordance with Paragraph 7 hereof except that the Vesting Date shall be deemed to be the date of such 409A Change of Control as to such Stock Units.

E. 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 Separation Date (with the performance-based vesting condition deemed to have been achieved at "Target" as set forth in Appendix A) 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.

F. 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 2017 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 2017 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 Paragraph 2 hereof (and in all events not later than 74 days after the Vesting Date), 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.

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 2017 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 2017 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 2017 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 2017 Plan and this Agreement, the provisions of the 2017 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.

[Signature page follows]

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 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 at the end of the measurement period (the "Measurement Period") will be determined by multiplying the target number of Stock Units eligible to vest on the Vesting Date by the percentage of Stock Units vesting on the Vesting Date based on the cumulative total shareholder return ("Cumulative TSR", as defined below) achieved by the Corporation for the Measurement Period, which shall be the period between the Award Date through the third anniversary of the Award Date.

The Stock Units subject to the Award will be eligible to vest on the third anniversary of the Award Date (the Vesting Date) based on the Corporation's Cumulative TSR achieved during the Measurement Period as follows:

| Cumulative TSR Achieved | Performance Level | Percentage of Stock Units Vesting |
|-------------------------|-------------------|-----------------------------------|
| | | |

| | | |
|-------|-----------------|------|
| ____% | Below Threshold | 0% |
| ____% | Threshold | 50% |
| ____% | Target | 100% |
| ____% | Maximum | 200% |

Provided that the level of Cumulative TSR achieved is at least “Threshold,” the percentage of Stock Units vesting on a Vesting Date based on the Cumulative TSR achieved between the levels set forth in the table above for the Measurement Period will be determined based on straight-line interpolation between points (for clarity, if the Cumulative TSR achieved for the Measurement Period was ____%, the percentage of Stock Units vesting for the Measurement Period would be ____%).

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

“Beginning Stock Price” means the average of the Closing Stock Prices 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, 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”) for the date in question 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) (as of any date after the Award Date) 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 particular calendar day in question. If the 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 shall be the value as reasonably determined by the Administrator for purposes of the award in the circumstances.

“Cumulative Total Shareholder Return” (or “Cumulative TSR”) means the cumulative (non-compounded) total return (expressed as a percentage) of an investment in the Corporation’s Common Stock for the Measurement Period, determined using the Beginning Stock Price to value the Corporation’s Common Stock at the start of the Measurement Period and the Ending Stock Price to value the Corporation’s Common Stock at the end of the Measurement Period. For purposes of such determination, the Ending Price 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.

“Ending Stock Price” means the average of the Closing Stock Prices for the thirty (30) consecutive trading days ending with the last trading day of the Measurement Period.

Determination. Following the end of the 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. Any Stock Units subject to the Award that are outstanding at the end of the Measurement Period and are not eligible to vest in accordance with this Appendix A based on the Corporation’s performance shall terminate as of the last day of the Measurement Period. In all events, the Administrator’s determination of the Corporation’s performance during the 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 _____ (the “Award Date”) between Ocwen Financial Corporation, a Florida corporation (the “Corporation”), and _____, 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 2017 Performance Incentive Plan (the “2017 Plan”), to further the objectives of the 2017 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 2017 Plan, an aggregate “target” of _____ 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 (“Share”) (subject to adjustment as provided in Section 7.1 of the 2017 Plan) solely for purposes of the 2017 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 2017 Plan.

2. VESTING OF STOCK UNITS

A. Generally

Subject to the following provisions of this Paragraph 2 and Paragraph 4, in order for the Stock Units to become vested and payable, the Stock Units subject to the Award must satisfy the performance-based vesting conditions as set forth in Appendix A hereto, incorporated herein by this reference, with one hundred percent (100%) of the target number of Stock Units subject to the award eligible to vest on the third anniversary of the Award Date (the “Vesting Date”, subject to adjustment as set forth in Paragraph 2 hereof).

B. Retirement or Termination by the Corporation Without Cause

If the Participant’s employment with the Corporation or any of its Subsidiaries terminates by reason of the Participant’s (i) Retirement or (ii) termination by the Participant’s employer without Cause (other than following a 409A Change of Control (as defined below)) at any time on or before the Vesting Date, the Award shall remain outstanding and eligible to vest as though no such termination of the Participant’s employment had occurred. In such circumstances, if the performance-based vesting conditions set forth in Appendix A are satisfied as of the Vesting Date, the Award shall vest as provided in Appendix A, provided that (i) the number of Stock Units eligible to vest shall be reduced on a pro-rata basis in proportion to the percentage of the three-year period between the Award Date and the 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) the Participant satisfies the release requirement set forth in the following sentence, and (iii) the Participant complies with the conditions set forth in Paragraph 5 hereof through the Vesting Date. 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. Any such Stock Units that vest after the Participant’s Retirement or termination by the Participant’s employer without Cause shall be paid in accordance with Paragraph 7 hereof.

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.

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. Death or Disability

If the Participant's employment with the Corporation or any of its Subsidiaries is terminated by reason of the Participant's death or Disability on or before the Vesting Date, the Award shall immediately vest on a pro-rata basis in proportion to the percentage of the three-year period between the Award Date and the Vesting Date that the Participant was employed by the Corporation or one of its Subsidiaries prior to such termination of the Participant's employment. In such circumstances, the performance-based vesting condition shall be deemed to have been achieved at "Target", as set forth in Appendix A, as of the date of the termination of the Participant's employment (the "Separation Date") 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 by reason of the Participant's death or Disability mid-way between the first anniversary of the Award Date and the second anniversary of the Award Date, the Participant would vest in one-half of the "target" 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, "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 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.

D. 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 condition shall be deemed to have been achieved at "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 a 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 and such Stock Units shall be paid in accordance with Paragraph 7 hereof except that the Vesting Date shall be deemed to be the date of such 409A Change of Control as to such Stock Units.

E. 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 Separation Date (with the performance-based vesting condition deemed to have been achieved at "Target" as set forth in Appendix A) 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.

F. 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 2017 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 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 8 of the 2017 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 2017 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 Paragraph 2 hereof (and in all events not later than 74 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 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. 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.

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 at the minimum applicable withholding rates. 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 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 2017 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 with respect to any ordinary cash dividend for which dividend equivalents are credited pursuant to Paragraph 3.B.

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. PAYMENT OF EXPENSES AND COMPLIANCE WITH LAWS

A. The Corporation shall 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.

12. AMENDMENT

In the event that the Board amends the 2017 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 2017 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").

13. CONSTRUCTION

In the event of any conflict between the 2017 Plan and this Agreement, the provisions of the 2017 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.

14. 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.

15. HEADINGS

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

16. 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 (including any value received from a disposition of the Shares acquired upon payment of the Stock Units).

17. 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.

[Signature page follows]

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 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 at the end of the measurement period (the "Measurement Period") will be determined by multiplying the target number of Stock Units eligible to vest on the Vesting Date by the percentage of Stock Units vesting on the Vesting Date based on the cumulative total shareholder return ("Cumulative TSR", as defined below) achieved by the Corporation for the Measurement Period, which shall be the period between March 29, 2019 through March 29, 2022.

The Stock Units subject to the Award will be eligible to vest on the third anniversary of the Award Date (the Vesting Date) based on the Corporation's Cumulative TSR achieved during the Measurement Period as follows:

| Cumulative TSR Achieved | Performance Level | Percentage of Stock Units Vesting |
|-------------------------|-------------------|-----------------------------------|
| ____% | Below Threshold | 0% |
| ____% | Threshold | 50% |
| ____% | Target | 100% |
| ____% | Maximum | 200% |

Provided that the level of Cumulative TSR achieved is at least "Threshold," the percentage of Stock Units vesting on a Vesting Date based on the Cumulative TSR achieved between the levels set forth in the table above for the Measurement Period will be determined based on straight-line interpolation between points (for clarity, if the Cumulative TSR achieved for the Measurement Period was ____%, the percentage of Stock Units vesting for the Measurement Period would be ____%).

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

"Beginning Stock Price" means the average of the Closing Stock Prices 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, 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”) for the date in question 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) (as of any date after the Award Date) 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 particular calendar day in question. If the 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 shall be the value as reasonably determined by the Administrator for purposes of the award in the circumstances.

“Cumulative Total Shareholder Return” (or “Cumulative TSR”) means the cumulative (non-compounded) total return (expressed as a percentage) of an investment in the Corporation’s Common Stock for the Measurement Period, determined using the Beginning Stock Price to value the Corporation’s Common Stock at the start of the Measurement Period and the Ending Stock Price to value the Corporation’s Common Stock at the end of the Measurement Period. For purposes of such determination, the Ending Price 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.

“Ending Stock Price” means the average of the Closing Stock Prices for the thirty (30) consecutive trading days ending with the last trading day of the Measurement Period.

Determination. Following the end of the 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. Any Stock Units subject to the Award that are outstanding at the end of the Measurement Period and are not eligible to vest in accordance with this Appendix A based on the Corporation’s performance shall terminate as of the last day of the Measurement Period. In all events, the Administrator’s determination of the Corporation’s performance during the Measurement Period, and the number of Stock Units eligible to vest, pursuant to this Appendix A shall be final and binding.

* * *

CASH-SETTLED STOCK UNIT AWARD AGREEMENT

THIS CASH-SETTLED STOCK UNIT AWARD AGREEMENT (this “Agreement”) is made as of _____ (the “Award Date”) between Ocwen Financial Corporation, a Florida corporation (the “Corporation”), and _____, 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 2017 Performance Incentive Plan (the “2017 Plan”), to further the objectives of the 2017 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 2017 Plan, an aggregate of _____ 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 2017 Plan) solely for purposes of the 2017 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 2017 Plan.

2. VESTING OF STOCK UNITS

A. Generally

Subject to the following provisions of this Paragraph 2 and Paragraph 4, one-third of the total number of Stock Units subject to the award will vest on each of the first, second, and third anniversaries of the Award Date (each, a “Vesting Date”, and with the Vesting Dates subject to adjustment as set forth in Paragraph 2 hereof).

B. Retirement or Termination by the Corporation Without Cause

If the Participant’s employment with the Corporation or any of its Subsidiaries terminates by reason of the Participant’s (i) Retirement or (ii) termination by the Participant’s employer without Cause (other than following a 409A Change of Control (as defined below)) at any time on or before the third anniversary of the Award Date, the unvested portion of the Award that remains outstanding and is scheduled to vest on the next 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 such termination of the Participant’s employment, provided that the Participant satisfies 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 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 first Vesting Date and the second Vesting Date, the Participant would vest in one-half of the number of Stock Units subject to the Award corresponding to the second Vesting Date (i.e., one-half of one-third 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 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. Death or Disability

If the Participant’s employment with the Corporation or any of its Subsidiaries is terminated by reason of the Participant’s death or Disability on or before the third anniversary of the Award Date, the unvested portion of the Award that remains outstanding and is scheduled to vest on the next Vesting Date following 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 such termination of the Participant’s employment. 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 by reason of the Participant’s death or Disability mid-way between the first Vesting Date and the second Vesting Date, the Participant would vest in one-half of the number of Stock Units subject to the Award corresponding to the second Vesting Date (i.e., one-half of one-third 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, “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 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.

D. 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.

E. 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.

F. 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 2017 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, 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 2017 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 74 days after the Vesting Date), 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 such Vesting Date multiplied by the applicable Payment Value. The "Payment Value" as of a particular 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") for that 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 that 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 Payment Value with respect to such 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 Paragraph 2 or Paragraph 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 2017 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 2017 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 2017 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 2017 Plan and this Agreement, the provisions of the 2017 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.

[Signature page follows]

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

OCWEN FINANCIAL CORPORATION

By: _____

PARTICIPANT

By: _____

STOCK UNIT AWARD AGREEMENT

THIS STOCK UNIT AWARD AGREEMENT (this “Agreement”) is made as of _____ (the “Award Date”) between Ocwen Financial Corporation, a Florida corporation (the “Corporation”), and _____, 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 2017 Performance Incentive Plan (the “2017 Plan”), to further the objectives of the 2017 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 2017 Plan, an aggregate of _____ 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 (“Share”) (subject to adjustment as provided in Section 7.1 of the 2017 Plan) solely for purposes of the 2017 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 2017 Plan.

2. VESTING OF STOCK UNITS

A. Generally

Subject to the following provisions of this Paragraph 2 and Paragraph 4, one-third of the total number of Stock Units subject to the award will vest on each of the first, second, and third anniversaries of the Award Date (each, a “Vesting Date”, and with the Vesting Dates subject to adjustment as set forth in Paragraph 2 hereof).

B. Retirement or Termination by the Corporation Without Cause

If the Participant’s employment with the Corporation or any of its Subsidiaries terminates by reason of the Participant’s (i) Retirement or (ii) termination by the Participant’s employer without Cause (other than following a 409A Change of Control (as defined below)) at any time on or before the third anniversary of the Award Date, the unvested portion of the Award that remains outstanding and is scheduled to vest on the next 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 such termination of the Participant’s employment, provided that the Participant satisfies 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 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 first Vesting Date and the second Vesting Date, the Participant would vest in one-half of the number of Stock Units subject to the Award corresponding to the second Vesting Date (i.e., one-half of one-third 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 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. Death or Disability

If the Participant’s employment with the Corporation or any of its Subsidiaries is terminated by reason of the Participant’s death or Disability on or before the third anniversary of the Award Date, the unvested portion of the Award that remains outstanding and is scheduled to vest on the next Vesting Date following 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 such termination of the Participant’s employment. 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 by reason of the Participant’s death or Disability mid-way between the first Vesting Date and the second Vesting Date, the Participant would vest in one-half of the number of Stock Units subject to the Award corresponding to the second Vesting Date (i.e., one-half of one-third 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, “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 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.

D. 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.

E. 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.

F. 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 2017 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 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 8 of the 2017 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 2017 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 74 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.

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 at the minimum applicable withholding rates. 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 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 2017 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 with respect to any ordinary cash dividend for which dividend equivalents are credited pursuant to Paragraph 3.B.

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. PAYMENT OF EXPENSES AND COMPLIANCE WITH LAWS

A. The Corporation shall 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.

12. AMENDMENT

In the event that the Board amends the 2017 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 2017 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").

13. CONSTRUCTION

In the event of any conflict between the 2017 Plan and this Agreement, the provisions of the 2017 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.

14. 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.

15. HEADINGS

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

16. 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 (including any value received from a disposition of the Shares acquired upon payment of the Stock Units).

17. 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.

[Signature page follows]

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

OCWEN FINANCIAL CORPORATION

By: _____

PARTICIPANT

By: _____

CASH-SETTLED PERFORMANCE STOCK UNIT AWARD AGREEMENT

THIS CASH-SETTLED PERFORMANCE STOCK UNIT AWARD AGREEMENT (this “Agreement”) is made as of _____ (the “Award Date”) between Ocwen Financial Corporation, a Florida corporation (the “Corporation”), and _____, 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 2017 Performance Incentive Plan (the “2017 Plan”), to further the objectives of the 2017 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 2017 Plan, an aggregate “target” of _____ 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 2017 Plan) solely for purposes of the 2017 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 2017 Plan.

2. VESTING OF STOCK UNITS

A. Generally

Subject to the following provisions of this Paragraph 2 and Paragraph 4, in order for the Stock Units to become vested and payable, the Stock Units subject to the Award must satisfy the performance-based vesting conditions as set forth in Appendix A hereto, incorporated herein by this reference, with one-third of the total target number of Stock Units subject to the award eligible to vest on each of the first, second, and third anniversaries of the Award Date (each, a “Vesting Date”, and with the Vesting Dates subject to adjustment as set forth in Paragraph 2 hereof).

B. Retirement or Termination by the Corporation Without Cause

If the Participant’s employment with the Corporation or any of its Subsidiaries terminates by reason of the Participant’s (i) Retirement or (ii) termination by the Participant’s employer without Cause (other than following a 409A Change of Control (as defined below)) at any time on or before the third anniversary of the Award Date, the Award shall remain outstanding and eligible to vest as though no such termination of the Participant’s employment had occurred. In such circumstances, if the applicable performance-based vesting conditions set forth in Appendix A are satisfied as of the applicable Vesting Date, the applicable portion of the Award that is then outstanding and unvested shall vest on the applicable Vesting Date as provided in Appendix A, subject, however, to the Participant satisfying the release requirement set forth in the following sentence and further subject to the Participant’s continued compliance with the conditions set forth in Paragraph 5 hereof through such Vesting Date. 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. Any such Stock Units that vest after the Participant’s Retirement or termination by the Participant’s employer without Cause shall be paid in accordance with Paragraph 7 hereof.

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.

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 an applicable 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. Death or Disability

If the Participant's employment with the Corporation or any of its Subsidiaries is terminated by reason of the Participant's death or Disability on or before the third anniversary of the Award Date, the unvested portion of the Award that remains outstanding and is scheduled to vest on the next 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 such termination of the Participant's employment. In such circumstances, the performance-based vesting condition as to the next Vesting Date scheduled to occur following the Separation Date shall be deemed to have been achieved at "Target" as set forth in Appendix A. 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 by reason of the Participant's death or Disability mid-way between the first Vesting Date and the second Vesting Date, the Participant would vest in one-half of the "target" number of Stock Units subject to the Award corresponding to the second Vesting Date (i.e., one-half of one-third of the total target 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, "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 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.

D. 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, provided that as of each Vesting Date following the Change of Control, the performance-based vesting condition shall be deemed to have been achieved at "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 a performance-based measure). Such Stock Units shall be paid in accordance with Paragraph 7 hereof. For clarity, the performance-based vesting provisions set forth in Appendix A shall continue to apply as to any Vesting Date that occurred on or prior to the date of such 409A Change of Control. 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.

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 to any Vesting Date that was scheduled to occur following the 409A Change of Control and such Stock Units shall be paid in accordance with Paragraph 7 hereof except that the Vesting Date shall be deemed to be the date of such 409A Change of Control as to such Stock Units.

E. 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 (with the performance-based vesting condition deemed to have been achieved at “Target” as set forth in Appendix A as to any Vesting Date that was scheduled to occur following the 409A Change of Control) 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.

F. Continued Employment

Except as expressly otherwise provided in this Paragraph 2, the vesting schedule set forth in Appendix A requires continued employment through each applicable Vesting Date as 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 2017 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, 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 Appendix A, 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 2017 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 Appendix A or Paragraph 2 hereof (and in all events not later than 74 days after the Vesting Date), 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 such Vesting Date multiplied by the applicable Payment Value. The "Payment Value" as of a particular 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") for that 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 that 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 Payment Value with respect to such 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.

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 2017 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 2017 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 2017 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 2017 Plan and this Agreement, the provisions of the 2017 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.

[Signature page follows]

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 three equal annual installments based on the Corporation's achievement of certain performance goals as determined below and subject, in each case, to the continued service requirements set forth in this Agreement.

The Stock Units that will be available to vest at the end each of the following measurement periods (each, a “Measurement Period”) will be determined by multiplying the target number of Stock Units eligible to vest on that Vesting Date (one-third of the total target number of Stock Units subject to the Award) by the percentage of Stock Units vesting on that Vesting Date based on the cumulative total shareholder return (“Cumulative TSR”, as defined below) achieved by the Corporation for that Measurement Period:

- First Measurement Period: _____ through _____
- Second Measurement Period: _____ through _____
- Third Measurement Period: _____ through _____

(1) One-third of the Stock Units subject to the Award will be eligible to vest on the first anniversary of the Award Date (the first Vesting Date) based on the Corporation’s Cumulative TSR achieved during the First Measurement Period as follows:

| Cumulative TSR Achieved | Performance Level | Percentage of Stock Units Vesting |
|-------------------------|-------------------|-----------------------------------|
| ____% | Below Threshold | 0% |
| ____% | Threshold | 50% |
| ____% | Target | 100% |
| ____% | Maximum | 200% |

(2) One-third of the Stock Units subject to the Award will be eligible to vest on the second anniversary of the Award Date (the second Vesting Date) based on the Corporation’s Cumulative TSR achieved during the Second Measurement Period as follows:

| Cumulative TSR Achieved | Performance Level | Percentage of Stock Units Vesting |
|-------------------------|-------------------|-----------------------------------|
| ____% | Below Threshold | 0% |
| ____% | Threshold | 50% |
| ____% | Target | 100% |
| ____% | Maximum | 200% |

(3) One-third of the Stock Units subject to the Award will be eligible to vest on the third anniversary of the Award Date (the third Vesting Date) based on the Corporation’s Cumulative TSR achieved during the Third Measurement Period as follows:

| Cumulative TSR Achieved | Performance Level | Percentage of Stock Units Vesting |
|-------------------------|-------------------|-----------------------------------|
| ____% | Below Threshold | 0% |
| ____% | Threshold | 50% |
| ____% | Target | 100% |
| ____% | Maximum | 200% |

Provided that the level of Cumulative TSR achieved is at least “Threshold,” the percentage of Stock Units vesting on a Vesting Date based on the Cumulative TSR achieved between the levels set forth in the table above for the applicable Measurement Period will be determined based on straight-line interpolation between points (for clarity, if the Cumulative TSR achieved for the Third Measurement Period was ____%, the percentage of Stock Units vesting for the Third Measurement Period would be ____%).

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

“Beginning Stock Price” means the average of the Closing Stock Prices for the thirty (30) consecutive trading days ending with the first trading day of the applicable Measurement Period.

“Closing Stock Price” means, as of any calendar day, 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”) for the date in question 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) (as of any date after the Award Date) 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 particular calendar day

in question. If the 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 shall be the value as reasonably determined by the Administrator for purposes of the award in the circumstances.

“Cumulative Total Shareholder Return” (or “Cumulative TSR”) means the cumulative (non-compounded) total return (expressed as a percentage) of an investment in the Corporation’s Common Stock for the applicable Measurement Period, determined using the Beginning Stock Price to value the Corporation’s Common Stock at the start of the applicable Measurement Period and the Ending Stock Price to value the Corporation’s Common Stock at the end of the applicable Measurement Period. For purposes of such determination, the Ending Price 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 applicable Measurement Period.

“Ending Stock Price” means the average of the Closing Stock Prices for the thirty (30) consecutive trading days ending with the last trading day of the applicable Measurement Period.

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 Stock Units subject to the Award corresponding to 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 during that Measurement Period shall terminate as of the last day of that Measurement Period. 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.

* * *

CONSULTANT AGREEMENT

THIS CONSULTANT AGREEMENT ("Agreement") is made and entered into effective as of June 1, 2019 (the "Effective Date") by and between Ocwen Financial Corporation, for itself and for the benefit of its subsidiaries, affiliates, and any change of control ("CUSTOMER"), a Florida corporation, with offices located at 1661 Worthington Road, Suite 100, West Palm Beach, FL 33409, and Catherine M. Dondzila ("Consultant").

WHEREAS, CUSTOMER desires to engage Consultant to provide services and/or products (the "Services"); and

WHEREAS, Consultant desires to be retained to provide such Services pursuant to the terms of this Agreement.

NOW THEREFORE, in consideration of the foregoing and the mutual covenants and conditions set forth herein, the parties agree as follows:

1. **Services.**

1.01 During the term of this Agreement, the Services provided by Consultant on behalf of CUSTOMER shall be performed directly by the Consultant. The Services shall be set forth in the statement of work ("Statement of Work"), which is attached hereto as Exhibit A. If CUSTOMER issues an order for the purchase of products and/or services (a "Purchase Order") by facsimile or other electronic means, the terms and conditions as set forth in this Agreement will be fully integrated into the Purchase Order as if fully and completely printed on the Purchase Order.

1.02 Consultant represents and warrants that he shall use his best efforts and judgment in performance of all Services and duties under this Agreement and shall provide such Services in an efficient, timely, professional, and accurate manner, in accordance with CUSTOMER's policies and procedures, industry standards, servicing practices, and all applicable laws, statutes, ordinances, rules, guidelines, regulations, orders, and agreements with regulatory authorities, including without limitation, the Gramm-Leach-Bliley Act (15 U.S.C. §6801, *et seq.*) and its implementing regulations, the Foreign Corrupt Practice Act, and any laws applicable to its performance under or payments received pursuant to this Agreement, as amended or changed from time to time. Consultant will determine the method, details, and means of performing the Services and, if applicable, delivering the product, and CUSTOMER shall retain the right to inspect Consultant's manner and method of performing said Services and the product in order to ensure compliance with the terms and conditions in this Agreement, the applicable Statement of Work, all Exhibits attached hereto and made a part hereof and all applicable local, state, or federal rules, regulations or laws. CUSTOMER further reserves the right to suggest a more efficient or effective manner of performing said Services pursuant to said inspection. This provision is not designed to dictate the manner or method by which the performance is to be rendered as such is within the sole discretion of the Consultant. If applicable, CUSTOMER reserves the right to inspect the product with absolute right to accept, reject and or have it immediately replaced with satisfactory product of equal value at no extra charge.

1.03 Consultant agrees to comply with all CUSTOMER practices, policies and procedures, including but not limited to those related to security, safety, harassment and confidentiality; and further agrees to evidence same with its own such agreements. Consultant shall maintain records and all documentation related to the Services under this Agreement in accordance with CUSTOMER's policies and procedures or any applicable laws, rules, guidelines and regulations, as amended or changed from time to time.

1.04 Consultant acknowledges and agrees that during the term of this Agreement, Consultant is providing Services as an independent contractor. Consultant acknowledges and agrees that Consultant is not and will not become an employee, partner, agent, or principal of CUSTOMER while this Agreement is in effect. Consultant agrees that Consultant is not entitled to the rights or benefits afforded the employees of CUSTOMER, including but not limited to disability or unemployment insurance, overtime, workers' compensation, medical insurance, sick leave, vacation, or any other employment benefit.

1.05 Consultant shall be responsible for paying, when applicable and due, all local, State and Federal taxes, including but not limited to estimated taxes, employment taxes, Social Security taxes, public liability insurance, payroll withholdings, and workers' compensation coverage, incurred as a result of the compensation paid by CUSTOMER with proof of timely payment when requested by CUSTOMER. Consultant agrees to indemnify and hold harmless CUSTOMER from any and all claims, costs, losses, fees, penalties, interest, or damages suffered by CUSTOMER resulting from Consultant's failure to comply with this provision.

1.06 Consultant represents and warrants that: i) Consultant is fully licensed and has the qualifications and skills necessary to perform the Services; ii) Consultant shall provide qualified personnel to perform and will perform the Services in a competent, professional and workmanlike manner, standard in the industry and without the advice or direction of CUSTOMER and as set forth in this Agreement and any applicable Statement of Work including any attachments or related documents that are a part thereof or are included as part of the Services; and iii) all Services will be performed in compliance with all specifications and requirements contained in this Agreement and the applicable Statement of Work issued hereunder including any attachments or related documents that are a part thereof or are

included as part of the Services. Consultant acknowledges and agrees that it has the complete and sole discretion for the manner in which the Services under this Agreement will be performed.

1.07 If applicable, Consultant represents and warrants sale and delivery of all product free and clear of all liens, encumbrances and rights of Consultant or third parties. Consultant covenants and agrees to keep all equipment and property of CUSTOMER free and clear of any and all liens for work performed or materials furnished hereunder and agrees to defend, indemnify and hold harmless CUSTOMER, its agents, customers, officers, directors and employees from and against, any and all costs, expenses, losses and damages resulting from the filing of any such liens against CUSTOMER. As a condition to payment, Consultant will furnish unconditional waivers or releases of such liens or receipts in full for all claims for such work or materials.

1.08 Consultant represents and warrants if CUSTOMER is not satisfied with Consultant Services and/or product, Consultant will immediately correct the problem to CUSTOMER's reasonable satisfaction.

1.09 In no event shall Consultant connect any non-CUSTOMER issued computers and/or laptops to CUSTOMER's network at any time while at any CUSTOMER facility during the term of the Agreement. Any violation of this provision shall be deemed cause for immediate termination and/or legal action as a result of any damages to CUSTOMER. If Consultant is required to access CUSTOMER's computer systems in order to perform Services hereunder, Consultant agrees that Consultant and each employee, subcontractor or agent of Consultant will (a) use only the log-in identification assigned by CUSTOMER; (b) correctly and completely log-off the system immediately upon completion of each session of Service; (c) not allow any other person to use the assigned log-in identification or improperly access CUSTOMER's systems; (d) keep the assigned log-in identification and all other information enabling such access strictly confidential; (e) not access any CUSTOMER systems or data other than that which is specifically authorized; (f) not intentionally or recklessly spread viruses or other malicious computer code to CUSTOMER's computer systems; and (g) not download, transfer, save, or otherwise keep any data except as expressly authorized in writing by CUSTOMER in accordance with any terms or limitations required by CUSTOMER. If Consultant is required to perform Services on CUSTOMER's premises, Consultant shall fully comply with all of CUSTOMER's security and privacy requirements, policies and procedures. Additionally, no Services shall be performed by Consultant on any CUSTOMER systems without CUSTOMER's prior written consent.

2. **Subcontractors.** Consultant shall not subcontract any of the Services to be performed hereunder without the prior written consent of CUSTOMER. In the event that Consultant uses subcontractors in connection with the performance of Consultant's obligations under this Agreement, Consultant hereby agrees to be responsible for the direction and coordination of the services of its subcontractors and shall ensure that such work is performed in accordance with the terms of this Agreement. Consultant shall be responsible and liable for all of the acts and omissions of all subcontractors and for ensuring that all subcontractors comply with Consultant's representations, warranties, and obligations hereunder. CUSTOMER shall have no obligation to pay or to be responsible for, in any way, the payment of monies to any Consultant subcontractor.

3. **Compensation and Reimbursement.** In consideration for Services to be performed and/or products provided by Consultant pursuant to this Agreement and the applicable Statement of Work, CUSTOMER agrees to pay Consultant \$36,091.67 per month in accordance with this Agreement and the applicable Statement of Work. Consultant acknowledges and agrees that Consultant shall submit invoices on a monthly basis to CUSTOMER for Services rendered. If (and only if) mutually agreed upon in a Statement of Work, CUSTOMER shall reimburse Consultant for all actual travel and other reasonable expenses under each Statement of Work according to CUSTOMER's Travel and Expense Policy Guidelines.

Each invoice shall be submitted to:

ap@ocwen.com

and shall list the Consultant's tax identification number and be accompanied by copies of all applicable receipts, covered under said invoice, including, but not limited to, travel, rental cars, lodging and meal expenses while providing Services for CUSTOMER. Consultant shall conspicuously place CUSTOMER's applicable purchase order ("PO") number on all invoices. Within the earlier to occur of (i) thirty (30) days of expiration or termination of this Agreement or any Statement of Work or, (ii) the completion of any separate and distinct project within the Agreement or a given Statement of Work, Consultant must submit to CUSTOMER an itemized invoice for any unpaid fees and/or reimbursable expenses theretofore accrued under such Agreement or Statement of Work which shall become due and payable in accordance with this Section. If Consultant fails to submit invoices to CUSTOMER by the applicable deadline set forth above, Consultant releases and forever waives any right to charge CUSTOMER for such amounts or to collect such amounts from CUSTOMER, and CUSTOMER shall have no obligation to pay any such invoices or amounts. CUSTOMER and Consultant agree that all monies paid to Consultant will be reported in accordance with the Internal Revenue Code under Form 1099 and any other form as may be applicable and will deliver form W-9.

4. **Confidential Information.** Any information, including without limitation vendor, loan, customer, consumer, employee information and lists, or material, written, printed, graphic, or electronically or magnetically recorded information

present or accessed or, furnished or disclosed by CUSTOMER for Consultant's use is the sole property of CUSTOMER. Consultant agrees for itself, by through or under, and his employees and workers to hold such and all confidential information of CUSTOMER, its clients and third parties in the strictest confidence, not to disclose and to use such information only for valid business purposes required to perform Services under this Agreement and to comply with all applicable laws, rules and regulations and further to comply in all respects with CUSTOMER's Confidentiality and Nondisclosure Agreement incorporated herein attached hereto as Exhibit B and incorporated herein.

5. **Indemnity.** Parties agree to indemnify, defend, and hold harmless the other, its officers, agents, employees, affiliates, authorized personnel and authorized users against all losses, damages, liabilities, costs, and expenses relating to or resulting from any pending or threatened action, suit, claim, demand, or proceeding, any judgment or decision against the other, or any settlement agreement, arising out of: (i) the allegation that the Services or use thereof, violate any law, rule or regulation or infringe or misappropriate any patent, copyright, trademark, trade name, trade secret, or other proprietary or contractual right of any third party; (ii) the negligent acts or omissions or willful misconduct of a party and/or its employees, subcontractors and/or agents in connection with any Services and/or work provided under this Agreement; (iii) any failure of a party and/or its employees, subcontractors and/or agents to perform any of its covenants or obligations under this Agreement; and (iv) any acts by a party and/or its employees, subcontractors and/or agents beyond the scope of authority under this Agreement. Party retains the right to participate in the defense of any such action, suit, claim, demand, or proceeding and other party shall not settle any such action, suit, claim, demand, or proceeding without the written consent of the affected party. Notwithstanding the above, all indemnification rights of the Consultant applicable due to her tenure as an employee of CUSTOMER are still in effect.

6. **Term and Termination.** This Agreement shall become effective as of the Effective Date set forth above and shall continue in effect for a period of up to 6 months, unless sooner terminated as provided herein. CUSTOMER may terminate this Agreement and/or a Statement of Work immediately with or without cause. In the event CUSTOMER terminates this Agreement prior to expiration of the 6 month term, Consultant shall still be entitled to the fees set forth in Section 3 for the 6 month period. If, at any time, there are no then-active Statements of Work, Consultant may terminate this Agreement upon thirty (30) days prior written notice to CUSTOMER. Upon termination of this Agreement, Consultant agrees to return to CUSTOMER all equipment, hardware, software, or any other materials pertaining to CUSTOMER which are in the possession of Consultant or which may have been entrusted to Consultant.

7. **Proprietary Rights.**

7.01 Consultant acknowledges and agrees that all written material, including but not limited to documentation, diskettes, tapes, listing, source code and/or object code, designs, plans, reports, specifications, drawings, inventions, processes, and other information or items produced by Consultant while performing Services under this Agreement will be considered a "work-made-for-hire" and shall become the property of CUSTOMER. Consultant agrees to assign all such property and rights to CUSTOMER declaring such work as the sole and exclusive property of CUSTOMER. Furthermore, Consultant will assist CUSTOMER, as requested, in acquiring any and all copyrights, patents, or trademarks for such property under this Agreement.

7.02 Consultant represents and warrants that all Services provided to CUSTOMER, do not and will not infringe any copyrights, trademarks, patents, or other proprietary interests of any third party, nor has any claim (whether or not embodied in an action, past or present) of such infringement been threatened or asserted, nor is such a claim pending against Consultant.

8. **Assignment.** Neither party may assign its rights or obligations under this Agreement without the prior written consent of the other party; provided, however, CUSTOMER may assign, without Consultant's consent, this Agreement, in whole or in part, to CUSTOMER's subsidiaries, affiliates, or any change of control. Unless otherwise provided herein, any attempted or purported assignment without the prior written consent of the other party shall be null and void. This Agreement shall be binding upon the parties' respective successors and permitted assigns.

9. **Non-Solicitation.** During the term of this Agreement and for a period of one (1) year following termination of this Agreement, neither party shall solicit the employment of, employ, or induce the termination of employment of, any employee of the other party unless such party shall have consented in advance in writing. The foregoing restriction will not apply to individuals hired as a result of use of a general solicitation, such as untargeted job postings, job listings or advertisements not specifically directed to employees of the other party.

11. **Limitation of Liability.** EXCEPT FOR BREACH OF OWNERSHIP OR A BREACH OF CONFIDENTIALITY, A PARTY SHALL NOT BE LIABLE TO THE OTHER PARTY FOR ANY INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES OF ANY KIND (INCLUDING BUT NOT LIMITED TO LOST PROFITS), REGARDLESS OF THE FORM OF ACTION, WHETHER FOR BREACH OF CONTRACT, TORT OR OTHERWISE, WHICH MAY ARISE OUT OF OR IN CONNECTION WITH THIS AGREEMENT AND EVEN IF A PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

12. **Publicity.** Consultant acknowledges and agrees that it will not use CUSTOMER's name and/or logo in any of Consultant's marketing materials, including but not limited to client listings, press releases, brochures, and website locations, without CUSTOMER's prior written approval.

13. **Miscellaneous.**

13.01 CUSTOMER promotes a diverse and inclusive working environment which influences how it runs its business. As part of its core values, CUSTOMER believes in procuring vendors who align with its diversity and inclusion strategies and encourages vendors to participate in CUSTOMER's vendor diversity program. If Consultant and/or its subcontractors are interested in participating in CUSTOMER's vendor diversity program, each registrant will be required to provide a copy of its diverse vendor certification to CUSTOMER.

13.02 Notices required to be given under this Agreement by either party to the other may be effected by personal delivery in writing or by registered or certified mail postage, prepaid with return-receipt requested. Mailed notices must be addressed to the parties at the addresses appearing in the introductory paragraph of this Agreement, and all notices to CUSTOMER shall be sent to the attention of CUSTOMER's General Counsel or Secretary. A party may change the address set forth above by giving written notice in accordance with this section. Notices delivered personally will be deemed communicated as of actual receipt; mailed notices will be deemed communicated as of the day of receipt or the fifth (5th) day after mailing, whichever occurs first.

13.03 This Agreement supersedes any and all agreements, either oral or written, between the parties with respect to the subject matter hereof and contains all of the representations, covenants, and agreements between the parties with respect to the rendering of the Services set forth herein. Each party to this Agreement acknowledges that no representation, inducements, promises, or agreements, orally or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not contained in this Agreement, and that no other agreement, statement, or promise not contained in this Agreement will be valid or binding. Any modification to this Agreement will be effective only if it is in a writing signed by both parties.

13.04 If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions will continue in full force and effect without being impaired or invalidated in any way.

13.05 If any legal action, including an action for declaratory relief, is brought to enforce or interpret the provisions of this Agreement, the prevailing party will be entitled to reasonable attorneys' fees, which may be set by the court in the same action or in a separate action brought for that purpose, in addition to any other relief to which that party may be entitled.

13.06 Consultant acknowledges that the Services to be rendered by Consultant are unique and personal, and accordingly, Consultant may not assign any of Consultant's rights or delegate any of Consultant's obligations under this Agreement except as specifically provided herein.

13.07 Waiver by either party of any breach of any provisions of this Agreement shall not operate or be construed as a waiver of any subsequent or other breach nor, unless otherwise agreed in writing, shall the failure of any party to require the performance by the other party of any provisions hereof in any way affect the full right of the non-breaching party to require such performance at any time thereafter.

13.08 This Agreement will be governed by and construed in accordance with the laws of the State of New York without regard to rules regarding conflict of laws. The parties hereby knowingly and voluntarily waive any right which either or both may have to receive a trial by jury with respect to the claims, controversies or disputes arising out of or which relate to this Agreement or the subject matter hereof.

13.09 Section headings in this Agreement are for convenience of reference only and are not part of this Agreement. This Agreement may be executed in two or more counterparts, each of which, when so executed and delivered, shall be an original instrument, but all of which together shall constitute a single agreement. A signature on a copy of this Agreement received by either party by facsimile or portable document format (PDF) is binding upon the other party as an original. The parties shall treat a photocopy of such facsimile or PDF as a duplicate original. The parties agree that a secured electronic signature process is acceptable and binding.

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

Ocwen Financial Corporation

Catherine M. Dondzila

Authorized Signature

Authorized Signature

Printed Name

Printed Name

Title

Title

Date

Date

Exhibit A

STATEMENT OF WORK

Ocwen Financial Corporation and Catherine M. Dondzila

Consulting Services

Reference is made to that certain Consultant Agreement (the "Agreement"), dated as of June 1, 2019, by and between Ocwen Financial Corporation, for itself and for the benefit of its subsidiaries, affiliates, and any change of control ("CUSTOMER ") and Catherine M. Dondzila ("Consultant"). This Statement of Work ("Statement of Work"), made effective as of the June 1, 2019 ("SOW Effective Date"), is by and between Consultant and CUSTOMER and is issued pursuant to the Agreement. Capitalized terms used but not defined in this Statement of Work have the meanings given in the Agreement.

The Agreement and any documents attached hereto are hereby incorporated by reference into this Statement of Work. This Statement of Work, together with the Agreement and other documents attached hereto, constitutes the complete contractual agreement between the undersigned parties with respect to the Services described herein.

- 1. Scope of Services: All tasks and cooperation that may be requested by the Customer.
2. Term: This Statement of Work shall be effective on the SOW Effective Date and shall remain in effect for the term of the Agreement.
3. Fees: In

The undersigned parties have caused this Statement of Work to be executed by their respective duly authorized representatives. This Statement of Work may be executed in any number of multiple counterparts, all of which shall constitute but one and the same original. A signature on a copy of this Statement of Work received by either party by facsimile or portable document format (PDF) is binding upon the other party as an original. The parties shall treat a photocopy of such facsimile or PDF as a duplicate original. The parties agree that a secured electronic signature process is acceptable and binding.

Ocwen Financial Corporation Catherine M. Dondzila
Authorized Signature Authorized Signature
Printed Name Printed Name
Title Title
Date Date

Exhibit B

CONFIDENTIALITY AND NONDISCLOSURE AGREEMENT

THIS CONFIDENTIALITY AND NONDISCLOSURE AGREEMENT (this "**Agreement**") is entered into as of June 1, 2019, by and between Ocwen Financial Corporation, on behalf of itself and its subsidiaries, affiliates, and any change of control, (hereinafter collectively referred to as ("**CUSTOMER**"), and Catherine M. Dondzila ("**Consultant**").

RECITALS

WHEREAS, CUSTOMER is a company engaged in the business of originating, selling, and/or servicing mortgage loans and, in the course of such business, holds, uses, and/or has access to confidential information, including but not limited to, consumer and customer information relating to the mortgage loans, and information, programs or systems that it has developed or that it has licensed from others (collectively, "the Information, Programs and Systems");

WHEREAS, Consultant wishes to perform certain services on behalf of CUSTOMER, (the "**Services**");

WHEREAS, in performing the Services, Consultant will have access to or receive, use, possess, store, or dispose some or all of the Information, Programs or Systems; and

WHEREAS, CUSTOMER is willing to permit Consultant to perform the Services provided that the resulting access to or receipt, use, possession, storage or disposition of the Information, Programs or Systems by Consultant will be subject to the confidentiality, nondisclosure and other restrictions imposed by this Agreement.

AGREEMENT:

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements hereinafter set forth, the parties hereby agree as follows:

1. **CONFIDENTIAL INFORMATION.**

a. **Definition.** For the purpose of this Agreement, the term "**Confidential Information**" shall mean any information (including but not limited to, formulas, patterns, compilations, programs, devices, methods, techniques and processes, and vendor, loan, customer, consumer and employee information and lists) relating to CUSTOMER's business or affairs, including but not limited to, existing systems, software, firmware, hardware, products and services, and those in development, and accompanying marketing plans and business strategies, now known or in possession of, or hereafter learned or acquired, by CUSTOMER, or any third party's information in CUSTOMER's possession which is subject to an obligation on the part of CUSTOMER to maintain the confidentiality of such information, including without limitation, consumer and customer information. The Confidential Information of CUSTOMER derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use.

b. **Identification.** CUSTOMER shall have no obligation to specifically identify any information as to which the protection of this Agreement extends by any notice or other action, and all information and materials relating to the business of CUSTOMER, including but not limited to, consumer and customer information, its systems, software, firmware, hardware, products, services, marketing plans and business strategies will be presumed to be Confidential Information and will be so regarded by Consultant unless the materials or information are: (i) already known to Consultant at the time that they are disclosed by CUSTOMER and are not subject to any other nondisclosure agreement between the parties; or (ii) publicly known at the time of the disclosure to Consultant by CUSTOMER through no act or failure to act by the Consultant or its Representatives (defined below) in breach of this Agreement.

c. **Exceptions.** Confidential Information and the obligations required under this Agreement will not include information that: (i) has become publicly known through no fault of Consultant or its Representatives; (ii) is received by Consultant properly and lawfully from a third party without restriction on disclosure and without knowledge or reasonable suspicion that the third party's disclosure is in breach of any obligations to CUSTOMER; (iii) has been developed by Consultant completely independent and without the use of any Confidential Information; or (iv) has been approved for public release by prior written authorization of CUSTOMER.

2. **OBLIGATIONS.**

Consultant agrees that:

a. It will abide by and respect CUSTOMER's rights of any nature (including without limitation obligations imposed upon CUSTOMER to protect the rights of third parties) in the Confidential Information (including but not limited to, patents, copyrights and trade secrets) and will maintain and preserve the confidentiality of such information, including

but without limitation, taking such steps to protect and preserve the confidentiality of the Confidential Information as it takes to preserve and protect the confidentiality of its own proprietary and confidential information;

b. It will restrict disclosure of the Confidential Information to only those directors, officers, employees, and agents (collectively, "**Representatives**") of Consultant: (i) who reasonably need to have access to the Confidential Information for purposes of the Services; and (ii) in the case of parties other than licensed professionals who are bound by rules of professional conduct not to disclose Confidential Information, in a non-disclosure agreement with Consultant that is substantially similar to this Agreement;

c. It will take all reasonable measures necessary to compel compliance by Consultant's Representatives and affiliates with the provisions of this Agreement. Consultant shall be responsible for any breach of this Agreement by Representatives of Consultant (or anyone else to whom Consultant discloses Confidential Information);

d. It will not disclose such Confidential Information to any third party (including subcontractors and consultants) without the express written consent of CUSTOMER;

e. It will not disassemble, "reverse engineer," "reverse compile" or analyze the inputs and outputs of any software or hardware provided or to which it has access under this Agreement for any purpose, including but not limited to, attempting to ascertain or deduce the functionality or workings of the software or hardware;

f. It will, upon termination of the services provided to CUSTOMER or at any time upon CUSTOMER's written request, immediately return to CUSTOMER or destroy, as CUSTOMER may direct, all tangible material within its possession, custody or control containing or reflecting any portion of the Confidential Information, and shall make no further use of the Confidential Information for any purpose; and upon CUSTOMER's request, Consultant will promptly certify that such action has been taken;

g. It and its Representatives shall comply with all federal, state and local laws, rules, regulations and ordinances governing or relating to privacy rights in connection with its performance under this Agreement including, without limitation, the Gramm-Leach-Bliley Act ("GLB Act"). Consultant understands that the Federal Trade Commission is expected to issue final regulations implementing the provisions of the GLB Act (as well as amendments to and interpretations of such regulations from time to time) and that, pursuant to these regulations, financial institutions such as CUSTOMER may be required to modify their policies and procedures regarding the collection, use and/or dissemination of consumer and customer information. Furthermore, Consultant agrees to develop, implement and maintain appropriate safeguards to ensure the security and confidentiality of such nonpublic, personal information of consumers and customers of CUSTOMER. To the extent such regulations are issued (and at such time the regulations are amended or interpreted), Consultant agrees that this Agreement will be deemed to be automatically amended to reflect any changes adopted by CUSTOMER to its policies regarding consumer and customer information collection, use and/or dissemination, that CUSTOMER deems necessary or appropriate to respond to these regulations (as amended or interpreted from time to time), and as to which CUSTOMER gives Consultant written notice. In addition, Consultant acknowledges and agrees that it shall use its best efforts to take all appropriate actions to address incidents of unauthorized access, use or disclosure (actual or suspected) to CUSTOMER's consumer and/or customer non-public personal information, including but not limited to, immediately notifying CUSTOMER in writing of any such incident and such notice shall include a detailed description of the circumstances of the disclosure and the parties involved; Consultant agrees that it shall not communicate with any third party, including, but not limited to the media, vendors, and consumers regarding any security breach without the express written consent and approval of the content of the communication by the CUSTOMER; and

h. CUSTOMER shall have the right, during regular office hours and upon reasonable notice, to audit the Consultant to ensure compliance with the terms of this Agreement, the GLB Act and other privacy laws and regulations. Furthermore, in the event Consultant conducts its own internal and/or external audits to ensure such compliance, Consultant agrees to provide CUSTOMER with a complete copy of the audit.

3. OWNERSHIP.

Consultant acknowledges that CUSTOMER will maintain sole and exclusive ownership of (or other rights to) all right, title, and interest in and to Confidential Information, including as between Consultant and CUSTOMER, ownership of (or other rights to) all copyrights, patents and trade secrets pertaining thereto. Nothing contained in this Agreement will be construed as granting or conferring any rights to Consultant by license or otherwise, expressly or implicitly, to the Confidential Information, or any invention, discovery or improvement related to the Confidential Information, made, conceived or acquired prior to or after the date of this Agreement including but not limited to, "derivative works" (as such term is defined in Section 101 of the United States Copyright Act of 1976, as amended, and as construed under applicable case law) thereof, and CUSTOMER shall retain all of its proprietary rights (including but not limited to, patents, copyrights and trade secrets) with respect thereto.

4. REQUIRED LEGAL DISCLOSURE.

Upon receipt of any governmental, judicial or administrative order, subpoena, or discovery request seeking the disclosure of Confidential Information, Consultant shall immediately notify CUSTOMER in writing of the Confidential

Information sought so that CUSTOMER may seek an appropriate protective order, or take other appropriate measures or, at its discretion, waive Consultant's compliance with the provisions of this Agreement. Consultant shall cooperate reasonably with CUSTOMER in contesting such request/demand (at CUSTOMER's expense), including consulting as to the advisability of legally attempting to contest or limit such request/demand. If in the absence of a protective order or a waiver hereunder from CUSTOMER, Consultant is compelled to disclose any Confidential Information to any tribunal or suffer penalty, Consultant may disclose such Confidential Information to such tribunal without liability hereunder; provided, however, Consultant: (i) shall give CUSTOMER written notice of the Confidential Information to be so disclosed as far in advance of its disclosure as is practicable; (ii) shall furnish only that portion of the Confidential Information which it is legally required to; and (iii) shall use best efforts to obtain an order or other reliable assurance that confidential treatment will be accorded to such portions of the Confidential Information to be disclosed as CUSTOMER designates.

5. ENFORCEMENT.

In consideration of the access provided to or disclosure of the Confidential Information to Consultant, Consultant covenants and agrees as follows:

a. Equitable Relief. Any and all Confidential Information is considered to include but not limited to all consumer and customer information, all mortgage loan information, and valuable trade secrets of, or entrusted to the possession of, CUSTOMER. Due to the unique subject matter of this Agreement and the difficulty of measuring damages which would result to CUSTOMER from Consultant's breach of the this Agreement, CUSTOMER shall have the right to have all obligations, undertakings, agreements, covenants and other provisions of this Agreement specifically performed by Consultant, and CUSTOMER shall have the right to obtain preliminary and permanent injunctive relief to secure specific performance, and to prevent a breach or contemplated breach of this Agreement. CUSTOMER's right to obtain such equitable relief will not limit its right to obtain other remedies, including those referred to below.

b. Damages. Consultant shall provide to CUSTOMER a full accounting of any and all gross profits, gains, earnings and proceeds received by Consultant or any other person or entity as a result of or in connection with a violation of this Agreement, and shall pay and disgorge same to CUSTOMER. Consultant acknowledges and agrees that, in the event of Consultant's breach of its obligations under this Agreement, CUSTOMER will suffer damages far in excess of such gross profits, gains, earnings and proceeds received by Consultant or others; therefore, nothing in this Agreement shall be construed as limiting CUSTOMER's right to any other remedies available at law or in equity, including pursuing actions for actual, punitive, consequential and other damages.

c. Indemnification. Consultant agrees to and will be responsible and primarily liable for, and agree to and shall indemnify CUSTOMER from and against, any and all claims, demands, actions, losses, damages, liabilities, costs and expenses (including attorneys' fees and other charges) and disbursements incurred or sustained as a result of any breach by Consultant and/or Consultant's Representatives or affiliates of any of the provisions hereof (including without limitation, any unauthorized use or disclosure of the Confidential Information by Consultant or Consultant's Representatives or affiliates, or otherwise resulting from the acts or omissions of Consultant, or the acts or omissions of Consultant's Representatives or affiliates).

6. DISCLAIMER.

CUSTOMER makes no representation, warranty, or assurance under this Agreement as to the accuracy, completeness, condition, suitability, or performance of the Confidential Information furnished or to be furnished, or the absence of any conflict or infringement of the intellectual property or other rights of other parties, and disclaims any and all liability that may be based on the Confidential Information, errors therein, or omissions therefrom or such conflicts or infringements.

7. TERM.

Except as otherwise specifically provided for herein or in a signed written agreement between the parties, Consultant agrees that this Agreement will remain in force and effect in perpetuity.

8. MISCELLANEOUS.

a. Reasonable Restrictions. Consultant represents to CUSTOMER that the enforcement of the restrictions contained in this Agreement would and will not be unduly burdensome to Consultant and acknowledges that Consultant is willing and able to compete in other geographical areas, and in many businesses, not prohibited by this Agreement. The parties to this Agreement hereby agree that the covenants contained in this Agreement are reasonable and necessary restrictions for the purpose of protecting the goodwill and other business interests of CUSTOMER, which includes CUSTOMER's expectation of expanding its business without competition from Consultant for such period.

b. Amendment and Waiver. No amendment, modification or discharge of this Agreement, and no waiver hereunder, shall be valid or binding unless set forth in writing and duly executed by the party against whom enforcement of the amendment, modification, discharge, or waiver is sought. No delay or failure at any time on the part of CUSTOMER in exercising any right, power or privilege under this Agreement, or in enforcing any provision of this Agreement, shall impair any such right, power or privilege, or be construed as a waiver of such provision, or be construed as a waiver of

any default or as any acquiescence therein, or shall affect the right of CUSTOMER thereafter to enforce each and every provision of this Agreement in accordance with its terms.

c. Entire Agreement; Severability. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, and it supersedes all prior oral or written agreements, commitments, or understandings with respect to such matters. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provisions of this Agreement, which shall remain in full force and effect.

d. Successor. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

e. Governing Law/Jurisdiction The interpretation and enforcement of this Agreement will be governed by the laws of the State of New York without regard to rules regarding conflict of laws. The parties hereby knowingly and voluntarily waive any right which either or both may have to receive a trial by jury with respect to the claims, controversies or disputes arising out of or which relate to this Agreement or the subject matter hereof.

f. Counterparts. This Agreement may be executed in two or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. For purposes hereof, a facsimile or portable document format (PDF) copy of this Agreement, including the signature pages hereto, will be deemed to be an original. The Parties agree that a secured electronic signature process is acceptable and binding.

g. Restrictions on Assignments and Sublicenses. Consultant may not sell, transfer, assign, sublicense, or subcontract any right or obligation hereunder without the prior written consent of CUSTOMER.

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

Ocwen Financial Corporation Catherine M. Dondzila

Signature: /s/ Denise M. O'Sullivan Signature: /s/ Catherine M. Dondzila

Name : Denise M. O'Sullivan Name: Catherine M. Dondzila

Date: Jun 14, 2019 Date: 06/12/19

SEPARATION AGREEMENT AND FULL RELEASE

This Agreement and Full Release (the “Agreement”), dated as of June 19, 2019 is by and between Catherine M. Dondzila (the “Individual”) and Ocwen Financial Corporation, its subsidiaries and affiliates, including without limitation Ocwen Loan Servicing, LLC (collectively, “Ocwen” or the “Company”).

In consideration for the benefits Individual will receive and the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Termination Date and Acknowledgments. Individual and the Company will end their employment relationship on May 31, 2019 (“Termination Date”). The Company may relieve Individual of all duties and place the Individual on administrative leave prior to the Termination Date by providing written notice. Further, Individual agrees to resign from any and all positions as an officer, employee, director, member manager or any other position he serves in for Ocwen. Individual no longer will be authorized to transact business or incur any expenses, obligations and liabilities on behalf of the Company after the earlier of being placed on administrative leave or the Termination Date. Individual agrees not to seek reinstatement, future employment, or other working relationship with the Company or any of its affiliates. Individual acknowledges (i) receipt of all compensation for all hours worked and benefits due through the Termination Date as a result of services performed for the Company with the receipt of a final paycheck except as provided in this Agreement and the associated Consulting Agreement; (ii) Individual has reported to the Company any and all work-related injuries incurred during employment; (iii) the Company properly provided any leave of absence because of Individual’s or a family member’s health condition and Individual

has not been subjected to any improper treatment, conduct or actions due to a request for or taking such leave; (iv) Individual has had the opportunity to provide the Company with written notice of any and all concerns regarding suspected ethical and compliance issues or violations on the part of the Company or any other Released Parties; and (v) Individual has reported any pending judicial or administrative complaints, claims, or actions filed against the Company or any other Released Parties. Further, Individual agrees that he resigns from and all positions as an officer, employee, director, member manager or any other position he serves in for Ocwen. Further, Individual agrees that Individual shall not be entitled to any further vesting, issuance, exercise or payment under any equity award agreement between Individual and Ocwen, notwithstanding the terms of any such agreement, the 2007 Equity Incentive Plan, or the 2017 Performance Incentive Plan, effective as of the Termination Date.

2. Consideration. The Company will provide Individual the gross sum of \$568,870, less applicable withholding and taxes (the "Payment"), contingent upon the Company's receipt of this fully executed agreement, the return of any Company property, and the expiration of any applicable revocation period. The Payment will be issued within 30 days of the completion of these contingencies.

Amounts the Company is paying in consideration for the Agreement will be treated as taxable compensation but are not intended by either party to be treated, and will not be treated, as compensation for purposes of eligibility or benefits under any benefit plan of the Company. The Company will apply standard tax and other applicable withholdings to payments made to Individual. Individual agrees that the consideration the Company will provide, including up to 18 months of a COBRA subsidy, includes amounts in addition to anything of value to which Individual already is

entitled. The Company also will pay Individual accrued but unused vacation regardless of whether Individual signs this Agreement.

3. Full and Final Release. In consideration of benefits provided by the Company, Individual, for Individual personally and Individual's representatives, heirs, executors, administrators, successors and assigns, fully, finally and forever releases and discharges the Company and its affiliates, as well as their respective successors, assigns, officers, owners, directors, agents, representatives, attorneys, and employees (all of whom are referred to throughout this Agreement as the "Released Parties"), of and from all claims, demands, actions, causes of action, suits, damages, losses, and expenses, of any and every nature whatsoever, individually or as part of a group action, known or unknown, as a result of actions or omissions occurring through the date Individual signs this Agreement. Specifically included in this waiver and release are, among other things, claims of unlawful discrimination, harassment, or failure to accommodate; claims related to terms and conditions of employment; claims for compensation or benefits; and/or claims for wrongful termination of employment, claims under Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Age Discrimination in Employment Act, the Older Workers' Benefit Protection Act, the National Labor Relations Act (NLRA), and the Pennsylvania Human Relations Act.

4. Agreement Not To Sue. Other than an action for breach of this Release Agreement or as otherwise provided in paragraphs 6 and 7, Individual expressly acknowledges that if Individual files any claim or lawsuit, or causes or aids any claim or arbitration to be filed on Individual's behalf, regarding any matter described in this Release Agreement, Employer may be entitled to recover

from Individual some or all money paid under this Release Agreement, plus attorneys' fees and costs incurred in defending against such action, to the extent permitted by law.

5. OWBPA, Advice of Counsel, Consideration and Revocation Periods, Other Information.

Individual understands and agrees that:

- i. Rights or claims under the Age Discrimination in Employment Act of 1967 (29 U.S.C. § 621, et seq.) are being waived, except as provided herein.
- ii. Individual has had the opportunity of a full 45 days within which to consider this Agreement and release provided herein before signing it, but may not sign before the Termination Date. (Consideration Period). If Individual has not taken the full Consideration Period before signing, Individual has done so knowingly and voluntarily, thereby expressly waiving this time period and agreeing not to assert the invalidity of this Agreement and the general release above. Individual agrees with the Company that changes, whether material or immaterial, do not restart the running of the Consideration Period.
- iii. Individual has carefully read and fully understands all of the provisions of this Agreement and general release provided herein and is knowingly and voluntarily agreeing to be legally bound by all of the terms set forth in this Agreement. Any modification or alteration of any terms of this Agreement by Individual voids this Agreement in its entirety.
- iv. Individual is, through this Agreement and the general release provided herein, releasing the Released Parties from any and all claims Individual may have against the Company or such individuals.
- v. Individual is hereby advised in writing to consider the terms of this Agreement and the general release provided herein and consult with an attorney of Individual's choice prior to signing this Agreement.
- vi. Individual has a full 7 days following the execution of this Agreement to revoke this Agreement and the general release provided herein, and has been and hereby is advised in writing that this Agreement and general release shall not become effective or enforceable until the revocation period has expired. (The Revocation Period). Revocation of this Agreement and the general release provided herein must be made in writing and must be received by Ocwen Financial Corporation, no later than close of business on the seventh full day after the execution of this Agreement and General Release. If the Revocation period expires on a weekend or holiday, Individual will have until the end of the next business day to revoke. This Agreement will become effective on the eighth day after Individual signs this Agreement provided Individual does not revoke this Agreement (Effective Date).
- vii. Individual understands that rights or claims under the Age Discrimination in Employment Act of 1967 (29 U.S.C. § 621, et seq.) that may arise after the date this Agreement and General Release is signed are not waived.

viii. The Company advises Individual to consult with an attorney prior to signing this Agreement.

ix. Individual must return this signed Agreement to the Company's representative identified below within the Consideration Period but not prior to the Termination Date. If Individual signs and returns this Agreement before the end of the Consideration Period, it is because Individual freely chose to do so after carefully considering its terms.

6. No Interference with Rights. Nothing in this Agreement is intended to waive claims (i) for unemployment or workers' compensation benefits; (ii) for vested rights under ERISA-covered employee benefit plans as applicable on the date Individual signs this Agreement; (iii) that may arise after Individual signs this Agreement; (iv) for reimbursement of expenses under the Company's expense reimbursement policies; or (v) which cannot be released by private agreement. In addition, nothing in this Agreement including but not limited to the acknowledgments, release of claims, proprietary information, confidentiality, cooperation, and non-disparagement provisions, (i) limits or affects Individual's right to challenge the validity of this Agreement under the ADEA or the OWBPA, (ii) prevents Individual from filing a charge or complaint with or from participating in an investigation or proceeding conducted by the Equal Employment Opportunity Commission, the Occupational Safety and Health Administration, National Labor Relations Board, the Securities and Exchange Commission, or any other any federal, state or local agency charged with the enforcement of any laws, including providing documents or any other information, without notice to the Company or (iii) limits Individual from exercising rights under Section 7 of the NLRA to engage in protected, concerted activity with other employees, although by signing this Agreement Individual is waiving rights to individual relief (including backpay, frontpay, reinstatement or other legal or equitable relief) in any charge, complaint, or lawsuit or other proceeding brought by Individual or on Individual's behalf by any third party, except for any right Individual may have to

receive a payment from a government agency (and not the Company) for information provided to the government agency.

7. Federal Defend Trade Secrets Act. Notwithstanding the confidentiality and non-disclosure obligations in this Release and otherwise, Individual understands that as provided by the Federal Defend Trade Secrets Act, Individual will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret made: (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (2) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

8. Executive Cooperation. Individual shall reasonably cooperate with Ocwen in connection with: (a) any internal or governmental investigation or administrative, regulatory, arbitral or judicial proceeding involving Ocwen with respect to matters relating to Individual's employment with Ocwen (collectively, "Litigation"); (b) any audit of the financial statements of Ocwen with respect to the period of time when Individual was employed by or provided services to Ocwen ("Audit"); and (c) providing such other occasional advice, assistance and consultation as Ocwen may reasonably request from time to time on matters with which Individual was familiar and/or about which Individual acquired knowledge, expertise and/or experience during the time that Individual was employed by Ocwen to help ensure a smooth transition of his position; provided that such cooperation does not unreasonably interfere with Individual's then-current professional or personal commitments. Individual acknowledges that such cooperation may include, but shall not be limited to, Individual making himself available to Ocwen (or their respective attorneys or auditors) upon reasonable notice for: (i) interviews, factual investigations, and providing declarations or affidavits that provide truthful information in connection with any Litigation or Audit; (ii) appearing at the

request of Ocwen to give truthful testimony without requiring service of a subpoena or other legal process; (iii) volunteering to Ocwen pertinent information related to any Litigation or Audit; and (iv) turning over to Ocwen any documents relevant to any Litigation or Audit that are or may come into Individual's possession. Notwithstanding anything to the contrary, Individual will have no obligation to act against his own legal or financial interests or to forgo any constitutional rights (including, but not limited to, in connection with any regulatory investigation), and this Section 8 will not affect his Indemnification Rights. Ocwen and agrees to reimburse Individual for his actual and reasonable expenses in performing any services pursuant to this Section 8 that are requested by Ocwen, provided that Individual promptly submits such expenses for reimbursement along with reasonable and customary supporting documentation for the same. Any such reimbursement shall be paid promptly after receipt by Ocwen of such materials from Individual, and in all events not later than the end of the calendar year following the calendar year in which Individual incurred the related expenses.

9. Company Property and Confidential Proprietary Information. Individual further agrees and covenants that Individual has not and will not remove from the Company premises any item belonging to the Company and its affiliates, including office equipment, files, business records or correspondence, customer lists, computer data and proprietary or confidential information ("Information") and that Individual has not and will not disclose or use any Information and/or trade secrets of the Company and its affiliates. To the extent individual has Information in his possession, Individual agrees to return to the Company prior to the Termination Date all confidential and proprietary information and all other Company property, as well as all copies or excerpts of any property, files or documents obtained as a result of employment with the Company, except those items that the Company specifically agrees in writing to permit Individual to retain. Individual

agrees to keep all such information confidential and not disclose or use the Information for any purpose, or divulge or disclose that Information to any person other than employees of the Company, except as compelled by legal process or pursuant to paragraph 6 and 7 of this Agreement. In addition, Individual reaffirms his obligations pursuant to the Intellectual Property Agreement signed by him.

10. Post-Employment Restrictions. Individual acknowledges that during his time of employment he was provided access to confidential information and Company's clients, customers and others with whom the Company has formed valuable business arrangements. Individual agrees that he will not:

- (i) For a period of two **(2)** years following the date of this Agreement take any action that would interfere with, diminish or impair the valuable relationships that the Company has with its clients, customers and others with which the Company has business relationships or to which services are rendered;
- (ii) Recruit or otherwise solicit for employment or induce to terminate the Company's employment of or consultancy with, any person (natural or otherwise) who is or becomes an employee or consultant of the Company, or hire any such employee or consultant who has left the employ of the Company within one **(1)** year after the termination or expiration of such employee's or consultant's employment with the Company, as the case may be; or
- (iii) Assist with others engaging in any of the foregoing.

11. Confidentiality of Agreement Terms. Individual shall not, either directly or indirectly, disclose, discuss or communicate to any entity or person, except his attorney and/or his spouse, any information whatsoever regarding the existence or the terms of this Agreement, its nature or scope

or the negotiations leading to it, unless he is compelled to disclose such information pursuant to legal process, and only then after reasonable notice to the Company. Individual shall be responsible for assuring that his spouse complies with the nondisclosure commitments of this section. A breach by Individual's spouse will be considered a breach by Individual.

12. Non-Disparagement. Individual agrees not to make statements to clients, customers and suppliers of the Released Parties or to other members of the public that are in any way disparaging or negative towards the Released Parties or their products and services.

13. Subpoena. Except as provided in paragraphs 6 and 7, Individual further agrees not to testify for, appear on behalf of, or otherwise assist in any way any individual or company in any claim against Ocwen, except, unless and only pursuant to a lawful subpoena or other legal process issued to Individual. If such a subpoena is issued, Individual will immediately notify Ocwen's Legal Department and provide it with a copy of the subpoena, unless the subpoena reflects that Ocwen has already received a copy.

14. Action for Breach. Violation of any provision of this Agreement by Individual will subject Individual to an action for breach of this Agreement, and an action to obtain reimbursement of all monies paid pursuant to Paragraph 12 of this Agreement.

15. Choice of Law, Jurisdiction and Venue and Jury Waiver. It is the intention of the parties hereto that all questions with respect to the construction of this Agreement and the rights and liabilities of the parties hereunder shall be determined in accordance with the laws of the Commonwealth of Pennsylvania, without regard to conflict of law principles. Any dispute with respect to this Agreement or Individual's employment with the Company shall be decided in the state or federal courts located in Montgomery County, PA. The parties hereby consent and agree to the exclusive jurisdiction of the courts of the Commonwealth of Pennsylvania sitting in

Montgomery County, PA, or the corresponding United States District Court for that county, as well as to the jurisdiction of all courts from which an appeal may be taken from the aforesaid courts, for the purpose of any suit, action or other proceeding arising out of this Agreement or relating to Individual's employment. The parties further expressly waive any and all objections they may have to venue in any such courts. The parties knowingly and voluntarily waive any right which either or both of them shall have to receive a trial by jury with respect to any claims, controversies or disputes which arise out of or relate to this Agreement or Individual's employment with the Company.

16. Agreement of the Parties And Other Acknowledgements. The parties agree that this Agreement sets forth all the promises and agreements between them and supersedes all prior and contemporaneous agreements, understandings, inducements or conditions, express or implied, oral or written, except as contained herein. Notwithstanding any term contained herein, Individual acknowledges and reaffirms his obligations in the Employee Intellectual Property Agreement (attached hereto) and understands that those obligations remain effective following his separation from the Company.

Both parties acknowledge that they have had the opportunity to freely consult, if they so desire, with attorneys of their own choosing prior to signing this document regarding the contents and consequences of this document. The parties understand that the payment and other matters agreed to herein are not to be construed as an admission of or evidence of liability for any violation of the law, willful or otherwise, by any person or entity.

Individual fully understands the terms and contents of this Agreement and voluntarily, knowingly, and without coercion enters into this Agreement.

The Parties acknowledge that this Agreement is deemed to have been drafted jointly by the parties and, in the event of a dispute, shall not be construed in favor of or against any party by reason of such party's contribution to the drafting of the Agreement.

17. No Admission of Liability. Nothing in this Release Agreement shall be construed to be an admission of liability by the Company or the Released Parties for any alleged violation of any of Individual's statutory rights or any common law duty imposed upon Company.

18. Successors and Assigns. Except as otherwise provided in specific provisions above, this Release Agreement shall be binding upon and inure to the benefit of Individual, Individual's spouse, Individual's heirs, executors, administrators, designated beneficiaries and upon anyone claiming under Individual or Individual's spouse, and shall be binding upon and inure to the benefit of the Company, and its successors and assigns. Individual warrants and represents that, except as provided herein, no right, claim, cause of action or demand, or any part thereof, which Individual may have arising out of or in any way related to Individual's employment with the Company, has been or will be assigned, granted or transferred in any way to any other person, entity, firm or corporation, in any manner, including by subrogation or by operation of marital property rights.

19. Exemption from § 409A of the Internal Revenue Code of 1986, as amended (the "Code"). All payments due under this Release Agreement will be paid no later than March 31, 2020. It is the intent of the Parties that all such payments are to be considered to be short-term deferrals to which Code Section 409A is not applicable by reason of Treasury Regulation Section 1.409A-1(b)(4).

21. Counterparts and Facsimiles. This Agreement may be executed, including execution by facsimile signature, in multiple counterparts, each of which will be deemed an original, and all of which together will be deemed to be one and the same instrument.

By: /s/ Catherine M. Dondzila By: /s/ Karen E. Smith

Catherine M. Dondzila Ocwen Financial Corporation, Human Resources

IN WITNESS WHEREOF,

THE PARTIES HAVE READ AND FULLY CONSIDERED THIS AGREEMENT AND GENERAL RELEASE AND ARE MUTUALLY DESIROUS OF ENTERING INTO SUCH AGREEMENT AND GENERAL RELEASE.

INDIVIDUAL UNDERSTANDS THAT THIS DOCUMENT SETTLES, BARS AND WAIVES ANY AND ALL CLAIMS INDIVIDUAL HAD OR MIGHT HAVE AGAINST OCWEN UP THROUGH THE EFFECTIVE DATE OF THIS RELEASE; AND INDIVIDUAL ACKNOWLEDGES THAT HE OR SHE IS NOT RELYING ON ANY OTHER REPRESENTATIONS, WRITTEN OR ORAL, NOT SET FORTH IN THIS DOCUMENT. HAVING ELECTED TO EXECUTE THIS AGREEMENT AND GENERAL RELEASE, TO FULFILL THE PROMISES SET FORTH HEREIN, AND TO RECEIVE THEREBY THE SUMS AND BENEFITS SET FORTH ABOVE, INDIVIDUAL FREELY AND KNOWINGLY, AND AFTER DUE CONSIDERATION, ENTERS INTO THIS AGREEMENT AND GENERAL RELEASE.

IF THIS DOCUMENT IS RETURNED EARLIER THAN [21 OR 45] DAYS, THEN INDIVIDUAL ADDITIONALLY ACKNOWLEDGES AND WARRANTS THAT JHE OR SHE HAS VOLUNTARILY AND KNOWINGLY WAIVED THE [21 OR 45] DAY REVIEW PERIOD, AND THIS DECISION TO ACCEPT A SHORTENED PERIOD OF TIME IS NOT INDUCED BY

OCWEN THROUGH FRAUD, MISREPRESENTATION, A THREAT TO WITHDRAW OR ALTER THE OFFER PRIOR TO THE EXPIRATION OF THE 45 DAYS, OR BY PROVIDING DIFFERENT TERMS TO INDIVIDUALS WHO SIGN RELEASES PRIOR TO THE EXPIRATION OF SUCH TIME PERIOD. INDIVIDUAL, HAVING READ THE FOREGOING RELEASE, UNDERSTANDING ITS CONTENT AND HAVING HAD AN OPPORTUNITY TO CONSULT WITH COUNSEL OF MY CHOICE, DO HEREBY KNOWINGLY AND VOLUNTARILY SIGN THIS AGREEMENT, THEREBY WAIVING AND RELEASING MY CLAIMS, ON June 19, 2019.

/s/ Catherine M. Dondzila
Individual

OCWEN FINANCIAL CORPORATION

By: /s/ Karen E. Smith
Human Resources

Summary of Modification of Relocation Assistance Terms Provided under Offer Letter Between Glen Messina and Ocwen Financial Corporation (“Company”) dated April 17, 2018

Pursuant to the Offer Letter, the Company agreed to offer Mr. Messina reimbursement for commuting expenses incurred prior to August 15, 2019 and home sale assistance provided by a relocation services company, including a guaranteed offer program. The Company’s total cost for reimbursement for costs and expenses relating to Mr. Messina’s relocation (including under the guaranteed offer program but excluding the cost of the temporary commuting) would be limited to \$500,000. Effective April 11, 2019, following changes in the terms of the guaranteed offer program provided by the relocation services company, Mr. Messina agreed to forgo the services of the relocation services company and assume all costs and responsibilities for his relocation, including the sale of his home. In exchange, Mr. Messina received a lump-sum amount equal to the difference between the \$500,000 limit on relocation expenses outlined in the Offer Letter and the amount he had been reimbursed to-date under the relocation program (excluding commuting expenses as described above). In addition, the Company agreed to extend reimbursement for Mr. Messina’s commuting expenses through December 31, 2019. Mr. Messina agreed that in the event he resigns from his position within one year of receipt of the lump sum payment, he will be required to reimburse the Company for all amounts paid, a total of \$500,000.

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY [*], HAS BEEN OMITTED BECAUSE IT IS BOTH (i) NOT MATERIAL AND (ii) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED**

EXECUTION VERSION

AMENDED AND RESTATED FLOW MORTGAGE LOAN SUBSERVICING AGREEMENT

NEW RESIDENTIAL MORTGAGE LLC
as the Servicing Rights Owner

and

PHH MORTGAGE CORPORATION
as the Subservicer

Dated: March 29, 2019

Agency and Private Label Servicing

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY [*], HAS BEEN OMITTED BECAUSE IT IS BOTH (i) NOT MATERIAL AND (ii) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED**

EXECUTION VERSION

TABLE OF CONTENTS

| | <u>Page</u> |
|---------------|--|
| ARTICLE I | DEFINITIONS 1 |
| ARTICLE II | ENGAGEMENT FOR SERVICING OF MORTGAGE LOANS; POSSESSION OF MORTGAGE FILES; BOOKS AND RECORDS; DELIVERY OF MORTGAGE LOAN DOCUMENTS 18 |
| Section 2.1. | Engagement For Servicing of Mortgage Loans 18 |
| Section 2.2. | Maintenance of Mortgage Files 18 |
| Section 2.3. | Delivery of Mortgage Loan Documents 19 |
| Section 2.4. | Transfer of Mortgage Loans; Reconstitutions 19 |
| Section 2.5. | Obligations of Servicing Rights Owner Prior to a related Original Effective Date 20 |
| Section 2.6. | Transfer of Servicing 23 |
| Section 2.7. | Subservicer to Service in Compliance with Applicable Requirements 23 |
| Section 2.8. | Procedures, Servicing Rights Owner Change Requests and Servicing Cost Increase 29 |
| Section 2.9. | Management of REO Properties 33 |
| Section 2.10. | Engagement of Contractors 33 |
| Section 2.11. | Establishment and Maintenance of Custodial and Escrow Accounts 38 |
| Section 2.12. | Other Services 40 |
| Section 2.13. | Service Level Agreements 43 |
| Section 2.14. | Accounting, Reporting and Remittances 44 |
| Section 2.15. | Delinquency Control 48 |
| Section 2.16. | Books and Records; Access to Facilities 50 |
| Section 2.17. | Insurance 56 |
| Section 2.18. | Advances 56 |
| Section 2.19. | Solicitation 60 |
| Section 2.20. | HAMP 61 |
| Section 2.21. | [Reserved] 61 |
| Section 2.22. | Pending and Completed Loss Mitigation 61 |

| | | |
|---------------|---|----|
| Section 2.23. | Disaster Recovery Plan | 62 |
| Section 2.24. | Subservicer Performance Standards | 63 |
| Section 2.25. | Sanction Lists; Suspicious Activity Reports | 64 |
| Section 2.26. | Litigation Management | 65 |
| Section 2.27. | Resolution of Disputes and Monetary Errors | 65 |
| Section 2.28. | Financial Covenants and Information; Covenant Compliance Reporting; [***] | 66 |
| Section 2.29. | Due Date of Payments; Penalties | 66 |
| Section 2.30. | PMI Litigation | 67 |
| Section 2.31. | Power of Attorney | 67 |
| Section 2.32. | DFS Consent Order | 68 |
| ARTICLE III | REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE SERVICING RIGHTS OWNER | 68 |
| Section 3.1. | Authority | 68 |
| Section 3.2. | Consents | 69 |
| Section 3.3. | Litigation | 69 |
| Section 3.4. | Broker Fees | 69 |
| Section 3.5. | Ownership | 69 |
| Section 3.6. | Ability to Perform | 69 |
| Section 3.7. | Accuracy of Information | 69 |
| ARTICLE IV | REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE SUBSERVICER | 70 |
| Section 4.1. | Good Standing | 70 |
| Section 4.2. | Authority | 70 |
| Section 4.3. | Consents | 70 |
| Section 4.4. | Litigation | 70 |
| Section 4.5. | Accuracy of Information | 71 |
| Section 4.6. | Broker Fees | 71 |
| Section 4.7. | MERS | 71 |
| Section 4.8. | Ability to Perform | 71 |
| Section 4.9. | HAMP | 71 |
| Section 4.10. | Eligibility under the Servicing Agreements | 71 |
| Section 4.11. | Advances | 71 |

| | | |
|---------------|--|-------------|
| Section 4.12. | [***] 72 | |
| ARTICLE V | SERVICING COMPENSATION 72 | |
| Section 5.1. | Servicing Compensation 72 | |
| ARTICLE VI | TERM AND TERMINATION 73 | |
| Section 6.1. | Term 73 | |
| Section 6.2. | Successor to Subservicer; Requirements and Effect of Termination; Servicing Transfers 73 | |
| Section 6.3. | Payment Obligations upon Termination and Transfer of Servicing 74 | |
| ARTICLE VII | DEFAULT 75 | |
| Section 7.1. | Events of Default 75 | |
| Section 7.2. | Waiver of Default 77 | |
| ARTICLE VIII | INDEPENDENCE OF PARTIES; INDEMNIFICATION | |
| | | SURVIVAL 78 |
| Section 8.1. | Indemnification; Third Party Claim 78 | |
| Section 8.2. | Indemnification Procedures 79 | |
| Section 8.3. | Limitation on Liability of Subservicer and Others 80 | |
| Section 8.4. | Independence of Parties; Average Third-Party Mark Payment80 | |
| Section 8.5. | Mitigation 81 | |
| Section 8.6. | Reserved 81 | |
| Section 8.7. | Limitation of Damages 81 | |
| Section 8.8. | Servicing Rights Owner’s Direction 81 | |
| ARTICLE IX | MISCELLANEOUS 82 | |
| Section 9.1. | Entire Agreement 82 | |
| Section 9.2. | [Reserved] 82 | |
| Section 9.1. | Severability of Provisions 82 | |
| Section 9.2. | Governing Law; Jurisdiction 82 | |
| Section 9.3. | Waiver of Jury Trial 83 | |
| Section 9.4. | Notices 83 | |
| Section 9.5. | Schedules and Exhibits 83 | |
| Section 9.6. | General Interpretive Principles 83 | |
| Section 9.7. | Assignment; Waivers and Amendments 84 | |

| | |
|---------------|--|
| Section 9.8. | Captions 84 |
| Section 9.9. | Counterparts 84 |
| Section 9.10. | Force Majeure 85 |
| Section 9.11. | Confidentiality; Security 85 |
| Section 9.12. | Further Assurances 87 |
| Section 9.13. | Publicity 87 |
| Section 9.14. | Executory Contract 87 |
| Section 9.15. | [Reserved] 88 |
| Section 9.16. | Restrictions of Notices; Information and Disclosure 88 |

EXHIBITS

| | |
|-------------|--|
| EXHIBIT A | Form of Acknowledgment Agreement |
| EXHIBIT B-1 | Critical Vendors |
| EXHIBIT B-2 | [Reserved.] |
| EXHIBIT C | MSR Portfolio Defense Addendum |
| EXHIBIT D | [Reserved.] |
| EXHIBIT E | Contents of Each Mortgage File |
| EXHIBIT F | [Reserved.] |
| EXHIBIT G | List of Servicing Reports |
| EXHIBIT H | Formatted Servicing Reports |
| EXHIBIT I | [***] |
| EXHIBIT J | Form of Monthly Financial Covenant Certification |
| EXHIBIT K | [Reserved.] |
| EXHIBIT L | Advance Policy |
| EXHIBIT M | [Reserved.] |
| EXHIBIT N | Form of Limited Power of Attorney |
| EXHIBIT O | Client Management Protocols |
| EXHIBIT P | [Reserved.] |
| EXHIBIT Q | Level of Disclosure Schedule |
| EXHIBIT R | Service Level Agreements |
| EXHIBIT S | Form of Quarterly Report |

SCHEDULES

| | |
|------------------|--------------------------------------|
| Schedule 2.7(h) | Back-up Servicing Reports |
| Schedule 2.18(f) | Advance Dispute Resolution Mechanics |
| Schedule A | Fee Schedule |
| Schedule B | Reconciliation Report |

SUBSERVICING AGREEMENT

THIS AMENDED AND RESTATED FLOW MORTGAGE LOAN SUBSERVICING AGREEMENT (this “Agreement”), dated as of March 29, 2019, (the “Effective Date”), is by and between NEW RESIDENTIAL MORTGAGE LLC, as Servicing Rights Owner (the “Servicing Rights Owner”), and PHH MORTGAGE CORPORATION, as Subservicer (the “Subservicer”).

RECITALS

WHEREAS, from time to time Servicing Rights Owner desires to engage Subservicer as sub-servicer for portfolios of residential mortgage loans in which the related Servicing Rights are owned by Servicing Rights Owner;

WHEREAS, Subservicer and Servicing Rights Owner have agreed that Subservicer shall subservice certain of the mortgage loans on behalf of Servicing Rights Owner commencing on the related Original Effective Date in accordance with the terms and provisions of this Agreement;

WHEREAS, the Servicing Rights Owner and the Subservicer previously entered into that certain Flow Mortgage Loan Subservicing Agreement, dated as of December 28, 2016 (the "Original Agreement");

WHEREAS, the parties wish to amend and restate the Original Agreement;

NOW, THEREFORE, in consideration of the mutual recitals, promises and covenants set forth herein, and other good and valuable consideration herein receipted for, but not herein recited, the receipt of which is hereby acknowledged, the parties hereto agree and covenant as follows:

ARTICLE I DEFINITIONS

Whenever used in this Agreement, the following words and phrases, unless the context otherwise requires, shall have the following meanings specified in this Article I:

Acknowledgment Agreement: The document substantially in the form attached hereto as Exhibit A, to be executed by the Servicing Rights Owner and the Subservicer prior to each Servicing Transfer Date with respect to Subservicing any Mortgage Loans identified on the schedule attached thereto pursuant to this Agreement.

Advance Policy: The policies and procedures set forth on Exhibit L that the Subservicer shall be required to follow in connection with making new P&I Advances and Servicing Advances after the Servicing Transfer Date and seeking recovery of P&I Advances and Servicing Advances, which policies and procedures may be modified by the Servicing Rights Owner pursuant to Section 2.8 hereof.

Advance Reimbursement Date: Each date from which the Servicing Rights Owner paid and/or reimbursed the Subservicer for any Servicing Advances, in each case, pursuant to the terms of this Agreement.

Affiliate: (i) With respect to Subservicer, Corporate Parent, OMS, Homeward Residential Holdings, Inc., Homeward Residential Inc. and the direct or indirect wholly-owned subsidiaries of Subservicer and the direct or indirect subsidiaries of Corporate Parent involved in forward mortgage servicing, forward mortgage lending or related ancillary services and (ii) with respect to the Servicing Rights Owner, HLSS, MSR-EBO, NRM, New Residential Investment Corp. and the direct or indirect wholly-owned subsidiaries of New Residential Investment Corp.

Agency: Each of Fannie Mae, Freddie Mac and Ginnie Mae, as applicable.

Agency Guidelines: The Fannie Mae Guide, Freddie Mac Guide or Ginnie Mae Guide, as applicable, as such Agency Guidelines may be modified or waived by the applicable Agency with respect to the Subservicer from time to time or enacted subsequent to the date of this Agreement, and any other applicable agreements, rules, regulations, directives, announcements, bulletins and instructions of the applicable Agency relating to the servicing or subservicing of residential mortgage loans.

Agency Loan: Any fixed or adjustable rate mortgage loan sold to an Agency.

Agreement: This Agreement as the same may be amended from time to time by the Servicing Rights Owner and the Subservicer.

Ancillary Fees: All income derived from the Mortgage Loans (other than the Float Benefit, payments of principal, interest, prepayment premiums, escrow payments, servicing fees and Servicing Fees), including, but not limited to, late payment charges, charges for dishonored checks, pay-off fees, assumption fees, conversion fees, conversion fees, subordination fees, wire transfer fees, reinstatement fees, lien release fees, reconveyance fees, payoff quote fees, pay by phone fees and such similar fees and charges, in any case to the extent not exceeding or violating any applicable amounts or limitations under Applicable Requirements.

AP Modifications: As defined in Section 2.8.

Applicable Requirements: As to any Mortgage Loan as of the time of reference with respect to the applicable capacity of Servicing Rights Owner, whether as master servicer, primary servicer or subservicer, (i) all contractual obligations of the Subservicer or the Servicing Rights Owner as servicer with respect to the Mortgage Loans and/or the Servicing Rights, including without limitation those contractual obligations contained in this Agreement, the Servicing Agreements, any agreement with any Insurer, Investor or other Person or in the Mortgage Loan Documents; (ii) all federal, state and local legal and regulatory requirements (including, without limitation, laws, statutes, rules, regulations and ordinances) applicable to the Subservicer, the Servicing Rights Owner, the Servicing Rights or the Subservicing thereof, including without limitation the Vendor Oversight

Guidance, the applicable requirements and guidelines of any Investor or Insurer, the CFPB, or any other Governmental Authority; (iii) all other judicial and administrative judgments, orders, stipulations, directives, consent decrees, awards, writs and injunctions applicable to the Subservicer, the Servicing Rights Owner, the Servicing Rights or the Mortgage Loans, (iv) the terms of the related Mortgage Instruments and Mortgage Notes, (v) the applicable Governmental Entity Guidelines with respect to any Mortgage Loan solely to the extent necessary to maintain or collect on insurance or guaranty from FHA, VA or USDA and (vi) the applicable Agency Guidelines.

Approved Party: As defined in Section 2.8.

Approved Third-Party Appraisers: The following parties and any other residential mortgage servicing appraisal service provider agreed upon by Servicing Rights Owner and the Subservicer as an "Approved Third-Party Appraiser" for purposes of this Agreement: [***] or any successors thereto, unless either party hereto provides written notice to the other party of its disapproval of such successor.

Average Third Party Mark: In respect of any Servicing Rights, the average of two appraisals from two Approved Third-Party Appraisers engaged by the Servicing Rights Owner pursuant to Section 8.4. If any particular appraisal is a range of values, then such appraisal shall be the mean of such range of values for purpose of this definition.

Average Third Party Mark Payment: As defined in Section 8.4.

Bankruptcy Code: As defined in Section 9.14.

BCP: As defined in Section 2.23.

Business Day: Any day other than (a) a Saturday or Sunday, (b) a day on which banking institutions in the States of New York, California, Florida, Iowa, New Jersey or Texas or the Commonwealth of Pennsylvania are authorized or obligated by law or by executive order to be closed, (c) a day that is not a business day as provided in the applicable Servicing Agreement or (d) such other days as agreed upon by the parties in writing.

CFPB: The Consumer Financial Protection Bureau, an independent federal agency operating as part of the United States Federal Reserve System.

Change Notice: As defined in Section 2.8(e).

Change of Control: With respect to the Subservicer, shall mean (i) any transaction or event as a result of which the Corporate Parent ceases to own, directly or indirectly, at least 51% of the stock of Subservicer; (ii) the sale, transfer, or other disposition of all or substantially all of Subservicer's assets (excluding any such action taken in connection with any securitization transaction or routine sales of mortgage loans); or (iii) the consummation of a merger or consolidation of Subservicer with or into another entity or any other corporate reorganization, if more than 50% of the combined voting power of the continuing or surviving entity's equity outstanding immediately after such merger, consolidation or such other reorganization is owned by persons who were not equityholders of the Subservicer immediately prior to such merger, consolidation or other reorganization. With respect to the Corporate Parent, shall mean (i) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Original Effective Date) is or shall become the "beneficial owner" (as defined in Rules 13(d)-3 and 13(d)-5 under the Exchange Act as in effect on the Original Effective Date), directly or indirectly, of (A) more than 50% on a fully diluted basis of the voting interests in the Corporate Parent's Equity Interests or (B) 25% or more on a fully diluted basis of the voting interests in the PHH Parent's Equity Interests, to the extent that such "person" or "group" (y) is identified on the then most recent list (as of the time of such "person" or "group" becoming such a beneficial owner) of up to five (5) competitors of the Servicing Rights Owner provided in writing by the Servicing Rights Owner to the Subservicer no later than the initial Sale Date, which list may be updated semi-annually in writing by the Servicing Rights Owner during the months of June and December (commencing with June 2017) and (z) has at least two (2) representatives on the Board of Directors of Ocwen Financial Corporation, or (ii) if at any time, individuals who on the date hereof constituted the Board of Directors of Ocwen Financial Corporation (together with any directors whose election by such Board of Directors or whose nomination for election by the shareholders of Ocwen Financial Corporation after the date hereof, as the case may be, was approved by a vote of the majority of the directors then still in office who were either directors on the date hereof or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of Ocwen Financial Corporation then in office.

Change Request: As defined in Section 2.8(b).

Charged-off Loans: Any Mortgage Loans that have been charged off in accordance with Applicable Requirements and Servicing Procedures.

Claim: Any claim, demand or litigation related to the Mortgage Loans, the Subservicing, the Servicing Rights or this Agreement.

Commission: The United States Securities and Exchange Commission.

Compensating Interest: Amounts required to be paid to the applicable Investor pursuant to the applicable Servicing Agreement for shortfalls in interest payments, if any, in connection with respect to principal prepayments or shortfalls (which shortfalls are not attributable to the failure of the Subservicer to service in accordance with Applicable Requirements), if any.

Compensatory Fees: Any compensatory fees, fines, penalties or other monies assessed by any Agency or Governmental Entity for failure to adhere to the applicable Governmental Entity Guidelines or Agency Guidelines in servicing the Mortgage Loans, including without limitation applicable foreclosure, reporting and remitting timelines.

Confidential Information: Any and all information regarding the transactions contemplated by this Agreement, Consumer Information, the proprietary, confidential and non-public information or material relating to the business (including business practices) of the Disclosing Party (as defined in Section 9.11) (or the Disclosing Party's clients and investors), information regarding the financial condition, operations and prospects of the Disclosing Party, and any other information that is disclosed to one party by or on behalf of the other party or any of their respective Affiliates or representatives, either directly or indirectly, in writing, orally or by drawings or by permitting inspection of documents or other tangible expression, whether exchanged before or after the date of this Agreement, and contained in any medium, which the Disclosing Party considers to be non-public, proprietary or confidential. Confidential Information includes (but is not limited to) all (a) information relating to HLSS and MSR-EBO's interest in the Rights to MSRs and/or Excess Servicing Fee (each as defined in the New RMSR Agreement) or the amount, characteristics or performance of the Mortgage Loans or any economic or noneconomic terms of this Agreement; (b) information relating to research and development, discoveries, formulae, inventions, policies, guidelines, displays, specifications, drawings, codes, concepts, practices, improvements, processes, know-how, patents, copyrights, trademarks, trade names, trade secrets, and any application for any patent, copyright or trademark; and (c) descriptions, financial and statistical data, business plans, data, pricing, reports, business processes, recommendations, accounting information, identity of suppliers, business relationships, personnel information, technical specifications, computer hardware or software, information systems, customer lists, costs, product concepts and features, corporate assessments strategic plans, services, formation of investment strategies and policies, other plans, or proposals, and all information encompassed in the foregoing. Information relating to the Disclosing Party's consultants, employees, clients, investors, customers, members, vendors, research and development, software, financial condition or marketing plans is also considered Confidential Information.

Confidentiality Agreement: That certain Confidentiality Agreement, dated as of May 5, 2015, by and between New Residential Investment Corp. and OLS.

Consumer Information: Any personally identifiable information relating to a Mortgagor which is considered "nonpublic personal information" of "customers" or "consumers" as those terms are defined in the GLBA.

Corporate Parent: Ocwen Financial Corporation, or any successor thereto.

Critical Report: The reports (other than the Servicing Rights Owner Regulatory Reports) identified as such on Exhibit B-1 attached hereto which the Subservicer is required hereunder to deliver to the Servicing Rights Owner, which report list shall be amended from time to time upon mutual agreement of the Subservicer and Servicing Rights Owner.

Critical Vendor: As defined in Section 2.10(a).

Custodial Account: With respect to each Investor, the accounts created and maintained at a Qualified Depository designated by the Servicing Rights Owner in which Custodial Funds for the related Mortgage Loans are deposited and held in the name of the Servicing Rights Owner to the extent not prohibited by the applicable Servicing Agreement.

Custodial Funds: All funds held by or on behalf of the Subservicer with respect to the Mortgage Loans, including, but not limited to, all principal and interest funds and any other funds due Investors, buydown funds maintained by or on behalf of the Subservicer relating to the Mortgage Loans, exclusive of Escrow Payments.

Custodian: With respect to each Mortgage Loan, the document custodian designated by the Servicing Rights Owner (to the extent permitted in the applicable Servicing Agreement) or the applicable Investor to act as custodian of the Mortgage Loan Documents for such Mortgage Loan.

Deboarding Fee: To the extent payable under this Agreement, a fee in the amount set forth on Schedule A payable to Subservicer in connection with the transfer of the servicing of a Mortgage Loan from Subservicer to a successor servicer at the direction of Servicing Rights Owner.

Default Firms: Shall have the meaning assigned to such term in Section 2.10(d).

Delinquency or Delinquent: With respect to any Mortgage Loan, the Mortgage Loan that would be considered one month or more delinquent following the MBA Methodology.

Directed Provider: As defined in Section 2.8(g).

DFS Consent Order: The Consent Order, dated November 9, 2016, among the Subservicer, PHH Home Loans, LLC and NYDFS.

Disclosing Party: As defined in Section 9.11.

Depositor: The depositor, as such term is defined in Regulation AB, with respect to any securitization transaction.

Escrow Account: With respect to each Investor, a time deposit or demand account (in the name of the Servicing Rights Owner to the extent not prohibited by the applicable Servicing Agreement) created and maintained at a financial institution designated by the Servicing Rights Owner for the deposit of Escrow Payments and related disbursements, as required by the applicable Servicing Agreement.

Escrow Payments: The amounts required to be escrowed by the Mortgagor pursuant to any Mortgage Loan and held in Escrow Accounts pursuant to the Applicable Requirements (including interest accrued thereon for the benefit of the Mortgagors under the Mortgage Loans, if required by law or contract).

Event of Default: Any one of the conditions or circumstances enumerated in Section 7.1.

Equity Interests: With respect to any Person any and all shares, interests, rights to purchase, warrants, options, participation or other equivalents of or interest in (however designated) equity of such Person, including any common stock, preferred stock, any limited or general partnership interest and any limited liability company membership interest, as applicable; provided that, for the avoidance of doubt and without limitation, "Equity Interests" shall exclude the convertible notes and any other indebtedness convertible into or exchangeable for Equity Interests.

Exchange Act: The Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

Fannie Mae: The Federal National Mortgage Association, or any successor thereto.

Fannie Mae Guide: The Fannie Mae Single Family Servicing Guide, as amended, supplemented or otherwise modified from time to time.

FDIC: The Federal Deposit Insurance Corporation, or any successor thereto.

FHA: The Federal Housing Administration of the Department of Housing and Urban Development of the United States of America, or any successor.

FHA Regulations: Regulations promulgated by HUD under the National Housing Act, codified in Title 24 of the Code of Federal Regulations, and other HUD issuances relating to mortgage loans insured by the FHA.

Fidelity and Errors and Omissions Insurance: As defined in Section 2.17.

Float Benefit: All benefit (including interest or earnings) related to the Escrow Accounts (net of amounts due to the related Mortgagors under applicable law) and the Custodial Accounts, as applicable, with respect to the Mortgage Loans.

Formatted Servicing Report: As defined in Section 2.14(c).

Freddie Mac: The Federal Home Loan Mortgage Corporation, or any successor thereto.

Freddie Mac Guide: The Freddie Mac Single Family Servicing Guide, as amended, supplemented or otherwise modified from time to time.

Ginnie Mae: The Government National Mortgage Association, or any successor thereto.

Ginnie Mae Guide: The Ginnie Mae Mortgage Backed Securities (MBS) Guide, as amended, supplemented or otherwise modified from time to time.

GLBA: The Gramm-Leach-Bliley Act of 1999 as amended, modified, or supplemented from time to time, and any successor statute, and all rules and regulations issued or promulgated in connection therewith.

Governmental Authority: Any court, board, agency, State Agency, commission, office or other authority or quasi-governmental authority or self-regulatory organization of any nature whatsoever for any governmental unit (foreign, federal, state, county, district, municipal, city or otherwise) whether now or hereafter in existence.

Governmental Entity: Each of FHA, USDA and VA, as applicable.

Governmental Entity Guidelines: The FHA Regulations, USDA Regulations, or VA Regulations, as applicable, as such Governmental Entity Guidelines may be modified from time to time or enacted subsequent to the date of this Agreement, and any

other applicable agreements, rules, regulations, directives, announcements, bulletins and instructions of the applicable Governmental Entity relating to the servicing or subservicing of residential mortgage loans.

HAMP: The Home Affordable Modification Program implemented by the United States Department of Treasury pursuant to Section 101 and 109 of the Emergency Economic Stabilization Act of 2008, as the same may be amended or modified.

HELOC Loan: means a home equity line of credit subserviced by Subservicer on behalf of Servicing Rights Owner hereunder.

HELOC Loan Advance: means an advance of funds to or on behalf of a Mortgagor pursuant to a HELOC Loan.

HLSS: HLSS Holdings, LLC.

HUD: The United States Department of Housing and Urban Development, or any successor thereto.

Initial Mortgage Loans: The Mortgage Loans serviced hereunder as to which the related Servicing Rights were sold by Subservicer to Servicing Rights Owner under that certain Purchase Agreement.

Initial Response: As defined in Section 2.8(c).

Initial Response Backup: As defined in Section 2.8(c).

Initial Response Notice: As defined in Section 2.8(c).

In-process Loan Modification: A trial or permanent loan modification offered by the Subservicer or any prior servicer that was either accepted by the Mortgagor or for which the time for the Mortgagor to accept the offer has not expired and the offer has not been rejected. The term also means and includes (a) trial modifications in which the Subservicer or any prior servicer agreed to modify the payment terms of the Mortgage Loan unless the Subservicer or a prior servicer has clear written evidence that the Mortgagor has failed to perform under the trial loan modification terms and (b) modifications in which the Mortgagor completed making the trial payments, but the permanent modification was not inputted into the Subservicer or any prior servicer's system.

Insolvency Proceeding: With respect to any Person: (i) any case, action, or proceeding with respect to such Person before any Governmental Authority relating to bankruptcy, reorganization, insolvency, liquidation, receivership, dissolution, winding-up, or relief of debtors; or (ii) any general assignment for the benefit of creditors, composition, marshaling of assets for creditors, or other, similar arrangement in respect of the creditors generally of such Person or any substantial portion of such Person's creditors; in any case undertaken under federal, state or foreign law, including the Bankruptcy Code.

Insurer: FHA, VA, USDA or any private mortgage insurer, pool insurer and any insurer or guarantor under any standard hazard insurance policy, any federal flood insurance policy, any title insurance policy, any earthquake insurance policy or other insurance policy, and any successor thereto, with respect to the Mortgage Loan or the Mortgaged Property.

Investor: Any Agency, securitization trust, issuer or other owner of the Mortgage Loans for which the Servicing Rights Owner services such Mortgage Loans pursuant to a Servicing Agreement or, with respect to Mortgage Loans owned by the Servicing Rights Owner, the Servicing Rights Owner. For purposes of this Agreement, references to the Investor shall include a trustee, master servicer, securities administrator or other party acting on behalf of an Investor including an Agency.

Investor Guidelines: The Fannie Mae Guide, the Freddie Mac Guide or comparable servicing guidelines issued by the Federal Housing Administration, the VA or the USDA, (in each case, including but not limited to the applicable Mortgage Loan Investor manuals, handbooks, bulletins, circulars, announcements, issuances, releases, letters, correspondence and other instructions) any servicing agreement or Reconstitution Agreement, in each case to the extent applicable to any Mortgage Loan or REO Property.

Loss or Losses: Any and all losses, damages, deficiencies, Claims, liabilities, penalties, costs or expenses, including without limitation reasonable costs of investigation (solely to the extent such investigation is required to address a third party claim), attorneys' fees and disbursements.

Loss Mitigation: With respect to any Mortgage Loan, any modified or proposed payment arrangement, proposed, trial or permanent loan modification, In-process Loan Modification, forbearance plan, short sale, deed-in-lieu agreement, HAMP and any other non-foreclosure home retention or non-retention option offered by the Subservicer or any prior servicer that is made available to the Mortgagor by or through the Subservicer or any prior servicer, including any application or request of a Mortgagor for any of the foregoing. For avoidance of doubt, this definition shall apply only to Mortgage Loans in loss mitigation or where a loss mitigation application is pending.

MBA Methodology: A method of calculating delinquency of a Mortgage Loan based upon Mortgage Bankers Association method, under which method a Mortgage Loan is considered delinquent if the payment had not been received by the end of the day immediately preceding the Mortgage Loan's next due date (generally the last day of the month in which the payment was due). For

example, a Mortgage Loan with a due date of August 1, 2016, with no payment received by the close of business on August 31, 2016, would have been reported as delinquent on September 1, 2016.

Material Adverse Change: With respect to any Person, any material adverse change in the business, condition (financial or otherwise), or operations, of such Person.

Material Adverse Effect: With respect to the Subservicer (a) a Material Adverse Change with respect to the Subservicer or any of its Affiliates taken as a whole; (b) a material impairment of the ability of the Subservicer to perform under this Agreement; (c) a material adverse effect upon the legality, validity, binding effect or enforceability of this Agreement against the Subservicer; or (d) a material adverse effect upon the value or marketability of a material portion of the Servicing Rights related to the Mortgage Loans subserviced pursuant to this Agreement and subserviced or serviced pursuant to any NRZ Servicing/Subservicing Agreement, taken as a whole. With respect to the Servicing Rights related to the Mortgage Loans subserviced pursuant to this Agreement and subserviced or serviced pursuant to any NRZ Servicing/Subservicing Agreement, a material adverse effect (a) upon the value or marketability of a material portion of the Servicing Rights or (b) on the ability of the Subservicer to realize the full benefits of the Servicing Rights. With respect to the Servicing Rights Owner (a) a Material Adverse Change with respect to the Servicing Rights Owner or any of its Affiliates taken as a whole; (b) a material impairment of the ability of the Servicing Rights Owner to perform under this Agreement, or to avoid any Servicing Rights Owner Termination Event under this Agreement (that cannot be timely cured, to the extent a cure period is applicable); (c) a material adverse effect upon the legality, validity, binding effect or enforceability of this Agreement against the Servicing Rights Owner; or (d) a material adverse effect upon the value or marketability of a material portion of the Servicing Rights related to the Mortgage Loans subserviced pursuant to this Agreement and any NRZ Servicing/Subservicing Agreement, taken as a whole.

MERS: Mortgage Electronic Registration Systems, Inc., or any successor thereto.

[***]

Monthly Financial Covenant Certification: As defined in Section 2.28(b).

Mortgage: The mortgage, deed of trust or other instrument creating a first or second lien on a Mortgaged Property securing a Note (or a first or second lien on (a) in the case of a cooperative, the related shares of stock in the cooperative securing the Note and (b) in the case of a ground rent, the leasehold interest securing the Note).

Mortgage File: With respect to a particular Mortgage Loan, the Mortgage Loan Documents, any origination, servicing or escrow documents, and any additional documents required to be added to the Mortgage File pursuant to this Agreement set forth on Exhibit E.

Mortgage Loan: Agency Loans or fixed or adjustable rate mortgage loans identified by the Servicing Rights Owner pursuant to Section 2.1 for which the Subservicer accepts subservicing from the Servicing Rights Owner from time to time for inclusion under the terms of this Agreement and any REO Property resulting from Agency Loans or Mortgage Loans described in this definition.

Mortgage Loan Documents: With respect to each Mortgage Loan, the documents delivered to the related Custodian pursuant to the related Custodial Agreement.

Mortgaged Property: The real property securing a Mortgage Loan, including all buildings and fixtures thereon.

Mortgagor: The mortgagor, grantor of security deeds, grantor of trust deeds and deeds of trust, and the grantor of any Mortgage.

MSR-EBO: HLSS MSR-EBO Acquisition LLC.

MSRPA: As defined in Section 2.21.

New Loan Data File: Except with respect to the Initial Mortgage Loans, with respect to each Mortgage Loan delivered by Servicing Rights Owner to Subservicer to be serviced under this Agreement, the data file produced by Servicing Rights Owner pursuant to the Servicing Transfer Instructions which is used to enable Subservicer to set up each Mortgage Loan on its EDP system.

New Mortgage Loan: With respect to any existing Mortgage Loan subject to this Agreement, a new mortgage loan (i) which is originated when the related Mortgagor (A) refinances such existing Mortgage Loan with proceeds from such new mortgage loan which is secured by the same mortgaged property or (B) pays off in full such existing Mortgage Loan and obtains a new mortgage loan secured by a different mortgaged property and, in each case, such refinancing or new borrowing resulted from the solicitation efforts of the Subservicer or any brokers, correspondent lenders, agents or independent contractors that Subservicer engaged to solicit such refinancing or new borrowing on its behalf and (ii) for which the related Servicing Rights are transferred to the Servicing Rights Owner pursuant to Exhibit C.

New RMSR Agreement: That certain New RMSR Agreement, dated as of January 18, 2018, by and among the OLS, Servicing Rights Owner, HLSS and MSR–EBO, as amended, supplemented or otherwise modified from time to time.

NRM: New Residential Mortgage LLC.

NRM Agency Subservicing Agreement: The Subservicing Agreement, dated as of August 17, 2018, between NRM, as owner/servicer and OLS, as subservicer for agency loans as may be amended, supplemented or otherwise modified from time to time

NRM PLS Subservicing Agreement: The Subservicing Agreement, dated as of July 23, 2017, between NRM, as Servicing Rights Owner and OLS, as subservicer for non-agency loans as may be amended, supplemented or otherwise modified from time to time.

Note: The original executed note evidencing the indebtedness of a Mortgage.

NRZ O/S Entity: Each of Servicing Rights Owner, NRM, HLSS and MSR–EBO.

NRZ Servicing/Subservicing Agreement: Each of the NRM PLS Subservicing Agreement, the Servicing Addendum, and this Agreement.

NYDFS: New York Department of Financial Services.

Off-shore Vendor: Any Vendor which is located outside the United States of America and/or the services provided by any Vendor are being performed outside the United States of America.

OLS: Ocwen Loan Servicing, LLC, or any successor thereto.

Original Closing Date: July 23, 2017.

Original Effective Date: The date, as set forth in the related Servicing Transfer Notice (other than in respect of the Initial Mortgage Loans), on which responsibility for the servicing and administration of a pool of Mortgage Loans is transferred to Subservicer; provided that, notwithstanding the foregoing, solely with respect to the Initial Mortgage Loans, the Transfer Date for such Initial Mortgage Loans shall be the applicable Sale Date (as defined in the Purchase Agreement).

O/S Direction: As defined in Section 2.8(c).

OTS Methodology: A method of calculating delinquency of a Mortgage Loan based upon The Office of Thrift Supervision method, under which method a Mortgage Loan is considered delinquent if the payment has not been received by the Mortgage Loan's next due date. For example, a Mortgage Loan with a due date of August 1, 2017, with no payment received by the close of business on September 1, 2017, would have been reported as delinquent on October 1, 2017.

P&I: Principal and interest.

P&I Advance: Principal and interest, if any, advanced to an Investor related to a Mortgage Loan, required to be made under the applicable Servicing Agreement.

Person: Any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, limited partnership, government or any agency or political subdivision thereof or any similar entity.

PMI: Private mortgage insurance.

PMI Companies: The insurance companies that have issued PMI policies insuring any of the Mortgage Loans.

PMI Proceeding Advance: Any and all Losses incurred by the Subservicer (or any agent, attorney, Vendor and/or representative of the Subservicer) in connection with any PMI Proceeding, regardless whether the Subservicer and/or the Servicing Rights Owner is entitled under the related Servicing Agreement to be reimbursed for such Losses.

Prime Rate: The prime rate announced to be in effect from time to time, as published as the average rate in *The Wall Street Journal (Northeast edition)*.

Prior Subservicer: All servicers and subservicers, collectively and individually, other than Subservicer, which, at any time prior to the applicable Original Effective Date, serviced or subserviced any of the Mortgage Loans.

Private Label Mortgage Loan: Any Mortgage Loan that is not sold to Fannie Mae or Freddie Mac.

Purchase Agreement: That certain agreement for the purchase and sale of servicing rights, dated as of December 28, 2016, between Subservicer and Servicing Rights Owner.

Qualified Depository: A depository (a) the accounts of which are insured by the Federal Deposit Insurance Corporation, or any successor thereto and (b) that is compliant with Applicable Requirements.

Rating Agencies: Standard & Poor's Financial Services LLC, Moody's Corporation, Fitch Ratings, Inc., DBRS, Inc., Kroll Bond Rating Agency, Inc. and, if specified in any related Securitization Transaction, any other nationally recognized statistical rating organization or their respective successors, or any successor in interest thereto.

Reconciliation Report: A report substantially in the form attached hereto as Schedule B.

Reconstitution Agreement: With respect to Private Label Mortgage Loans, the fully executed contracts (including any pooling agreement, servicing agreement, custodial agreement or other agreement or arrangement) assigned to the Servicing Rights Owner and defining the rights and obligations of the Servicing Rights Owner.

Regulation AB: Subpart 229.1100 – Asset Backed Securities (Regulation AB), 17 C.F.R. §§ 229.1100-229.1123, as such may be amended from time to time, and subject to such clarification and interpretation as have been provided by the Commission in (a) the adopting release (Asset-Backed Securities, Securities Act Release No. 33-8518, 70 Fed. Reg. 1,506, 1,631 (Jan. 7, 2005)), (b) the adopting release (Asset-Backed Securities, Securities Act Release Nos. 33-9638 and 34-72982, 79 Fed. Reg. 57,183, 57,346 (September 24, 2014)), or (c) by the staff of the Commission, or as may be provided by the Commission or its staff from time to time.

REMIC: A “real estate mortgage investment conduit” within the meaning of Section 860D of the Code.

REMIC Provisions: Provisions of the federal income tax law relating to REMICs, which appear in Sections 860A through 860G of Subchapter M of Chapter 1, Subtitle A of the Code, and related provisions, and regulations, rulings, or pronouncements promulgated thereunder, as the foregoing may be in effect from time to time.

Remittance Date: The monthly remittance date as set forth in the related Servicing Agreement.

REO Property: A Mortgaged Property acquired on behalf of an Investor by foreclosure or other similar process.

Reporting Date: With respect to each report listed in Exhibit G, the date specified therein.

Representatives: With respect to the Servicing Rights Owner or any NRZ O/S Entity, the employees, managers, advisors, agents, contractors, counsel, auditors and other representatives of the Servicing Rights Owner or such NRZ O/S Entity.

Securitization Transaction: Any transaction involving either (a) a sale or other transfer of certain identified Mortgage Loans directly or indirectly by New Residential Investment Corp. or its Affiliates to an issuing entity in connection with an issuance of publicly offered or privately placed, rated or unrated mortgage-backed securities or (b) an issuance of publicly offered or privately placed, rated or unrated securities (directly or indirectly by New Residential Investment Corp. or its Affiliates), the payments on which are determined primarily by reference to one or more portfolios of residential mortgage loans consisting, in whole or in part, of some or all of the Mortgage Loans.

Servicing Addendum: That certain Servicing Addendum attached as Annex 1 to the New RMSR Agreement as may be amended, supplemented or otherwise modified from time to time.

Servicing Advances: All customary, reasonable and necessary “out of pocket” costs and expenses, including reasonable attorneys’ fees and disbursements, advanced by Subservicer in the performance of its servicing obligations in accordance with Applicable Requirements, including, but not limited to, the cost of:

(i) the preservation, restoration and protection of a Mortgaged Property or REO Property, including third party loss draft processing fees;

(ii) any remedial, enforcement or Loss Mitigation actions relating to the Mortgage Loan or any administrative or judicial proceedings, including without limitation mediation proceedings, relating to a Mortgage Loan, and including foreclosures, evictions, deed in lieu of foreclosures or loan modifications;

(iii) the management, liquidation, marketing, sale, renovation, repair, maintenance and preservation of a Mortgaged Property or REO Property, including reasonable fees paid to any independent contractor in connection therewith;

(iv) Escrow Payments (and similar amounts not required to be escrowed out of Mortgagor payments) and other charges which are or may become a lien upon a Mortgaged Property or REO Property, Primary Mortgage Insurance Policy premiums and fire and hazard insurance coverage;

(v) the assessment and evaluation of a Mortgage Loan and the related Mortgaged Property or REO Property, including broker price opinions, environmental evaluations, property inspections, surveys and appraisals, lien searches and title insurance and reviews;

(vi) lien release fees, including any reconveyance, recording, administrative and vendor fees associated therewith, property inspection fees, vacant property registration fees, court-ordered mediation hearings and loss draft processing fees, in each case to the extent not collected from the Mortgagor; and

(vii) such other expenditures which are deemed to be Servicing Advances herein or otherwise permitted under Investor Guidelines.

Servicing Agreement: With respect to each Mortgage Loan, the related servicing agreement, pooling and servicing agreement, subservicing agreement or similar agreement, including any Agency Guidelines applicable thereto, pursuant to which the Servicing Rights Owner is a party as the servicer (including master, special, primary or subservicer) thereunder as of the related Transfer Date, addressing the Servicing Rights and servicing obligations with respect to such Mortgage Loan, which servicing agreement shall be identified (i) on a schedule attached to the related Acknowledgment Agreement or (ii) on a schedule attached to the related Assignment Agreement (as defined in the Purchase Agreement). Servicing Agreements shall also include other agreements under which the Servicing Rights Owner has been assigned rights and/or has assumed obligations with respect to its role as servicer (including master, special, primary or subservicer) of the related Mortgage Loans.

Servicing Criteria: The “servicing criteria” used and identified in the Subservicer’s 2016 Regulation AB reporting as the same may be modified from time to time to comply with any amendments, modifications, supplements or interpretations that relate to Item 1122(d) of Regulation AB.

Servicing Fee: For each Mortgage Loan serviced by Subservicer hereunder, the applicable monthly servicing fee calculated in accordance with Schedule A attached hereto.

Servicing Procedures: The Subservicer’s internal written procedures applicable to the servicing and subservicing of mortgage loans similar to the Mortgage Loans, including but not limited to delinquency and loss mitigation efforts (i.e., modification, short sales, deed-in-lieu, cash for keys, etc.), as such procedures may be modified from time to time in accordance with Section 2.8.

Servicing Rights: Subject to any applicable Servicing Agreement, with respect to a Mortgage Loan, solely to the extent applicable to the relevant capacity of Servicing Rights Owner, whether as master servicer, primary servicer or subservicer, collectively, (i) the rights and obligations to service, administer, collect payments for the reduction of principal and application of interest thereon, collect payments on account of taxes and insurance, pay taxes and insurance, remit collected payments, provide foreclosure services, provide full escrow administration, (ii) any other obligations required by any Investor in connection with such Mortgage Loan pursuant to the applicable Servicing Agreement, (iii) the right to possess any and all documents, files, records, Mortgage File, servicing documents, servicing records, data tapes, computer records, or other information pertaining to such Mortgage Loan or pertaining to the past, present or prospective servicing of such Mortgage Loan, (iv) the right to receive the Servicing Compensation and any Ancillary Fees arising from or connected to such Mortgage Loan and the benefits derived from and obligations related to any accounts arising from or connected to such Mortgage Loan, (v) the rights of the servicer, if any, to exercise option redemption, optional termination or clean-up call rights under the applicable Servicing Agreement, (vi) any other rights of the servicer set forth in the applicable Servicing Agreement, (vii) all rights and benefits relating to the direct solicitation of the related Mortgagors for refinance or modification of the Mortgage Loans and/or for any other product or service and the attendant right, title and interest in and to the list of such Mortgagors and (viii) all rights, powers and privileges incident to any of the foregoing, subject, in each case, to any rights, powers and prerogatives retained or reserved by the Investors.

Servicing Rights Owner Economics: The sum of the following, with duplication, (i) all prepayment penalties/premiums and servicing-related fees payable to the Servicing Rights Owner as servicer of the Mortgage Loans under the applicable Investor Guidelines and received during the applicable prior Mortgage Loan Investor accounting cycle or applicable portion thereof, (ii) all recoveries on the Mortgage Loans during the applicable prior Mortgage Loan Investor accounting cycle or applicable portion thereof of Servicing Advances and P&I Advances previously funded or reimbursed by the Servicing Rights Owner to the Subservicer or the prior servicer and (iii) all other outstanding amounts collected during the applicable prior Mortgage Loan Investor accounting cycle or applicable portion thereof and payable to the Servicing Rights Owner under this Agreement (including Float Benefit and any Loss Mitigation or incentive fees payable to the Servicing Rights Owner as servicer under applicable Investor Guidelines).

Servicing Rights Owner Regulatory Report: The reports identified “Regulatory Reports” in the Formatted Servicing Reports attached hereto which the Subservicer is required hereunder to deliver to the Servicing Rights Owner, which report list shall be amended from time to time pursuant to Section 2.8.

Servicing Transfer Costs: With respect to each Mortgage Loan, an amount equal to the lesser of (a) all reasonable out-of-pocket costs incurred in connection with the transfer of the servicing of the Mortgage Loans from Subservicer to a successor servicer or subservicer, including but not limited to all applicable boarding fees incurred from the successor servicer, custodial recertification costs, the costs of transferring the Mortgage File, the costs of assigning any Mortgages from the name of Seller to such successor, and the costs of changing the names of the subservicer and the owner in MERS and (b) [***] per Mortgage Loan.

Servicing Transfer Date: With respect to any Initial Mortgage Loans, the related Original Effective Date. With respect to any other Mortgage Loans (excluding the Initial Mortgage Loans), the date specified on the related Servicing Transfer Notice on

which, Servicing Rights Owner or Prior Subservicer shall have completed the transfer of servicing to Subservicer.

Servicing Transfer Instructions: Such instructions with respect to the transfer of servicing from the Prior Subservicer to Subservicer as agreed to by the parties hereto.

SP Modifications: As defined in Section 2.8.

SRO Distribution Date: The sixth (6th) Business Day of each month.

State Agency: Any state or local agency with authority to (i) regulate the business of the Servicing Rights Owner or the Subservicer or the Corporate Parent, including without limitation any state or local agency with authority to determine the investment or servicing requirements with regard to mortgage loans originated, purchased or serviced by the Servicing Rights Owner or the Subservicer or the Corporate Parent, or (ii) originate, purchase or service mortgage loans, or otherwise promote mortgage lending, including without limitation state and local housing finance authorities.

Subservicer Economics: The sum of the following, without duplication, Servicing Fees, Ancillary Fees and other compensation set forth on Schedule A payable to the Subservicer.

Subservicing: Subject to Applicable Requirements, the servicing functions for the Mortgage Loans under the applicable Servicing Agreement and this Agreement, including, without limitation, the usual servicing operational functions of providing customer statements, accepting and applying customer payments, calculating, holding and applying escrowed amounts, providing customer service, collecting defaulted accounts, performing loss mitigation and any other obligations of the Servicing Rights Owner under the applicable Servicing Agreements and performing portfolio defense services in accordance with the provisions contained in Exhibit C.

Substitute Vendor: Any Person having all applicable qualifications, licenses and/or requisite approvals to provide similar services under this Agreement which a Vendor is currently performing and, in connection with Subservicer's obligation to reasonably cooperate with a Substitute Vendor that "is reasonably acceptable to Subservicer", the parties hereby agree that it would be "reasonably acceptable" if the Substitute Vendor has been approved, consistent with process set forth in Section 2.8(f).

Superior Lien: With respect to any second lien Mortgage Loan, any other mortgage loan relating to the corresponding Mortgaged Property which creates a lien on the Mortgaged Property which is senior to the lien securing the Mortgage Loan.

USDA: The United States Department of Agriculture or any successor thereto.

USDA Regulations: The regulations promulgated by the USDA and other USDA issuances relating to mortgage loans guaranteed by the USDA.

VA: The United States Department of Veterans Affairs or any successor thereto.

VA Regulations: The regulations promulgated by the VA pursuant to the Serviceman's Readjustment Act, as amended, codified in Title 38 of the Code of Federal Regulations, and other VA issuances relating to mortgage loans guaranteed by the VA.

Vendor: Any contractor, vendor, real estate broker and/or service provider (which may be an Affiliate of the Servicing Rights Owner) engaged by the Subservicer and involved in providing services with respect to any Mortgage Loans or Subservicing in accordance with and subject to the terms of this Agreement.

Vendor Oversight Guidance: All applicable requirements and guidelines related to the oversight of third-party contractors, vendors and/or service providers as set forth in Applicable Requirements. For the avoidance of doubt, Vendor Oversight Guidelines includes, but is not limited to, guidance issued by Governmental Authorities from time to time, including but not limited to the following Governmental Authorities: (i) the CFPB (including but not limited to CFPB Bulletin 2016-03), (ii) the Board of Governors of the Federal Reserve System (including but not limited to the "Guidance on Managing Outsourcing Risk" dated December 5, 2013), (iii) the FDIC (including but not limited to FIL-44-2008 ("Guidance for Managing Third-Party Risk")) and (iv) the Office of the Comptroller of the Currency (the "OCC"), including but not limited to OCC Bulletin 2013-29 ("Risk Management Guidance").

ARTICLE II

ENGAGEMENT FOR SERVICING OF MORTGAGE LOANS; POSSESSION OF MORTGAGE FILES; BOOKS AND RECORDS; DELIVERY OF MORTGAGE LOAN DOCUMENTS

Section 2.1. Engagement For Servicing of Mortgage Loans.

This Agreement shall become effective immediately upon the occurrence of the Initial Sale Date (as defined in the Purchase Agreement). To the extent that the Purchase Agreement terminates without the occurrence of any Sale Date, this Agreement shall be void ab initio.

Other than in respect of the Initial Mortgage Loans, as to which servicing shall begin on the related Sale Date (as defined in the Purchase Agreement) of the Servicing Rights, notwithstanding anything to the contrary in this Section 2.1, mortgage loans may be made subject hereto in accordance with this Section 2.1. The Servicing Rights Owner shall deliver a draft Servicing Transfer Notice setting forth the proposed Servicing Transfer Date and a description, containing such details as Subservicer may reasonably request, of the Mortgage Loans to be serviced by Subservicer hereunder. Any such draft Servicing Transfer Notice shall be given to Subservicer no later than sixty (60) days prior to the related Servicing Transfer Date. Except with respect to any Initial Mortgage Loans, Subservicer shall have fourteen (14) days to review and evaluate the product specifications, underwriting guidelines, system support and servicing transfer protocols and procedures of the related Prior Subservicer and underlying seller, as applicable, or originator. Following such review and evaluation, Subservicer shall promptly notify Servicing Rights Owner if it agrees or declines to service such mortgage loans pursuant to the terms of this Agreement.

Upon Subservicer's acceptance of any such additional Mortgage Loans, each party shall execute the Servicing Transfer Notice and Subservicer shall assume responsibility under this Agreement to service and administer such Mortgage Loans upon the delivery, in accordance with the Servicing Transfer Instructions, of the related New Loan Data File and all related Mortgage Loan Documents by Servicing Rights Owner.

Servicing Rights Owner shall provide the New Loan Data File for each Mortgage Loan to Subservicer promptly upon Servicing Rights Owner's receipt of the written notice from Subservicer wherein Subservicer agrees to service such Mortgage Loans. Servicing Rights Owner shall notify Subservicer promptly of any changes in the information contained in the New Loan Data File that affects the servicing of such Mortgage Loan. Servicing Rights Owner agrees to cause the related Custodian to recognize the Subservicer as the subservicer of the Mortgage Loans. The Subservicer shall request directly from the Custodian copies of the Mortgage Note, the Mortgage or any other documents in the Custodian's possession that Subservicer deems reasonably necessary in connection with its performance of the servicing of such Mortgage Loan.

Section 2.2. Maintenance of Mortgage Files.

Subservicer shall maintain a Mortgage File with respect to each Mortgage Loan, consisting of all documents necessary to service the Mortgage Loans in accordance with Applicable Requirements. The possession of each Mortgage File by Subservicer is for the sole purpose of servicing the related Mortgage Loan, and such retention and possession by Subservicer is in a custodial capacity only. Subservicer acknowledges that the ownership of each Mortgage Loan, including the Mortgage Note, the Mortgage, the Mortgage Loan Documents, the contents of the related Mortgage File and all rights, benefits, proceeds and obligations arising therefrom or in connection therewith, is vested in the applicable Mortgage Loan Investor. All rights arising out of the Mortgage Loans including all funds received on or in connection with the Mortgage Loans and all records or documents with respect to the Mortgage Loans prepared by or which come into the possession of Subservicer shall immediately vest in the applicable Mortgage Loan Investor and shall be received and held by Subservicer for the sole purpose of servicing the Mortgage Loans and such retention and possession by Subservicer is in a custodial capacity only in trust for the exclusive benefit of the applicable Mortgage Loan Investor as the owner of the related Mortgage Loans. Servicing Rights Owner acknowledges that Subservicer will create electronically imaged versions of the documents contained in the Mortgage File and any and all hard copies of such documents will be destroyed by Subservicer in accordance with its standard record retention policy, as may be amended from time to time to the extent such destruction is not prohibited by Applicable Requirements.

The Subservicer shall promptly notify the Servicing Rights Owner if it becomes aware of any incorrect or missing information or documents relating to any Mortgage Loan or Mortgage File to the extent material to the servicing of a Mortgage Loan and compliance with the Subservicer's obligations hereunder.

Section 2.3. Delivery of Mortgage Loan Documents.

Subservicer shall forward to the Custodian original documents evidencing an assumption, modification, consolidation or extension of any Mortgage Loan entered into in accordance with Section 2.1 promptly after their execution; provided, however, that Subservicer shall provide the Custodian with a certified true copy of any such document submitted for recordation promptly after its execution, and shall provide the original of any document submitted for recordation or a copy of such document certified by the appropriate public recording office to be a true and complete copy of the original promptly after receipt thereof.

Except as provided herein, the original Mortgage Loan Documents for each Mortgage Loan shall be retained by the Custodian pursuant to the Custodial Agreement. During the time that any such documentation is held by Subservicer, such possession is in trust for the benefit of the applicable Mortgage Loan Investor, and Subservicer shall return such documentation to the Custodian upon the request of such Mortgage Loan Investor, Servicing Rights Owner or the Custodian or when Subservicer's need therefore no longer exists.

The Subservicer shall not be responsible for any fees, expenses and costs of the Custodian arising under the Custodial Agreement.

Section 2.4. Transfer of Mortgage Loans; Reconstitutions.

Servicing Rights Owner shall have the right, without the prior written consent of Subservicer, to sell the one or more Servicing Rights in respect of any Mortgage Loans (the "Offered Assets") and, to the extent the prospective third party purchaser

elects not to retain the Subservicer as the subservicer of Offered Assets, (i) this Agreement shall terminate solely with respect to such Offered Assets in accordance with Section 6.2, (ii) the Subservicer shall cooperate in transfer the servicing to such third party purchaser's successor servicer and (iii) with respect to the Offered Assets which actually were sold, the Servicing Rights Owner shall pay the applicable Deboarding Fees on the applicable transfer date to such third party purchaser's successor servicer. Notwithstanding the foregoing, Servicing Rights Owner will afford Subservicer an opportunity to review the final bid the Servicing Rights Owner receives from prospective third party purchasers of the Offered Assets which the Servicing Rights Owner anticipates to accept (the "Final Bid"), including the purchase price, payment terms, closing conditions and any financing terms. Servicing Rights Owner will provide to Subservicer access to the same information regarding the potential sale as are provided to the other bidders, when or promptly after such information is provided to other bidders. Servicing Rights Owner shall afford Subservicer an opportunity to bid for the Offered Assets for a period of two (2) Business Days after Servicing Rights Owner discloses to Subservicer the Final Bid from the prospective third party purchaser(s) of the Offered Assets. If Servicing Rights Owner determines that the terms and conditions of Subservicer's bid for the Offered Assets represents the most favorable overall economic and contractual arrangement to Servicing Rights Owner compared to the bids for the Offered Assets from prospective third party purchasers and Subservicer demonstrates to Servicing Rights Owner's satisfaction that it has sufficient financial resources to close the purchase and sale of the Offered Assets upon such terms and conditions within the time period set forth in the Final Bid, then Servicing Rights Owner will make good faith efforts to consummate the purchase and sale of the Offered Assets with Subservicer upon such terms and conditions.

Section 2.5. Obligations of Servicing Rights Owner Prior to a related Original Effective Date.

Except with respect to any Initial Mortgage Loans, Servicing Rights Owner shall take, or cause the Prior Subservicer to take, the following actions with respect to any Mortgage Loans (other than the Initial Mortgage Loans) prior to the related Original Effective Date (or within such time as may otherwise be specified below) in order to effect the transfer of the servicing and administration of the Mortgage Loans which are not Initial Mortgage Loans to Subservicer on such related Original Effective Date.

(a) Preliminary Test File. On or prior to a related Original Effective Date, if requested by Subservicer, Servicing Rights Owner shall forward, or cause the Prior Subservicer to forward, to Subservicer a preliminary test file (including, as applicable, master file, escrow file, payee file, ARM master file, ARM history, all HMDA data required by Fannie Mae and Freddie Mac, etc.) containing all of the Mortgage Loans as of the date mutually agreed upon by Subservicer and Servicing Rights Owner in all material respects. The preliminary test file shall include all field descriptions and record layouts;

(b) Notice to Hazard Insurers. Servicing Rights Owner shall inform, or shall cause the Prior Subservicer to inform, by written notice all hazard insurance companies and/or their agents of the transfer and request a change in the loss payee mortgage endorsement clause to Subservicer's name. Servicing Rights Owner shall provide, or shall cause the Prior Subservicer to provide, Subservicer with a copy of the notification letter and an officer's written certification that all hazard insurance companies have been notified by an identical letter;

(c) Notwithstanding anything to the contrary, to the extent any documentation, policies, notices, contracts, reporting, and/or related information delivered by Subservicer under any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement are explicitly permitted under this Agreement to be combined with (and/or delivered in lieu of) the documentation, policies, notices, contracts, reporting, and/or related information which Subservicer is obligated to deliver to the Servicing Rights Owner hereunder, such delivery to the Servicing Rights Owner of either a combined report or a report in lieu of a report to be delivered hereunder shall, in any case, (i) be substantially similar in form and substance to the related documentation, (ii) applicable to the Mortgage Loans or the Subservicer's servicing platform, and (iii) related to the policies, notices, contracts, reporting and/or information which Subservicer is obligated to deliver to the Servicing Rights Owner hereunder.

(d) Notice to Mortgagors. Servicing Rights Owner shall mail, or shall cause the Prior Subservicer to mail, to the Mortgagor of each Mortgage Loan a letter advising the Mortgagor of the transfer of the servicing of the related Mortgage Loan to Subservicer as may be required under Applicable Requirements, including the Real Estate Settlement Procedures Act. Servicing Rights Owner shall provide, or shall cause the Prior Subservicer to provide, Subservicer with a copy of one notification letter and a report containing a listing of all Mortgage Loans receiving the notification as may be required under Applicable Requirements, including the Real Estate Settlement Procedures Act. In addition, Subservicer shall:

(i) Within fifteen (15) days following each Servicing Transfer Date, deliver to each related Mortgagor a "Welcome Letter" in accordance with Applicable Requirements. Notwithstanding the above, the Servicing Rights Owner, the Subservicer, and the prior subservicer may agree to send in accordance with Applicable Requirements a joint notification to the related Mortgagors regarding the transfer of the servicing function to the Subservicer. The Subservicer and the Servicing Rights Owner agree that the form of any notice sent to Mortgagors under this Section 2.5(d) shall be subject to approval by the Servicing Rights Owner and the Subservicer;

(ii) furnish to each Mortgagor each notice (including privacy notices) required to be provided to such Mortgagors in accordance with Applicable Requirements and in form and substance mutually agreed upon by the Servicing Rights Owner and the Subservicer;

(iii) include in the related Mortgage File a copy of each notice furnished to a Mortgagor pursuant to this Section 2.5(d); and

(iv) notwithstanding the foregoing, except as required by Applicable Requirements, no applicable notification shall be required pursuant to this Section 2.5(d) to the extent that the Subservicer is already acting as the Subservicer with respect to the Mortgage Loans.

(e) ARM Adjustments. With respect to each ARM Mortgage Loan whose index value for any interest adjustment date is available on or prior to the related Original Effective Date, Servicing Rights Owner shall make, or shall cause the Prior Subservicer to make, all such adjustments and shall inform the related Mortgagors of such adjustments;

(f) Delivery of Books and Records. Servicing Rights Owner will, on or before the applicable Original Effective Date, deliver, or cause to be delivered, to Subservicer all of the books, records, data, files and Mortgage Loan Documents, including records in a mutually agreed upon electronic indexed form, reasonably required by Subservicer to document and service each Mortgage Loan; such books, records, data, files and documents contain all of the items which are required by the Applicable Requirements to service the Mortgage Loans.

(g) Real Estate Taxes. In the event that any real estate taxes or assessments in connection with a Mortgage Loan are delinquent at the time of, or would become delinquent if not paid within 30 days after, the applicable Original Effective Date, then Subservicer shall not be responsible hereunder for any penalties or interest resulting from such delinquency; provided that Subservicer shall be responsible for any such penalties and/or interest incurred from such delinquency for any Initial Mortgage Loans in accordance with the Purchase Agreement. Servicing Rights Owner shall either (a) ensure that each first lien Mortgage Loan is covered by a tax service contract with CoreLogic, Inc. or (b) if not so covered, then pay to Subservicer a one-time fee in the applicable amount set forth on Schedule A, in respect of each such Mortgage Loan. With respect to any Initial Mortgage Loans, Subservicer shall either (a) ensure that such Initial Mortgage Loan is covered by a tax service contract with CoreLogic, Inc. or (b) if not so covered, at its sole cost, then pay (without reimbursement thereof) the applicable amount to establish such tax service contract.

(h) Hazard Insurance. In the event that there is no hazard insurance policy covering the property securing a Mortgage Loan that Subservicer shall subservice hereunder at the time of, or if the coverage under a hazard insurance policy shall lapse without payment of the required premium within thirty (30) days after, the applicable Original Effective Date and such a policy is required to be maintained under the Applicable Requirements, then in no event shall Subservicer be responsible hereunder for the absence of hazard insurance coverage until thirty (30) days have elapsed since such applicable Original Effective Date.

(i) Flood Insurance Determination Contracts. To the extent required by Applicable Requirements, Servicing Rights Owner shall obtain, at Servicing Rights Owner's sole cost and expense, before the applicable Original Effective Date, "life of loan" or "life-time" transferable flood insurance determination contracts from CoreLogic, Inc. or ServiceLink on each Mortgage Loan. Servicing Rights Owner shall either (a) assign to Subservicer, on or promptly following the applicable Original Effective Date, the related certified and guaranteed assignable flood insurance determination contracts Servicing Rights Owner obtained for such Mortgage Loans or (b) pay to Subservicer a one-time fee in the applicable amount set forth on Schedule A for each Mortgage Loan transferred to Subservicer for subservicing hereunder which is not subject to such a flood insurance determination contract.

(j) Other Insurance. In the event that the monthly payments in connection with a Mortgage Loan to be subserved by Subservicer hereunder include amounts to pay premiums for accident, health, and life insurance, and similar types of personal insurance products, then at the applicable Original Effective Date, Servicing Rights Owner shall include, or cause to be included, a notice of such fact to Subservicer.

Section 2.6. Transfer of Servicing.

Except with respect to any Initial Mortgage Loans, the transfer of the servicing obligations with respect to the Mortgage Loans to Subservicer shall be in accordance with the Servicing Transfer Instructions in all material respects.

Section 2.7. Subservicer to Service in Compliance with Applicable Requirements.

(a) The Subservicer, as an independent contractor, shall service and administer each Mortgage Loan and REO Property in compliance with all Applicable Requirements and, subject to the terms and provisions of this Agreement, the Subservicer shall have full power and authority, acting alone, to do any and all things in connection with such servicing and administration which the Subservicer may deem necessary or desirable in connection with the performance of its obligations under this Agreement. Subject to the terms of this Agreement, the Servicing Rights Owner shall not itself attempt to perform the duties and activities of the Subservicer hereunder, and Servicing Rights Owner shall refer to Subservicer any Mortgagor inquiries or correspondence, payments or payoff funds, or similar matters within the Subservicer's responsibilities hereunder that Servicing Rights Owner may receive; *provided* that Subservicer and Servicing Rights Owner have had prior discussion related to such failure to perform and so long as Servicing Rights Owner has given

Subservicer one (1) Business Day prior written notice of its intent to so perform, the Servicing Rights Owner may perform any non-borrower facing activity required under a Servicing Agreement that the Subservicer fails to perform in accordance with such applicable Servicing Agreement which would reasonably be expected to result in a material Loss to Servicing Rights Owner, including but not limited to an event of default or other termination event under the applicable Servicing Agreement. Where Applicable Requirements appear to be in conflict, the Subservicer shall notify the Servicing Rights Owner of such conflict, and the parties shall address such conflict in accordance with the procedures set forth in Section 2.8. Until the principal and interest of each Mortgage Loan is paid in full, unless this Agreement is sooner terminated pursuant to the terms hereof, and subject to this Section 2.7(a), the Subservicer shall:

(i) Collect, accept and apply payments of Custodial Funds and Escrow Payments only in accordance with the Mortgage Loan and Applicable Requirements. Deficiencies or excesses in payments shall be accepted and applied, or accepted and not applied, or rejected in a manner consistent with the Subservicer's payment hierarchy and payment application rules and in accordance with Applicable Requirements;

(ii) Maintain permanent mortgage account records capable of producing, in chronological order: the date, amount, distribution, installment due date, or other transactions affecting the amounts due from or to the Mortgagor and indicating the latest outstanding balances of principal, escrow accounts, advances, and unapplied payments;

(iii) Make interest rate adjustments in compliance with Applicable Requirements and the Mortgage Loan Documents to reflect the movements of the applicable Mortgage Loan rate index. The Subservicer shall deliver to the Mortgagors all appropriate notices required by Applicable Requirements and the applicable Mortgage Loan Documents regarding such interest rate adjustments including, without limitation, timely notification to the Investor if required of (i) the applicable date and information regarding such interest rate adjustment, (ii) the methods of implementation of such interest rate adjustments, (iii) new schedules of Investor's share of collections of principal and interest, and (iv) all prepayments of any Mortgage Loan hereunder by Mortgagor. The Subservicer shall be responsible for any liabilities under the applicable Servicing Agreement resulting from the failure to properly and timely make interest rate adjustments on the related Mortgage Loans;

(iv) Pay interest on Escrow Accounts if any Applicable Requirement requires the payment of interest on such amounts. Such interest amounts paid by the Subservicer shall be reimbursed by the Servicing Rights Owner and included as part of the Subservicer Economics payable to the Subservicer. As applicable, the Subservicer will determine the amount of Escrow Payments to be made by Mortgagors and will furnish to each Mortgagor, at least once a year, an analysis of each Mortgagor's Escrow Account in accordance with Applicable Requirements;

(v) Maintain accurate records reflecting the status of taxes, ground rents, and other recurring similar charges generally accepted by the mortgage servicing industry, which would become a lien on the Mortgaged Property. For all Mortgage Loans providing for the payment to and collection by the Subservicer of Escrow Payments for taxes, ground rents, or such other recurring charges, the Subservicer shall remit payments for such charges before any penalty date. The Subservicer assumes responsibility for the timely remittance of all such payments and will hold harmless and indemnify the Servicing Rights Owner and the applicable Investor from any and all Losses resulting from the Subservicer's failure to discharge said responsibility subsequent to the Servicing Transfer Date of the particular Mortgage Loan by the Subservicer; provided, however, that Subservicer shall not be obligated to indemnify any Investor for any Losses other than as expressly set forth in the applicable Servicing Agreement. The Subservicer shall promptly notify the Servicing Rights Owner if it becomes aware of any missing or erroneous information with respect to the Mortgage Loans that is preventing or impeding the Subservicer from timely meeting tax or other payments obligations with respect to the Mortgage Loans or from otherwise meeting the Subservicer's obligations under this Agreement. Within thirty (30) days of each Servicing Transfer Date, the Subservicer shall notify the Servicing Rights Owner in writing identifying the related Mortgage Loans for which assignable life-of-loan tax service or life of loan flood service contracts have not been provided to the Subservicer in connection with the servicing transfer;

(vi) For all Mortgage Loans for which no provision has been made for the payment to and collection by the Subservicer of Escrow Payments, the Subservicer shall use commercially reasonable efforts to determine whether any such payments are made by the Mortgagor in a manner and at a time that avoids the loss of the Mortgaged Property due to a tax sale or the foreclosure of a tax lien and otherwise satisfies Applicable Requirements. The Subservicer shall make Servicing Advances to effect such payments and shall seek reimbursement of such Servicing Advances on the Servicing Rights Owner's behalf from the Mortgagor, Insurer or Investor in accordance with the applicable Mortgage Loan Documents or otherwise as permitted by Applicable Requirements. The Servicing Rights Owner shall reimburse the Subservicer for such Servicing Advances in accordance with Section 2.18 hereof;

(vii) When a Mortgagor's Escrow Payments are insufficient to pay taxes, assessments, mortgage insurance premiums, hazard or flood insurance premiums, or other items due therefrom, pay such amounts as a Servicing Advance and seek reimbursement from the Mortgagor or Investor. The Servicing Rights Owner shall reimburse the Subservicer for all outstanding deficiencies, and any other Servicing Advances made by the Subservicer to protect the security of the Investor, in accordance with Section 2.18 hereof;

(viii) Unless otherwise directed by the Servicing Rights Owner, maintain any optional insurance in effect on the Servicing Transfer Date;

(ix) With respect to Mortgage Loans covered by PMI policies, the Subservicer shall comply with all requirements of the applicable PMI Companies, including requirements concerning the giving of notices and submitting of claims required to be given or submitted pursuant to Applicable Requirements. In connection with any assumption or substitution agreement entered into or to be entered as permitted under Applicable Requirements, the Subservicer shall promptly notify the related PMI Company, if any, of such assumption or substitution of liability in accordance with the terms of the PMI policy. The Subservicer shall provide to the Servicing Rights Owner a monthly report as set forth in Exhibit H regarding notices of rescission of PMI policies, it being understood that Subservicer may deliver a single report to any NRZ O/S Entity covering all such notices applicable to the Mortgage Loans being subserviced under any NRZ Servicing/Subservicing Agreement, the NRM Agency Subservicing Agreement and the Mortgage Loans being serviced hereunder and such delivery shall be deemed to constitute delivery hereunder;

(x) Ensure that improvements on a Mortgaged Property and REO Property are insured by a hazard insurance policy, pursuant to Applicable Requirements, and, if required by Applicable Requirements, a flood insurance policy, in each case meeting the requirements under the applicable Servicing Agreement. The Subservicer may use, at no expense to Servicing Rights Owner, a blanket policy insuring against fire and hazard losses on Mortgage Loans to the extent permitted and in accordance with the requirements under the applicable Servicing Agreement, [***];

(xi) Administer the release of any insurance proceeds or condemnation proceeds received with respect to the Mortgaged Property to the Mortgagor to be applied to the restoration or repair of the Mortgaged Property to the extent such release is consistent with Applicable Requirements. The Subservicer shall comply with Applicable Requirements and, unless inconsistent with Applicable Requirements, release insurance proceeds or condemnation proceeds in a manner consistent with the Servicing Procedures;

(xii) Subject to Section 2.8, comply with any and all procedures outlined in any applicable Servicing Agreement and any applicable guidelines promulgated by a Governmental Authority, which procedures shall control in the event of any conflict with the terms of this Agreement;

(xiii) In accordance with Applicable Requirements, report Mortgagor payment history to consumer reporting agencies with respect to the period following the related Servicing Transfer Date;

(xiv) With respect to any MERS Mortgage Loan, update all required MERS fields, with the cooperation of the Servicing Rights Owner, as necessary and comply with all applicable requirements of MERS; it being understood and agreed that following the initial update on or after the applicable Servicing Transfer Date any further update shall be an expense of the Servicing Rights Owner;

(xv) If a REMIC election has been made with respect to the Mortgage Loans relating to any Investor, comply with the REMIC Provisions and all relevant provisions under the applicable Servicing Agreement;

(xvi) Upon payment of a Mortgage Loan in full, and subject to Section 6.2 hereof, prepare and file any necessary release or satisfaction documents, continue Subservicing the Mortgage Loan pending final settlement, and refund amounts due the Mortgagor in accordance with Applicable Requirements; and

(xvii) Maintain the Mortgage Files and the Mortgage Loan Documents in its possession pursuant to Applicable Requirements and maintain a record of its handling of such documents and files. Any Mortgage Loan Documents that are in the possession of the Subservicer shall be held in secure and fireproof facilities or storage areas in accordance with customary standards for the custody of similar documents and Applicable Requirements. The Subservicer shall allow the Servicing Rights Owner, its Affiliates and its agents to conduct such audits, from time to time, to confirm the Subservicer's recordkeeping, storage and security practices with respect to such files and documents, it being understood that Servicing Rights Owner and its Affiliates shall coordinate with each other with respect to such audits and any such audits conducted under this Agreement and the NRZ Servicing/Subservicing Agreements. The Subservicer shall only release Mortgage Files and Mortgage Loan Documents in its possession pursuant to this Agreement and Applicable Requirements. Notwithstanding the foregoing sentence, in connection with an examination or any request by any Investor or Governmental Authority, the Subservicer shall use all commercially reasonable efforts to release any requested Mortgage Files and/or Mortgage Loan Documents in its possession pursuant to this Agreement and Applicable Requirements and shall deliver any such documents within the time frame set forth by such Investor or Governmental Authority. Any documents or files that are released by the Subservicer shall be properly tracked and pursued to the extent such documents or files are not returned to the Subservicer or to the Custodian. The Subservicer shall provide the Servicing Rights Owner with information related to documents or files that have been released by the Subservicer

promptly upon request. The Subservicer shall cooperate in good faith with the Servicing Rights Owner in connection with clearing any document exceptions with respect to such releases, consistent with Applicable Requirements.

(b) With respect to Mortgage Loans and/or REO Properties for which the Servicing Rights Owner is the sole Investor, the Subservicer shall service such Mortgage Loans and REO Properties in accordance with the terms of the applicable Servicing Agreement with respect to which such Mortgage Loans were previously serviced; provided, however, that (i) the Subservicer shall, on each Business Day remit to the Servicing Rights Owner all collections received by the Subservicer two (2) Business Days prior to such Business Day, on an “actual/actual” basis, (ii) the parties may agree in writing to provide for servicing provisions different from the terms of the applicable Servicing Agreement, pursuant to the process set forth in Section 2.8.

(c) To the extent any servicing provision in this Agreement is inconsistent with the applicable Servicing Agreement, the Subservicer shall promptly, upon obtaining knowledge of a specific event, occurrence or condition leading Subservicer to make such determination, notify the Servicing Rights Owner of such inconsistency and address such inconsistency in accordance with the procedures set forth in Section 2.8.

(d) Where applicable, the Subservicer will comply with the National Housing Act, as amended, and with the Servicemembers Civil Relief Act of 2003, as amended, and with all rules and regulations issued under each of those statutes.

(e) The Subservicer shall maintain its current internal quality control program that reviews, on a regular basis, its compliance with and conformity to all Applicable Requirements (including all applicable regulations, rules, directives and published guidance of the CFPB, as such may be amended, modified or supplemented from time to time) to which the Subservicer and the Corporate Parent is subject. The quality control program shall include (i) evaluating and monitoring the overall quality of the Subservicer’s loan servicing and origination activities, including collection call programs, in accordance with industry standards and this Agreement and (ii) tests of business process controls and loan level samples. Subject to Section 2.28, the Subservicer shall provide to the Servicing Rights Owner reports related to such quality control program as set forth on Exhibit Q. The Subservicer shall provide the Servicing Rights Owner with a copy of its quality control program on or prior to the Effective Date, and shall provide or make available the quality control program in accordance with Exhibit Q. The Subservicer shall provide the Servicing Rights Owner with notice of any material modifications to the quality control program as promptly as possible and in any event not later than within one calendar month following the implementation of such material modification. In the event of a material modification to the quality control program, the Servicing Rights Owner shall have the option to perform a due diligence review of the revised quality control program on reasonable notice to the Subservicer and the Subservicer shall cooperate with due diligence requests from the Servicing Rights Owner. The Servicing Rights Owner and Subservicer agree that any report or notices delivered to any NRZ O/S Entity pursuant to Section 2.7 of any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement shall be deemed to have been delivered hereunder.

(f) The Servicing Rights Owner expressly assumes the full risk of ownership on all Servicing Advances (including, without limitation, arising out of denials by any Agency or Investor of reimbursement of any Servicing Advance where the Subservicer has performed its obligations in accordance with Applicable Requirements and the standards set forth on Exhibit L). The Subservicer shall be liable for denials by any Agency or Investor of reimbursement of any Servicing Advance where such Servicing Advance is not reimbursed because the Subservicer has failed to perform its obligations in accordance with Applicable Requirements and the standards set forth on Exhibit L.

(g) The Subservicer shall provide portfolio defense services relating to the Mortgage Loans as set forth on Exhibit C attached hereto, as may be amended from time to time upon mutual agreement of the parties pursuant to Section 2.8. For any New Mortgage Loans, the Subservicer shall subservice each such New Mortgage Loan pursuant to the NRM Agency Subservicing Agreement.

(h) Upon the Servicing Rights Owner’s request, the Subservicer shall reasonably cooperate with the Servicing Rights Owner and any backup servicer designated by the Servicing Rights Owner, including, but not limited to, working and coordinating with such backup servicer’s personnel to provide applicable mapping system fields, data checks, conversion routines and such other assistance to enable such backup servicer to receive readable data from the Subservicer on a periodic basis. On a monthly basis, at no additional charge (unless requested more frequently than monthly), Subservicer shall provide to Servicing Rights Owner and to any backup servicer designated by the Servicing Rights Owner the information, in readable form, set forth in Schedule 2.7(h) with respect to the Mortgage Loans subserviced hereunder. In addition, the Subservicer shall provide information and data regarding the Mortgage Loans and Servicing Rights to the designated backup servicer as required by such backup servicer, including but not limited to contacts for Vendors and Default Firms performing services on the Mortgage Loans, images of Mortgage Files in Subservicer’s possession or control, and reports identifying the party in possession of the Mortgage Loan Documents from the Custodian. Except with respect to the monthly data transmission described above, the Servicing Rights Owner shall reimburse the Subservicer for its out-of-pocket costs and expenses or its internally allocated costs and expenses, as applicable, incurred by the Subservicer in connection with its cooperation with such backup servicer in accordance with the process set forth in Section 2.8(d) of this Agreement. The Subservicer’s obligation to provide any information to a back-up servicer shall only arise following the

backup servicer and Subservicer entering into a customary, mutually agreeable non-disclosure agreement which will limit such back-up servicer's use of information provided by or on behalf of Subservicer to the purpose of providing such back-up services.

(i) For all Agency Loans, the Subservicer shall service, report and remit in compliance with the applicable Agency Guidelines as allowed or required by its role as "Subservicer" on behalf of Servicing Rights Owner; Servicing Rights Owner retains the role and responsibility as "Seller" and "Servicer" as defined by the applicable Agency Guidelines. Notwithstanding the foregoing or anything to the contrary in this Agreement, in no event shall this Section 2.7(i) modify, limit, impair or diminish the obligations of the Subservicer under this Agreement.

Section 2.8. Procedures, Servicing Rights Owner Change Requests and Servicing Cost Increase.

(a) The Subservicer shall maintain Servicing Procedures that are consistent with and satisfy Applicable Requirements. The Subservicer shall provide such Servicing Procedures, including with respect to its charge-off policy, at the timing set forth in Exhibit G and in the format set forth on Exhibit Q, and Servicing Rights Owner acknowledges that the Servicing Procedures constitute Subservicer's confidential and proprietary information.

(b) Except with respect to non-significant changes as mutually agreed upon by the parties, if, following the date of this Agreement, Servicing Rights Owner shall propose to modify (i) the Servicing Procedures ("SP Modifications"), the Advance Policy ("AP Modifications"), (ii) reports, or (iii) otherwise alter, amend or supplement the servicing activities or if Servicing Rights Owner becomes subject to such judicial or administrative judgment, order, stipulation, directive, consent decree, award, writ or injunction after the date of this Agreement that would modify the servicing or Subservicing of the Mortgage Loans hereunder (any such modification being herein referred to as a "Change Request"), the Servicing Rights Owner shall provide written notice of each such proposed Change Request to the Subservicer by providing (i) a specimen of each procedure proposed to be amended, supplemented or introduced, in the form in which it is proposed to be amended, supplemented or introduced; and/or (ii) a written description of each proposed amendment, supplement or other alteration to the Servicing Procedures, which description shall in each case be sufficiently clear, comprehensive and detailed to provide a reasonable basis for the Subservicer to adequately assess the Change Request.

(c) [***].

(d) To the extent such Change Requests or Subservicer's compliance with Section 2.7(h), would result in the Subservicer incurring any additional out-of-pocket costs or expenses or internally allocated costs or expenses, which collectively are in excess of [***] in connection with the implementation of such changes (and measured together with any similar Change Request delivered by any NRZ O/S Entity under any NRZ Servicing/Subservicing Agreement), the Subservicer shall provide the Servicing Rights Owner with a good faith estimate regarding the costs and expenses needed to implement the contemplated work on the Servicing Rights Owner's behalf and reasonable supporting documentation. If such work will involve third party costs or expenses, the Subservicer shall follow Servicing Rights Owner's reasonable instructions regarding the retention of such third party providers, including the terms of such retention, related requests for proposals, seeking fixed prices or caps or similar arrangements and establishing time commitments from such third parties. Any such estimate shall also include the anticipated time frame for implementation of such work. Such estimate shall also include the ongoing incremental expense of performing the work in a modified manner as described in the Change Request. If the Servicing Rights Owner consents to the Subservicer performing such work on its behalf, the parties will enter into a mutually acceptable agreement for implementation of such work (such agreement, a "Statement of Work"), which shall be performed by the Subservicer on a commercially-reasonable, best-efforts basis. Upon the due execution by both parties, the Statement of Work shall constitute an amendment to this Agreement without further action on the part of either party. The Subservicer shall perform the services set forth in the Statement of Work in the manner provided therein, and the Servicing Rights Owner shall pay for any agreed upon cost, if any, of the implementation and any additional services resulting therefrom, in each case in accordance with the terms of the Statement of Work and this Agreement in accordance with the process set forth in this Section 2.8(d) of this Agreement. If the actual internally allocated costs and expenses are greater than the estimated amount, (i) the Servicing Rights Owner shall not be liable for any amounts in excess of such invoiced amount and (ii) the Subservicer shall perform all such contemplated work within the agreed upon timeframe. Subject to Servicing Rights Owner's approval of the terms of retention of the applicable third parties in accordance with this Section 2.8(d), if the actual out-of-pocket costs and expenses are greater than the estimated amount, the Servicing Rights Owner shall reimburse the Subservicer for all such amounts. Subservicer shall regularly communicate with Servicing Rights Owner regarding the status of performance of any Statement of Work hereunder, including with respect to any actual or expected delays or cost overruns. Servicing Rights Owner agrees that to the extent any NRZ O/S Entity and Subservicer are contemplating or implementing a similar Change Request under any NRZ Servicing/Subservicing Agreement, Servicing Rights Owner shall coordinate with such NRZ O/S Entity on a single set of estimates, instructions, reporting, processes and Statements of Work. For the avoidance of doubt, the parties understand and agree that a Statement of Work shall not be required to implement (i) the services already enumerated or contemplated under this Agreement (other than the services contemplated by this Section 2.8 or any other services or activities in this Agreement that are expressly subject to the Statement of Work process set forth in this Section 2.8) or (ii) other services or projects previously commenced by the Subservicer on behalf of the Servicing Rights Owner.

(e) Notwithstanding anything to the contrary in this Section 2.8 or elsewhere in this Agreement, should the provisions of this Agreement, Subservicer's current practices or any Change Request made by Servicing Rights Owner conflict with any Agency Guidelines, the applicable Agency Guidelines shall control. Servicing Rights Owner and Subservicer hereby agree that the Subservicer shall comply with the Agency Guidelines and shall implement any changes as directed by such Agency or as required pursuant to modifications to such Agency Guidelines, and any such change shall not be required to be submitted through the processes outlined in paragraphs (a) through (d) above; provided that, to the extent such change (i) conflicts with this Agreement or any Change Request made by Servicing Rights Owner or Subservicer's current practices and the change required of the Subservicer to conform to such Agency direction or Agency Guidelines would otherwise require the submission of a Change Request if such request was made by Servicing Rights Owner,, Subservicer shall notify Servicing Rights Owner of such conflict at least sixty (60) calendar days prior to the implementation of such change or such shorter timeframe as may be required to implement such change in accordance with the Applicable Requirements. If any Agency Guideline, Governmental Entity Guideline, legal, regulatory or governmental policy enactment, amendment, reform or similar matter or matters applicable to non-bank servicers generally, individually or in the aggregate, have or are reasonably expected to have, caused an increase or decrease in the Subservicer's cost to service the Mortgage Loans by more than [***], then the Subservicer or the Servicing Rights Owner, respectively, may give written notice ("Change Notice") to the other party of such changed matter or matters. In the event of such Change Notice, the parties agree to review and discuss in good faith the Subservicer Economics and any other fees paid by Servicing Rights Owner, the performance standards and/or the services to be performed under this Agreement in order to reflect such change in Subservicer's cost to deliver the services under this Agreement in compliance with, or to otherwise address any effect on the economics of the transaction from, any such event or occurrence described above.

(f) Any Approved Party, Substitute Vendor, backup servicer or [***] shall be subjected to Subservicer's usual and customary vendor onboarding process (consistent with its practices prior to the Original Closing Date or improvements that Subservicer makes to such process on a platform-wide basis). Following such onboarding process, if Subservicer identifies that such Person has material deficiencies or would be reasonably likely to violate Applicable Requirements, in each case consistent with Subservicer's practices prior to the Original Closing Date or improvements that Subservicer makes to such process on a platform-wide basis, Subservicer shall notify Servicing Rights Owner in writing and shall provide the basis for determining that such Person has material deficiencies and/or would be reasonably likely to violate Applicable Requirements. [***]

(g) In addition to the Servicing Rights Owner's indemnification obligations set forth in Section 8.1, the Servicing Rights Owner shall indemnify and hold the Subservicer harmless against any and all Losses resulting from or arising out of [***]. For purposes of this Section 2.8(g), a "Directed Provider" shall be any Approved Party, Substitute Vendor, backup servicer or [***] proposed by the Servicing Rights Owner in accordance with the terms of this Agreement and onboarded in accordance with and subject to Section 2.8(f). For the avoidance of doubt, Subservicer's interaction and/or cooperation with any Directed Provider shall not constitute an endorsement, evaluation or view of or by the Subservicer as to whether any agreement between Servicing Rights Owner and any Directed Provider complies with Applicable Requirements.

Section 2.9. Management of REO Properties.

If title to any Mortgaged Property is acquired in foreclosure or by deed in lieu of foreclosure (each, an "REO Property"), the deed or certificate of sale shall be taken in the name required by applicable Investor Guidelines; provided that, unless required in accordance with Investor Guidelines (it being understood that the Subservicer shall provide notice to the Servicing Rights Owner within five (5) Business Days of a change in the Investor Guidelines that require the title to be conveyed in the name of the Servicing Rights Owner to [***] or such other email address as is updated from time to time by the Servicing Rights Owner), in no event shall the Subservicer have title to the Mortgaged Property conveyed in the name of the Servicing Rights Owner without the Servicing Rights Owner's prior written consent. To the extent that amounts on deposit in the Collection Account are insufficient for funding the management of REO Properties, Subservicer shall advance the amount of funds required to cover the shortfall with respect thereto and shall be entitled to reimbursement of such Servicing Advance in accordance with Section 2.18.

Prior to transferring any REO Property to the Mortgage Loan Investor, the Subservicer shall comply with all Applicable Requirements related to the maintenance of such property. The Subservicer shall maintain on each REO Property monthly fire and hazard insurance with extended coverage in an amount that is at least equal to the maximum insurable value of the improvements that are a part of such property and, to the extent required and available under the national flood insurance program, flood insurance, all in the amounts and with such coverage as required under Applicable Requirements.

Solely with respect to any REO Property which was converted from a Private Label Mortgage Loan, the Servicing Rights Owner may direct the Subservicer to utilize an REO manager identified by the Servicing Rights Owner; provided that, to the extent such REO manager identified by the Servicing Rights Owner is not currently a Vendor of the Subservicer, the Subservicer shall engage such REO manager utilizing its vender management system and will promptly notify the Servicing Rights Owner upon the Subservicer's approval or rejection of such REO manager.

Section 2.10. Engagement of Contractors.

At any time prior to the date NRM is terminated as Servicing Rights Owner:

(a) Exhibit B-1 will set forth the following lists (in a format reasonably acceptable to the Servicing Rights Owner): (i) Vendors (excluding Off-shore Vendors) that the Subservicer engages to perform under this Agreement and to which the Subservicer has assigned a tier 1 or tier 2 risk tier rating, a summary of the related activities performed by each such Vendor and the applicable risk tier the Subservicer has assigned such Vendor, (ii) Off-shore Vendors that the Subservicer engages to perform under this Agreement to which the Subservicer has assigned a tier 1 or tier 2 risk tier rating, a summary of the related activities performed by each such Off-shore Vendor and the applicable risk tier the Subservicer has assigned such Off-shore Vendor, and (iii) Default Firms engaged by the Subservicer for foreclosures and bankruptcies only (collectively, the “Critical Vendors”), in each case, to the extent such Critical Vendor is performing any activity relevant to any Mortgage Loan. All Default Firms shall be deemed to have a tier 1 risk tier rating for purposes of this Agreement.

(b) From time to time, the Subservicer may engage other Vendors in addition to those appearing on Exhibit B-1 to provide services to the Subservicer that are related to the Mortgage Loans. The Subservicer shall not engage any Vendors or Default Firms to provide services with respect to any Mortgage Loan if such Vendor or Default Firm is on any of the (i) Freddie Mac Exclusionary List (or any other exclusionary list provided by an Agency), (ii) Specifically Designated Nationals and Blocked Persons List published by OFAC, (iii) Suspended Counterparty Program list published by FHFA, or (iv) Subservicer’s internal exclusionary list, and shall promptly (x) notify Servicing Rights Owner if any such Vendor or Default Firm becomes subject to any such exclusionary list, and (y) replace any such Vendor or Default Firm. In the event any such additional Critical Vendor is identified by the Servicing Rights Owner as having been deficient in the reasonable judgment of the Servicing Rights Owner, the Servicing Rights Owner shall notify the Subservicer with its concerns of such Critical Vendor. The Subservicer shall notify the Servicing Rights Owner of additional Critical Vendors at the timing set forth in Exhibit G. The Subservicer shall promptly respond to the Servicing Rights Owner and the parties hereto shall cooperate in good faith to resolve the Servicing Rights Owner’s concerns and/or findings relating to Critical Vendors, including but not limited to determining if such deficiencies can be corrected or to replace Critical Vendors, as applicable, with another Vendor or Default Firm, as applicable, mutually acceptable to the parties and in accordance with Applicable Requirements. In addition, the Subservicer shall promptly notify the Servicing Rights Owner of any material deficiencies with respect to any Vendor and/or Default Firm used by the Subservicer with respect to any Mortgage Loan. To the extent that the same Vendor or Default Firm is being utilized under any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement, Servicing Rights Owner will coordinate with the related NRZ O/S Entity regarding all inquiries, notices and determinations with respect to such Vendor or Default Firm.

(c) With respect to any Vendor that performs any Mortgagor-facing activity, Servicing Rights Owner-facing activity and/or Investor-facing activity, the Subservicer shall routinely, in accordance with Applicable Requirements, (i) examine and audit the books, records, and/or other information of any such Vendor and (ii) monitor the activities of such Vendor (including but not limited to reviewing call transcripts and listening to audio-recordings of calls to Mortgagors). The Subservicer shall promptly deliver to the Servicing Rights Owner at least ninety (90) calendar days (or if a shorter period of time is necessary for Subservicer’s ongoing business continuity purposes, not later than the date the potential vendor enters into Subservicer’s input process) advance written notice of any Off-shore Vendors that the Subservicer intends to cause to perform any Mortgagor-facing activity, Servicing Rights Owner-facing activity and/or Investor-facing activity, it being understood that Subservicer may combine such notice with any similar notice(s) delivered to any NRZ O/S Entity in connection with the utilization of such Off-shore Vendors in connection with the related NRZ Servicing/Subservicing Agreement(s) or the NRM Agency Subservicing Agreement.

(d) All foreclosure attorneys, bankruptcy attorneys and eviction attorneys (collectively, “Default Firms”) and all Vendors to be used in connection with the servicing and administration of the Mortgage Loans and REO Properties shall (i) be engaged in accordance with Applicable Requirements and (ii) have any and all qualifications, licenses and/or approvals necessary to perform their respective services in this Agreement in accordance with Applicable Requirements. The Subservicer shall (x) review on at least an annual basis that each Default Firm providing foreclosure or bankruptcy services that its attorneys are licensed to practice in the relevant jurisdiction and are in good standing in the relevant jurisdictions and bars, (y) provide an annual certification to the Servicing Rights Owner to the matters in clause (x) of this Section 2.10(d) (by the Subservicer or each Default Firm) and shall state each Default Firm meets Agency requirements and Applicable Requirements, and (z) provide the Servicing Rights Owner with copies of such evidence available to the Subservicer upon reasonable request of the Servicing Rights Owner, it being understood that any certifications or other materials provided by Subservicer to an NRZ O/S Entity pursuant to Section 2.4(d) of any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement shall be deemed to have been delivered to Servicing Rights Owner hereunder. Within thirty (30) days of the Effective Date, the Subservicer shall (i) provide a report to the Servicing Rights Owner identifying any Default Firm which received an “objection” or other similar classification from any Agency to the extent the Subservicer submitted such Default Firm to an Agency for servicing Agency loans in the Subservicer’s servicing portfolio, it being understood that to the extent such report have been made available to any NRZ O/S Entity pursuant to Section 2.10 of the any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement, such reports shall be deemed to have been made available hereunder and (ii) shall cooperate with Servicing Rights Owner to evaluate what steps, if any, should be taken as a result of such objection.

(e) Other than with respect to any Vendors performing REO Disposition Services, (i) the Subservicer shall cause any Vendors, Off-shore Vendors and/or Default Firms hired by the Subservicer to perform its duties and service the

Mortgage Loans in compliance with Applicable Requirements and (ii) the use of any Vendor, Off-shore Vendor or Default Firm by the Subservicer shall not relieve the Subservicer of its obligations under this Agreement or any related remedies under this Agreement. Any such Vendor, Off-shore Vendor, and/or Default Firms engaged by the Subservicer shall be engaged on a commercially reasonable, arm's length basis and at competitive rates of compensation consistent with Applicable Requirements.

(f) The Subservicer shall oversee all Vendors, Off-shore Vendors and Default Firms in accordance with the Vendor Oversight Guidance and its third-party management policy, and require that all Vendors, Off-shore Vendors and Default Firms on the Vendor List maintain and provide policies and procedures applicable to the services provided in a manner consistent with all Applicable Requirements, the Vendor Oversight Guidance and the servicing standards under this Agreement. Solely as it relates to a violation or non-compliance with Applicable Requirements by a Vendor that materially and adversely affects any Mortgage Loan or the related Servicing Rights, within twenty-one (21) Business Days of confirmation of the violation or non-compliance with Applicable Requirements, (i) the Subservicer shall provide to the Servicing Rights Owner notice of such violations or such non-compliance with Applicable Requirements of which the Subservicer has knowledge by any Vendor, Off-shore Vendor and/or Default Firm under the Vendor Oversight Guidance, the Subservicer's third-party management policy and/or Applicable Requirements, (ii) the Subservicer agrees to cooperate with the Servicing Rights Owner to remedy such non-compliance and to maintain regular communication with the Servicing Rights Owner regarding the progress of any remediation efforts, (iii) the Subservicer shall provide to the Servicing Rights Owner a summary and action-plan by the Subservicer detailing how such violation(s) or non-compliance will be remediated, (iv) to the extent permitted under the applicable Vendor contract or consented to by such Vendor, the Servicing Rights Owner may directly participate in cooperation with the Subservicer in any of the material activities described in this paragraph, and (v) the Subservicer shall provide to the Servicing Rights Owner, if applicable, a request in writing for an extension of the twenty-one (21) Business Day period. To the extent that any violation or non-compliance with Applicable Requirements by a Vendor relates to any Mortgage Loans being subserviced under any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement, all notices by Subservicer, and all cooperation efforts, summaries, action plans and permitted extensions shall be done in coordination with such NRZ O/S Entity and those activities contemplated in Section 2.10(f) of such NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement. The Subservicer shall provide the Servicing Rights Owner with the Subservicer's then current third-party management policy or policies at the timing set forth in Exhibit G in an acceptable searchable electronic format that allows for comparison of the current policies against the policies from the prior period and shall provide the Servicing Rights Owner with immediate written notice following the implementation of a material change to any such policy or policies, it being understood that to the extent Subservicer provides such policies to any NRZ O/S Entity pursuant to Section 2.10(f) of any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement, such policies shall be deemed to have been delivered hereunder.

(g) The Subservicer shall conduct periodic reviews of the Vendors, Off-shore Vendors and Default Firms that the Subservicer engages to perform under this Agreement in accordance with its third-party management policy and Vendor Oversight Guidance to confirm compliance, timeliness and completeness with respect to the terms of this Agreement and Applicable Requirements and that the Vendors, Off-shore Vendors and Default Firms are not subject to litigation or other enforcement actions that could have a material effect on such Vendor's, Off-shore Vendor's and/or Default Firm's financial viability or reputation. At the timing set forth in Exhibit G, the Subservicer shall provide to the Servicing Rights Owner the results of all periodic reviews concluded by or on behalf of the Subservicer during the prior three (3) month period for any Critical Vendor in a manner consistent with Exhibit Q, which shall be in the form of performance scorecards, risk rating and risk-tier assignment system, in each case, in a format reasonably acceptable to the Servicing Rights Owner. During each such quarterly update, the Subservicer shall notify the Servicing Rights Owner of any changes to the Subservicer's scorecard, risk-rating, or risk-tiering methodology, to the extent such information is available or obtainable for each Vendor, Off-shore Vendor and Default Firm. To the extent that Subservicer provides such quarterly reviews or notices to any NRZ O/S Entity pursuant to Section 2.10(g) of any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement, such reviews and notices shall be deemed to have been delivered hereunder.

(h) In accordance with the terms and conditions of the Subservicer's agreement with the applicable Vendor, Off-shore Vendor and/or Default Firm, the Subservicer shall satisfy in a timely manner its financial obligations to the Vendors, Off-shore Vendors and Default Firms providing services with respect to this Agreement. The Subservicer shall maintain appropriate controls to ensure that (i) compensation paid to the Vendors, Off-shore Vendors and Default Firms on the Vendor List providing foreclosure services with respect to the Mortgage Loans is based on a method that is consistent with Applicable Requirements and considers the accuracy, completeness and legal compliance of foreclosure filings and (ii) that such services are provided only as frequently as reasonably necessary in light of the circumstances, and, in the case of both (i) and (ii) above, is not based solely on increased foreclosure volume or meeting processing timelines.

(i) The Subservicer shall maintain a third-party risk management program to monitor the Vendors, Off-shore Vendors and Default Firms. This program will include evaluating Default Firms used by the Subservicer for compliance with Applicable Requirements, including verification of all documents filed or otherwise utilized by such firms in any foreclosure or bankruptcy proceeding or other foreclosure-related litigation and that all compensation arrangements with such Default Firms are consistent with this Agreement and Applicable Requirements.

(j) Subject to Section 9.16, if reasonably necessary for the Servicing Rights Owner to comply with the requirements of any Governmental Authority that exercises authority over the Servicing Rights Owner, the Subservicer shall, at the request of the Servicing Rights Owner, make available to the Servicing Rights Owner copies of any contracts electronically through an electronic portal, ftp site, or otherwise, by or with any Vendors, Off-shore Vendors and/or Default Firms on the Vendor List and any reports, audits, evaluations, reviews or assessments with respect to such contractors, it being understood that to the extent such contracts have been made available to any NRZ O/S Entity pursuant to Section 2.10(j) of any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement, such contracts shall be deemed to have been made available hereunder. Subject to Section 9.16, in the event the Subservicer is not able to make available copies contracts, reports, evaluations, reviews or assessments with respect to any Vendors, Off-shore Vendors or Default Firms that are required to be made available to the Servicing Rights Owner under this Section 2.10(j) or are otherwise reasonably requested by the Servicing Rights Owner in order for it to comply with Applicable Requirements because such materials are subject to confidentiality or other non-disclosure restrictions that would prevent disclosing such materials, (i) the Subservicer shall make reasonable efforts to obtain consent to disclosure from the related Vendors, Off-shore Vendors or Default Firms, with the understanding that pricing or other confidential business terms may be redacted and (ii) the Subservicer shall provide the Servicing Rights Owner with such relevant information or summaries with respect to the related matter that would not be prohibited.

(k) Upon Servicing Rights Owner's request, to the extent Substitute Vendor is reasonably acceptable to Subservicer, the Subservicer shall reasonably cooperate with Substitute Vendor as contractually engaged by Servicing Rights Owner [***].

(l) [***].

Section 2.11. Establishment and Maintenance of Custodial and Escrow Accounts.

(a) Pending disbursement, the Subservicer shall segregate and deposit Custodial Funds and Escrow Payments collected in one or more Custodial Accounts or Escrow Accounts, as applicable. The Subservicer at the direction of the Servicing Rights Owner, or the Servicing Rights Owner itself, shall establish such Custodial Accounts and Escrow Accounts at a Qualified Depository provided that in each case, such accounts shall be owned by the Servicing Rights Owner. Such Custodial Accounts and Escrow Accounts shall be established for each Investor in such manner as to show the custodial nature thereof, and so that each Investor and each separate Mortgagor whose funds have been deposited into such account or accounts will be individually insured under the rules of the FDIC. The Subservicer's records shall show the respective interest of each Investor and each Mortgagor in all such Custodial Accounts and Escrow Accounts. All Custodial Accounts and Escrow Accounts shall be maintained at the applicable insured financial institution in the name of Servicing Rights Owner as "trustee" for the Servicing Rights Owner and/or Investors and/or Mortgagors, with reference to the Subservicer as servicer for Servicing Rights Owner, except as may otherwise be required by Applicable Requirements. To the extent any Custodial Accounts and/or Escrow Accounts are prohibited (or otherwise not permitted) by Applicable Requirements to be in the name of Servicing Rights Owner, the Subservicer shall identify such accounts to the Servicing Rights Owner (i) on or before the date hereof and (ii) from time to time following the request of the Servicing Rights Owner.

(b) Amounts on deposit in the Custodial Accounts may at the option of the Servicing Rights Owner be invested in accordance with Applicable Requirements. Any such investment shall mature no later than one day prior to the Remittance Date in each month; provided, however, that if such investment is an obligation of a Qualified Depository that maintains the Custodial Account, then such investment must mature on the related Remittance Date. Any losses incurred in respect of any such investment shall be deposited in the Custodial Account, by the Servicing Rights Owner out of its own funds prior to the subsequent Remittance Date.

(c) The Servicing Rights Owner shall not withdraw any funds from the Custodial Accounts or Escrow Accounts except to pay itself any Float Benefit pursuant to Section 5.1.

(d) All suspense, clearing and disbursement accounts in which funds relating to the Mortgage Loans and REO Properties are deposited shall be established and owned by the Subservicer with a Qualified Depository, in a manner which shall provide maximum available insurance thereunder.

(e) The Subservicer shall have full access rights to the Custodial Accounts and Escrow Accounts for the purposes of performing its duties as described in this Agreement. Servicing Rights Owner shall ensure that Subservicer is provided with on-line access to the Custodial Accounts and Escrow Accounts and bank statements, subject to the terms of the account agreement with the applicable bank that may permit such bank to suspend or cease to provide such access; provided that if any such bank ceases to provide such online access, the Servicing Rights Owner shall use commercially reasonable efforts to move the affected accounts to a banking institution that will provide such access as soon as reasonably practicable, subject to Section 2.11(f). Subservicer shall notify Servicing Rights Owner of each individual with access rights to access any of the Custodial Accounts or Escrow Accounts and of any such individual that either ceases to be employed by the Subservicer or ceases performing functions that require such access, in each case not later than three (3) Business Days following the date on which such individual ceases employment or ceases performing such functions; provided, that

Subservicer shall cause at least two (2) individuals to have access rights to such Custodial Accounts or Escrow Accounts at all times other than the three (3) Business Days following the date on which such individual ceases employment or ceases performing such functions.

(f) The Servicing Rights Owner may at its sole cost and expense, change Qualified Depositories by providing to the Subservicer thirty (30) days prior written notice for up to 100 accounts and sixty (60) days prior written notice for all accounts. The Subservicer shall cooperate with the Servicing Rights Owner to effectuate any such changes.

Section 2.12. Other Services.

Subject to Applicable Requirements, the Subservicer shall be responsible for further safeguarding the applicable Investor's interest in each Mortgaged Property as follows:

(a) Each party shall identify a relationship manager with respect to the Mortgage Loans, who shall serve as the principal point of contact for the other party for purposes of answering questions with respect to the Subservicing pursuant to this Agreement, it being understood that, to the extent that either party has identified a relationship manager under any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement, such person shall also serve as the relationship manager and point of contact for such party hereunder. Each party will provide prompt notice to the relationship manager of the other party if a change occurs with the relationship manager;

(b) Subject to Section 9.16, the Subservicer shall (i) notify the Servicing Rights Owner as promptly as possible, and in no event later than ten (10) Business Days from the Subservicer's or the Corporate Parent's receipt from any Insurer (as determined by the login information pursuant to Subservicer's intake procedures), Investor or Governmental Authority of any written notice or inquiry relating to an alleged violation or non-compliance of Applicable Requirements with respect to any Mortgage Loans that would reasonably be expected to result in a sanction, fee or other liability to the Servicing Rights Owner (including, but not limited to, termination under the applicable Servicing Agreement(s)), the Corporate Parent or otherwise materially adversely affect the Servicing Rights Owner or the Subservicer's ability to perform its obligations under this Agreement, including, but not limited to, any allegations of discrimination by the Subservicer or the Corporate Parent and any civil investigative demand or request for information, and shall promptly provide a copy of any such notice, allegation, demand or inquiry to the Servicing Rights Owner, it being understood that to the extent such a notice is delivered to any NRZ O/S Entity pursuant to Section 2.12(b) of the related NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement, such notice shall be deemed to have been delivered hereunder, and (ii) cooperate fully with the Servicing Rights Owner to respond promptly and completely to any such allegations or inquiries and similarly to any such allegations or inquiries received by the Servicing Rights Owner. Subject to Section 9.16, the Subservicer shall notify the Servicing Rights Owner as promptly as possible, and in no event later than ten (10) Business Days of learning (as determined by the login information pursuant to Subservicer's intake procedures) that an investigation of the Corporate Parent or the Subservicer's servicing practices by any Governmental Authority has determined that material deficiencies in servicing performance or a material violation or non-compliance of Applicable Requirements has occurred; provided, however, that the Subservicer shall provide prompt notice but in no event later than ten (10) Business Days to the Servicing Rights Owner if (i) the Subservicer reasonably believes that a Governmental Authority is reasonably likely to suspend, revoke or limit any license or approval necessary for the Subservicer to service the Mortgage Loans in accordance with the terms of this Agreement, (ii) any notice from Ginnie Mae, an Agency, Governmental Entity or HUD regarding the termination or potential termination of the Subservicer as an eligible servicer for Ginnie Mae, an Agency, Governmental Entity or HUD, as applicable, (iii) any downgrade or actual notice of any anticipated downgrade of the Subservicer's servicer ratings, if any, with any Rating Agency or (iv) a special investigation or non-routine exam of the Subservicer or the Corporate Parent commenced by a Governmental Authority is reasonably likely to result in a Material Adverse Effect with respect to the Servicing Rights, it being understood that to the extent such a notice is delivered to an NRZ O/S Entity pursuant to Section 2.12(b) of an NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement, such notice shall be deemed to have been delivered hereunder. The Subservicer shall then periodically, as often as the Servicing Rights Owner may reasonably request, confer with the Servicing Rights Owner to advise the Servicing Rights Owner of the status of any such investigation, it being understood that Servicing Rights Owner shall coordinate with the relevant NRZ O/S Entities to the extent applicable on all such requests. In addition, subject to Section 9.16, within ten (10) Business Days of the Subservicer's or the Corporate Parent's receipt (as determined by the login information pursuant to Subservicer's or Corporate Parent's intake procedures, as applicable), the Subservicer shall deliver to the Servicing Rights Owner (x) any reports and/or findings with respect to such investigation relating to any material deficiencies in servicing performance or material violations or non-compliance with Applicable Requirements and (y) any consent decree terms and/or any proposed consent decree terms in connection with any investigation or settlement negotiations of the Corporate Parent or the Subservicer's servicing practices by any Governmental Authority that would materially affect the servicing activities hereunder or that would result in a Material Adverse Effect with respect to the Servicing Rights or the Servicing Rights Owner, it being understood that any such reports, findings, consent decrees and/or proposed consent terms delivered by any NRZ O/S Entity pursuant to Section 2.12(b) of any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement shall be deemed to have been delivered hereunder. In the event the Subservicer is prohibited under applicable rules of privilege and confidentiality based upon the express advice of counsel from providing specific information or documentation under this Section 2.12, the Subservicer shall provide (and to the extent prohibited, the Subservicer shall provide to the maximum extent possible the information that is not prohibited from being disclosed) the

Servicing Rights Owner with such relevant information or summaries with respect to the related matter that would not be prohibited under such rules, it being understood that to the extent Subservicer has provided such information to any NRZ O/S Entity pursuant to any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement, such information shall be deemed to have been provided hereunder. Any report made pursuant to this Section 2.12 related to regulatory investigation or other regulatory contact with the Subservicer and/or Corporate Parent, shall be at the timing set forth in Exhibit G and in the format set forth in the related Formatted Servicing Report;

(c) The Subservicer shall maintain a log of all “qualified written requests” (as such term is used in the Real Estate Settlement Procedures Act) relating to the Mortgage Loans and a log of all escalated telephone complaints related to the Mortgage Loans. The Subservicer shall (i) provide copies of such logs the following month no later than the Reporting Date (or promptly upon the request by the Servicing Rights Owner) and (ii) make copies of any correspondence or documentation relating to any items included in such logs available electronically or on the Subservicer’s systems for access to data and reports. The Subservicer shall provide basic complaint reporting and an Escalated Complaint Case Data Report, at the timing set forth in Exhibit G and in the format set forth in the related Formatted Servicing Report, respectively, and a Notice of Error and Request for Information Report, in each case, at the timing set forth in Exhibit H and in the format set forth in the related Formatted Servicing Report. For the purpose of this Section 2.12(c), the Subservicer may provide combined reports and other materials concerning the Mortgage Loans serviced or subserviced under any NRZ Servicing/Subservicing Agreement, the NRM Agency Subservicing Agreement and the Mortgage Loans subserviced hereunder, and the delivery of such combined reports and materials to any NRZ O/S Entity shall be deemed to constitute delivery hereunder. The Subservicer shall handle all complaints received by the Subservicer in accordance with Applicable Requirements, and shall:

(i) Maintain an internal procedure to provide for the management, acknowledgment, response, tracking, and reporting of written and telephonic complaints made to, or received by, the Subservicer in accordance with Applicable Requirements. The Subservicer shall provide the Servicing Rights Owner with a copy of such procedures and any material changes to such procedures at the timing set forth in Exhibit G. For the avoidance of doubt, for any purposes under this Agreement, written complaints include any complaints delivered in hard copy or in electronic form, including as obtained electronically through the CFPB or other regulatory portals.

(ii) The Subservicer shall make available promptly upon request of the Servicing Rights Owner with copies of a written complaint or transcripts of any telephonic complaints with respect to a Mortgage Loan (whether by or on behalf of Mortgagors or any third party), and any ongoing correspondence related thereto and the final written response to such complaint, and other reasonably related documents or information, upon request of the Servicing Rights Owner.

(iii) The Subservicer also shall include in its complaint monitoring, handling, and response activities any complaints and requests regarding the services provided by the Subservicer hereunder initially received by the Servicing Rights Owner and forwarded to the Subservicer for review and response.

(d) The Subservicer shall keep accessible and retrievable, and shall transmit or make available to the Servicing Rights Owner upon request, copies of all records relating to the Subservicing, including records related to foreclosure that the Subservicer has produced, or has received from a prior subservicer; and

(e) Subject to Section 9.16, the Subservicer shall maintain policies and procedures designed to comply with all MERS requirements and shall be a member of MERS in good standing throughout the duration of this Agreement. At the timing set forth in Exhibit G, the Subservicer shall provide such policies and procedures in accordance with Exhibit Q, it being understood that to the extent such policies and procedures are provided to any NRZ O/S Entity in accordance with any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement, such policies and procedures shall be deemed to have been delivered hereunder. The Subservicer agrees to cooperate in good faith in addressing any questions or concerns of the Servicing Rights Owner regarding any material modification to such policies. The Subservicer shall cooperate with any audit by the Servicing Rights Owner with respect to any Mortgage Loan registered with MERS and compliance with the MERS requirements, including providing access to any relevant documentation or information in connection therewith, it being understood that Servicing Rights Owner shall coordinate with each NRZ O/S Entity regarding such audits, to the extent applicable.

Section 2.13. Service Level Agreements.

(a) The Subservicer shall comply with the Service Level Agreements (“SLAs”) as set forth from time to time on Exhibit R, or as modified pursuant to this Section 2.13; provided, however, that the Subservicer will not be responsible for delays, errors or omissions caused by the Servicing Rights Owner or any verifiable factors outside of the Subservicer’s control.

(b) The Subservicer shall report the Subservicer’s actual results with respect to the SLAs in the form of report and timeline(s) described in Exhibit G. The Servicing Rights Owner and the Subservicer shall cooperate in good faith to resolve any questions or issues regarding the SLAs and the Subservicer’s performance with respect to such SLAs.

(c) At either party's request, the Servicing Rights Owner and the Subservicer shall review the SLAs and any proposed modifications to the SLAs (including the related tools and methodologies for measuring or calculating compliance with such SLAs). Such modifications shall become effective when acknowledged in writing and signed by both parties.

(d) The remedy for failure to satisfy any SLAs shall be as set forth in the SLAs; provided that, for the avoidance of doubt, where the failure to satisfy any SLAs is otherwise a breach of this Agreement, nothing herein shall restrict or limit any rights or remedies available to the Servicing Rights Owners under this Agreement or Applicable Requirements.

Section 2.14. Accounting, Reporting and Remittances.

Subject to Applicable Requirements, including without limitation the applicable Servicing Agreement:

(a) On the applicable Remittance Date, the Subservicer shall remit to each Investor all principal, interest and any other amounts due to such Investor by Servicing Rights Owner.

(b) The Subservicer shall prepare and submit all reports to Investors as required by the applicable Servicing Agreement and make such reports available concurrently to Servicing Rights Owner.

(c) The Subservicer shall provide the Servicing Rights Owner with the daily and monthly servicing reports in accordance with the timing set forth in Exhibit G or otherwise required under this Agreement. The monthly servicing reports shall be delivered no later than the Reporting Date, unless otherwise set forth in Exhibit G or agreed by the parties. Such reports shall be delivered electronically in a manner acceptable to the Servicing Rights Owner or made accessible to the Servicing Rights Owner on the Subservicer's reporting website (as described in Section 2.16(c)) and shall be in a format substantially in the forms attached to Exhibit H (each, a "Formatted Servicing Report"), as applicable, or in such other format mutually agreed by the parties. In addition, upon request, the Subservicer shall provide the Servicing Rights Owner with a loan-level download (in a format reasonably requested by the Servicing Rights Owner) of servicing system collection comments within fifteen (15) calendar days of such request for up to [***] Mortgage Loans per quarter, or such longer period of time as the parties reasonably agree for more than [***] Mortgage Loans per quarter, unless the volume of loans requires a longer time period as determined in good faith by Subservicer in which case parties shall agree upon a reasonable timeframe to provide such comments. The Subservicer also shall cooperate in good faith with the Servicing Rights Owner to provide any additional reports or data as may be reasonably requested from time to time, including but not limited to any Servicing Rights Owner Regulatory Report subject to the process set forth in Section 2.8, it being understood that to the extent such a report is delivered to an NRZ O/S Entity under an NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement, such report shall be deemed to have been delivered hereunder.

(d) The Subservicer shall provide the Servicing Rights Owner in an electronic format, with a month end collection and delinquency report set forth in the related Formatted Servicing Report identifying on a loan-level basis the status of any Delinquent Mortgage Loans, and any Loss Mitigation efforts, including, but not limited to, loan modifications and forbearances, it being understood that Subservicer may deliver a combined report covering Mortgage Loans serviced hereunder and Mortgage Loans subserviced under any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement and that delivery of such report to the applicable NRZ O/S Entity in accordance with the related NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement shall be deemed to constitute delivery hereunder. Loan-level monthly reports shall be properly coded by the Subservicer to identify Mortgage Loans affected by Loss Mitigation efforts or other changes in payment terms and such reports shall reflect such pending payment terms. In the event a Governmental Authority or an Investor requests a report or delivery of data or information, the Subservicer and the Servicing Rights Owner shall follow the process set forth in Section 2.8.

(e) The Subservicer shall provide, at the timing set forth in Exhibit G, the Mortgagor Litigation Reports as set forth in the related Formatted Servicing Report summarizing current litigation, foreclosure and bankruptcy activity with respect to any of the Mortgage Loans. In addition, the Subservicer shall provide at the timing set forth in Exhibit H, a report relating to the oversight of foreclosure and bankruptcy attorneys in a form to be reasonably agreed upon by the parties. The Subservicer's monthly reporting shall include updates regarding the status of any known litigation, including matters resolved and new matters and associated costs and expenses and upon reasonable request, the Subservicer shall promptly provide to the Servicing Rights Owner copies of all notices, pleadings and subpoenas regarding any such known litigation relating to a Mortgage Loan. The parties hereby agree that such report will include the following information: [***]. To the extent that any reports relating to the matters in this Section 2.14(e) are delivered by Subservicer to an NRZ O/S Entity under an NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement, Subservicer may deliver combined reports covering Mortgage Loans subserviced under such NRZ Servicing/Subservicing Agreement, the NRM Agency Subservicing Agreement and under this Agreement, and delivery of such reports to such NRZ O/S Entity shall be deemed to constitute delivery of such reports hereunder. The parties agree that Subservicer may deliver a combined report with the reporting required hereunder and the reporting required to be provided to Servicing Rights Owner under Section 2.8(e) of the NRM PLS Subservicing Agreement and (v) annual certification that each foreclosure firm is approved by the Agencies. The parties may agree to additional reporting, on an as-needed basis, for specific individual litigation proceedings pursuant to Section 2.8(b). The Subservicer shall cooperate in good faith with any requests or instructions from the Servicing Rights Owner regarding such litigation and related proceedings, and Servicing Rights Owner shall coordinate

with each NRZ O/S Entity to the extent such requests relate to similar requests or instructions by such NRZ O/S Entity under the related NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement.

(f) On each SRO Distribution Date, the Subservicer shall remit to the Servicing Rights Owner the applicable Servicing Rights Owner Economics with respect to the Mortgage Loans pursuant to Section 5.1; provided, however, the Subservicer shall promptly notify the Servicing Rights Owner of any disputed amounts as forth in Section 2.27 and any disputed amounts shall not be included in the calculation until resolved in a mutually acceptable fashion pursuant to Section 2.27. The Subservicer shall provide the Servicing Rights Owner with the Reconciliation Report to confirm and reconcile the calculation of the Servicing Rights Owner Economics and the Subservicer Economics each month, including the appropriate breakdown and support of the various components of the daily Servicing Rights Owner Economics and monthly Servicing Rights Owner Economics and Subservicer Economics (on a loan-by-loan basis) and reflecting all applicable fees payable to the Servicing Rights Owner and to the Subservicer. Unless separate reporting is requested by Servicing Rights Owner, Subservicer may combine any such reporting with the reporting provided to the NRZ O/S Entities under Section 2.8(f) of the NRZ Servicing/Subservicing Agreements or the NRM Agency Subservicing Agreement and delivery of such reporting under the NRZ Servicing/Subservicing Agreements or the NRM Agency Subservicing Agreement shall be deemed to constitute deliver hereunder.

(g) The Subservicer shall promptly deliver to the Servicing Rights Owner any notice received by the Subservicer from an Investor that instructs the Subservicer to transfer servicing of any Mortgage Loan. In the event of a conflict between the Investor instructions and instructions by the Servicing Rights Owner, the Servicing Rights Owner and the Subservicer agree to work with such Investor and each other in good faith to resolve the conflict.

(h) Except as otherwise required by Applicable Requirements, all Float Benefit shall be payable to the Servicing Rights Owner, which amounts shall be included in the calculation of the Servicing Rights Owner Economics in accordance with Section 5.1. The Servicing Rights Owner shall be responsible for interest payments to Mortgagors, and Subservicer shall invoice such net amount as an expense of the Servicing Rights Owner in accordance with Section 5.1. The Servicing Rights Owner shall be responsible for all fees and charges associated with maintaining any Custodial Account or Escrow Account.

(i) Subject to the Subservicer's obligations set forth in Section 2.18, the Servicing Rights Owner shall pay the amount necessary to cover any Compensating Interest, which amount will be invoiced as an expense of the Servicing Rights Owner. Following receipt of such invoice, the Servicing Rights Owner shall notify the Subservicer of any disputed amounts as forth in Section 2.27 and any disputed amounts shall not be included as an expense of the Servicing Rights Owner until resolved in a mutually acceptable fashion pursuant to Section 2.27.

(j) [***].

(k) The Subservicer shall cause an independent certified public accountant selected and employed by it to provide the Servicing Rights Owner not later than March 15th (or such earlier date required under the applicable Servicing Agreement) of each calendar year to furnish a statement to the effect that such firm has examined certain documents and records relating to the servicing of assets similar in nature to the Mortgage Loans and that such firm is of the opinion that the provisions of this Agreement or similar agreements have been complied with, and that, on the basis of such examination conducted substantially in compliance with the Uniform Single Attestation Program for Mortgage Bankers, nothing has come to their attention which would indicate that such servicing has not been conducted in compliance therewith, except for (i) such exceptions as such firm shall believe to be immaterial, and (ii) such other exceptions as shall be set forth in such statement. The parties agree that Subservicer may combine any such accountant statement with the similar accountant statements to be provided to any NRZ O/S Entity under any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement, and that delivery of such combined statement shall be deemed to have been provided hereunder.

(l) In the event any items of material noncompliance with Applicable Requirements are discovered, or are specifically noted in connection with any audit or examination of the Corporate Parent or the Subservicer's servicing of any of the Mortgage Loans, the Subservicer shall promptly address and resolve such items and report the status, findings and resolution of such items in a timely manner to the Servicing Rights Owner and as otherwise required under Applicable Requirements, it being understood that to the extent such reports are provided to an NRZ O/S Entity under an NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement, such reports shall be deemed to be provided hereunder.

(m) Reports.

(i) Servicing Rights Owner shall promptly deliver to Subservicer any written communication received from an Agency related to any repurchase, Compensatory Fee or other Agency claim. Each of Subservicer and Servicing Rights Owner shall promptly notify the other party if it becomes aware of any repurchase claim, Compensatory Fee or other Agency claim against the Servicing Rights Owner or that would result in a Loss to Servicing Rights Owner by the applicable Investor with respect to any Mortgage Loan and Subservicer shall cooperate with any reasonable requests of the Servicing Rights Owner for information with respect to such Mortgage Loan and in connection with

coordinating the repurchase claim, Compensatory Fee or other Agency claim (including, but not limited to, providing copies of related collection system comments) and delivery of the applicable Mortgage Loan file and related documents to the Servicing Rights Owner or its designee with respect to such repurchase, Compensatory Fee or other Agency claim. The Subservicer shall cooperate with any reasonable requests of the Servicing Rights Owner for information with respect to such Mortgage Loan.

(ii) If any repurchase, Compensatory Fee or other Agency/Investor claim results from or arises out of a violation or breach of this Agreement or the applicable MSRPA by Subservicer, or the Subservicer otherwise agreed herein or therein to be responsible for any such claim, (i) Subservicer may, in its sole discretion, rebut and appeal such claim in accordance with the procedures set forth in Section 6.05 of the Flow MSRPA and (ii) notwithstanding any such rebuttal and appeals, the Subservicer shall make all required payments as directed and, within the applicable time frames set by the applicable Agency or Investor, and, in each case to the extent not inconsistent with this Section 2.14(m), in accordance with the procedures set forth in Section 6.05 of the Flow MSRPA; provided that, for the avoidance of doubt, Subservicer shall make such payments with respect to any breach of this Agreement.

(iii) Subservicer shall, on a monthly basis, provide Servicing Rights Owner with a report of all outstanding and ongoing repurchase, Compensatory Fee or other Agency/Investor claims, together with a reasonably detailed description of the status of such claim and supporting documentation, and shall thereafter provide Servicing Rights Owner with such supplemental information as may be reasonably requested.

(iv) Upon any such repurchase of a Mortgage Loan, the Subservicer shall remit to the Servicing Rights Owner an Average Third Party Mark Payment with respect to the related Servicing Rights to the extent (i) the related Mortgage Loan was fifty-nine (59) days or less Delinquent at the time of repurchase or (ii) the related Mortgage Loan was more than fifty-nine (59) days Delinquent at the time of repurchase and such delinquency results from or arises out of a violation or breach of this Agreement or the applicable MSRPA by Subservicer, or the Subservicer otherwise agreed herein or therein that such delinquency results from or arises out of a violation or breach of this Agreement or the applicable MSRPA by Subservicer.

(v) In connection with any such repurchase of a Mortgage Loan, Subservicer shall also acquire the Servicing Rights with respect to such Mortgage Loan and such Servicing Rights shall no longer be subject to this Agreement.

Section 2.15. Delinquency Control.

The Subservicer shall, in accordance with and subject to Applicable Requirements, including without limitation the applicable Servicing Agreement:

(a) Maintain a delinquent mortgage servicing program that shall include an adequate accounting system that indicates the existence of Delinquent Mortgage Loans, a procedure that provides for sending delinquent notices, assessing late charges, and returning inadequate payments, and a procedure for the individual analysis of distressed or chronically delinquent Mortgage Loans;

(b) Maintain a collection department and an on-line automated collection system that complies in all material respects with Applicable Requirements and the Servicing Procedures;

(c) Conduct property inspections with respect to defaulted Mortgage Loans and REO Properties in accordance with Applicable Requirements, including without limitation the terms of the applicable Servicing Agreement and the Servicing Procedures.

(d) In accordance with Applicable Requirements, administer the foreclosure or other acquisition of the Mortgaged Property relating to any Mortgage Loan in the name of the applicable Investor, process claims for any applicable insurance and until the transfer of such Mortgaged Property to the Investor or a private mortgage Insurer, if applicable, protect such property from waste and vandalism. In no event shall the Subservicer have title to a Mortgaged Property conveyed in the name of the Servicing Rights Owner without the Servicing Rights Owner's prior written consent not to be unreasonably withheld or delayed (unless otherwise required by the applicable Agency Guidelines).

(e) The Subservicer shall take appropriate measures to ensure, on an ongoing basis, the accuracy of all documents filed or otherwise utilized by the Subservicer or its Vendors, Off-shore Vendors and/or Default Firms in any judicial or non-judicial foreclosure proceeding, related bankruptcy proceeding or in other foreclosure-related litigation, including but not limited to, documentation sufficient to establish ownership of the Mortgage Loan by the related Investor or the Servicing Rights Owner (if the Servicing Rights Owner is the Investor with respect to such Mortgage Loan) and the right to foreclose at the time the foreclosure action is commenced in the name of the Investor. The Subservicer shall be required to maintain, and to cause its Vendors, Off-shore Vendors and Default Firms to maintain, current and accurate records relating to any foreclosure or related bankruptcy proceedings or related litigation, with a clear auditable trail of documentation capable of validating foreclosure that the Subservicer has produced, or has received from a prior subservicer, and shall cause its

Vendors, Off-shore Vendors and Default Firms to do the same. In connection with any foreclosure proceeding, the Subservicer shall handle such foreclosure proceedings in the name of the Investor, unless otherwise set forth pursuant to the Applicable Requirements, and the Subservicer shall comply with all Applicable Requirements; provided that, in no event shall the Subservicer (i) foreclose on the related Mortgaged Property in the name of the Servicing Rights Owner or (ii) have title to the Mortgaged Property conveyed in the name of the Servicing Rights Owner, in each case, without the Servicing Rights Owner's prior written consent not to be unreasonably withheld or delayed (unless otherwise required by the applicable Agency Guidelines).

(f) With respect to any second lien Mortgage Loan, if the Subservicer is notified that any superior lienholder has accelerated or intends to accelerate the obligations secured by the Superior Lien, or has declared or intends to declare a default under the mortgage or the promissory note secured thereby, or has filed or intends to file an election to have the Mortgaged Property sold or foreclosed, the Subservicer shall take, whatever actions are necessary to protect the interests of the Investor consistent with Applicable Requirements; provided that such expense is treated as a reimbursable advance from the Investor.

(g) The Subservicer shall comply with the Applicable Requirements, including without limitation the applicable Servicing Agreement, and the Servicing Procedures in connection with procedures and requirements relating to Charged-off Loans and shall include in its monthly reporting to the Servicing Rights Owner when any such Mortgage Loans become Charged-off Loans. The parties agree that Subservicer may combine any such reporting with the reporting provided to any NRZ O/S Entity under Section 2.9(g) of any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement. Unless otherwise required under Applicable Requirements, the Subservicer shall not make any Servicing Advances or P&I Advances with respect to Charged-off Loans and shall not be entitled to any Servicing Fees or other compensation with respect to Charged-off Loans. To the extent consistent with Subservicer's Servicing Procedures and in accordance with Section 2.10, Subservicer may utilize a Vendor for recovery collection on such Charged-off Loans.

Section 2.16. Books and Records; Access to Facilities.

(a) Subject to Section 9.16, the Subservicer shall keep accessible and retrievable, and make available to the Servicing Rights Owner upon the Servicing Rights Owner's reasonable request, copies of all records relating to the Subservicing of the Mortgage Loans under this Agreement, including records related to foreclosure and Loss Mitigation. The Servicing Rights Owner shall have the right to examine, audit or conduct diligence on the Subservicer and the Servicing Rights, Mortgage Loans; provided that the Servicing Rights Owner agrees to coordinate examinations, audits, reviews or diligence pursuant to this Section 2.16(a) with any examinations, audits, reviews or diligence conducted by any NRZ O/S Entity under any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement. In such reviews, the Subservicer will allow the Servicing Rights Owner, its Affiliates, and its Representatives (other than Representatives that are business competitors of Subservicer), during normal business hours and upon reasonable notice and provided that such review shall not unduly or unreasonably interrupt the Subservicer's business operations, to, at any time and from time to time, access to review all of Subservicer's origination and servicing platform, the Mortgage Files, facilities, employees, servicing files, servicing documents, servicing records, data tapes, computer records, servicing systems, and other computer and technology systems or other information pertaining to this Agreement, any Servicing Agreement, the Servicing Rights, the Mortgage Loans, P&I Advances, the Servicing Advances and the Subservicer's general servicing practices and procedures. The Subservicer may require that any Persons performing such due diligence on behalf of the Servicing Rights Owner agree to the same non-disclosure and confidentiality agreements set forth in Section 9.11. In furtherance thereof, the Subservicer shall provide such information, data and materials as reasonably requested by the Servicing Rights Owner in furtherance of this Section 2.16; provided that, Servicing Rights Owner agrees to coordinate any requests with any such requests made by an NRZ O/S Entity under any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement; provided further, the Subservicer acknowledges and agrees that the Servicing Rights Owner is not obligated to coordinate and may otherwise conduct separate requests and/or audits solely of the Subservicer's residential mortgage servicing platforms until the Subservicer has (i) completely ceased using the residential mortgage servicing platform known as REALServicing and (ii) fully transitioned to the successor third party licensed residential mortgage servicing platform previously disclosed to the Servicing Rights Owner. The Servicing Rights Owner shall pay its own expenses in connection with any such examination; provided further, to the extent the Servicing Rights Owner reasonably determines that additional diligence is necessary as a result of (x) incorrect or inaccurate information provided to Servicing Rights Owner by Subservicer or (y) the Subservicer's (actual or reasonably alleged) failure to observe or perform any or all of the Subservicer's covenants and obligations under this Agreement (including errors in judgment), in each case, the Subservicer shall reimburse the Servicing Rights Owner up to \$[***] per year for the incremental costs and expenses of conducting such additional diligence, it being understood that the maximum amount of \$[***] per year shall apply to all diligence conducted by Servicing Rights Owner hereunder and any diligence conducted by any NRZ O/S Entity under any NRZ Servicing/Subservicing Agreement and the NRM Agency Subservicing Agreement. With respect to any reviews under this clause (a), and under Section 2.11(a) of any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement that exceed one (1) review in any three-month period the out-of-pocket and internally allocated costs and expenses, as applicable, incurred by the Subservicer in connection with such additional review shall be at the Servicing Rights Owner's expense as further set forth in Section 2.8(d). In addition, upon Servicing Rights Owner's request, which request shall be made in coordination with any similar request by any NRZ O/S Entity under any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement, the Subservicer shall make its chief

financial officer, treasurer or other senior executive that is both authorized and sufficiently well-informed to speak to Subservicer's financial condition, available to discuss Subservicer's financial condition, including its current liquidity, promptly but no less than two (2) Business Days after such request.

(b) The Subservicer shall cooperate in good faith with the Servicing Rights Owner and its Representatives and regulators in responding to any reasonable inquiries regarding the Subservicer's Subservicing of the Mortgage Loans and the Subservicer's compliance with, and ability to perform its obligations under, the provisions of this Agreement and Applicable Requirements, including without limitation inquiries regarding the Subservicer's qualifications, expertise, capacity and staffing levels, training programs, work quality and workload balance, reputation (including complaints), information security, document custody practices, business continuity and financial viability, monitoring and oversight of the Vendors, Off-shore Vendors and Default Firms as well as the current accuracy of the representations and warranties made by the Subservicer in Article IV, it being understood that Servicing Rights Owner shall coordinate all such requests with the requests made by any NRZ O/S Entity under any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement. The Subservicer shall reasonably cooperate to provide to the regulatory authorities supervising Servicing Rights Owner or its Affiliates and the examiners and supervisory agents of such authorities, access to the documentation required by applicable regulations of such authorities supervising Servicing Rights Owner or its Affiliates with respect to the Mortgage Loans. The Servicing Rights Owner may request, in concert with any such request under any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement, and the Subservicer shall cooperate with, reasonable periodic reviews of the Subservicer's performance and competence under this Agreement to confirm timeliness, completeness, and compliance with all Applicable Requirements and the provisions of this Agreement, and to confirm that foreclosures are conducted in a manner consistent with Applicable Requirements and any regulatory orders, directives or guidance applicable to the Servicing Rights Owner, the Subservicer, or their Affiliates. The Subservicer shall provide the Servicing Rights Owner with at least ninety (90) days' prior written notice if it intends to discontinue or change its current servicing system of record, it being understood that any such notice provided to any NRZ O/S Entity under any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement shall be deemed to have been provided hereunder.

(c) The Subservicer shall provide the Servicing Rights Owner and its Representatives with access to its systems for access to data and reports to allow the Servicing Rights Owner to monitor the Mortgage Loans. Servicing Rights Owner shall not have any limitations on the amount of access to such systems and shall not have any limitation on "page views" or downloading therein. Through such access to systems, the Servicing Rights Owner shall be provided with unlimited access on demand to certain reports and data referenced in this Agreement. Such access to systems shall have targeted availability of twenty-four hours a day, three-hundred sixty-five (365) days per calendar year with a targeted uptime of [***] per month not to include scheduled maintenance. The Subservicer shall provide the Servicing Rights Owner at least five (5) Business Days' notice prior to any scheduled maintenance or other scheduled access interruption of such access to systems, it being understood that any such notice provided to any NRZ O/S Entity under any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement shall be deemed to have been provided hereunder; provided that the Subservicer shall immediately notify the Servicing Rights Owner of any unscheduled access interruptions, it being understood that any such notice provided to any NRZ O/S Entity under any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement shall be deemed to have been provided hereunder. The Subservicer shall use commercially reasonable efforts to address any access or availability issues on the same Business Day on which such issues arises. During any such unscheduled access interruptions, the Subservicer shall use commercially reasonable efforts to provide the Servicing Rights Owner certain reports and data in an alternative medium, it being understood that Subservicer may combine any such reporting with the reporting provided to any NRZ O/S Entity under any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement and to the extent Subservicer provides such reporting to any NRZ O/S Entity under any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement, such reporting shall be deemed to be provided hereunder. The Subservicer's access to systems shall allow access to the following data and documents: (i) imaged Mortgage Loan Documents and Mortgage Files in Subservicer's possession or control; (ii) imaged copies of all Mortgagor communications; (iii) records of all Mortgagor communications; (iv) imaged copies of all litigation, bankruptcy, foreclosure related filings and related documentation solely to each Mortgage Loan (for the avoidance of doubt, such imaged copies of litigation, bankruptcy and foreclosure filings and related documentation will not include those unrelated to the Mortgage Loans); (v) current commentary regarding all Mortgagor communications and all activity related to each Mortgage Loan with sufficient detail to understand the status of any issues; (vi) an identifier of the Default Firm(s) engaged relating to the Mortgage Loan, if applicable; (vii) call transcripts; (viii) call recordings (unless call recordings are otherwise electronically made available to the Servicing Rights Owner, (ix) insurance, [***], if applicable, and hazard and flood insurance; (x) single point of contact; and (xi) the documents and materials described in Section 2.16(e).

(d) Subject to Section 9.16, the Subservicer shall deliver to the Servicing Rights Owner the results of any and all reviews or audits conducted by or obtained by the Corporate Parent, the Subservicer, its Vendors, Off-shore Vendors, Default Firms, agents or representatives (including internal and external auditors) to the extent set forth in Exhibit Q hereto, it being understood that to the extent such results or reports are delivered to any NRZ O/S Entity under any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement, such results or reports shall be deemed to have been delivered hereunder. To the extent the Subservicer is prohibited from delivering such results to the Servicing

Rights Owner, the Servicing Rights Owner and the Subservicer agree that such reporting may be conducted onsite at the Subservicer's location, or may be accomplished via secure electronic means, to the extent such onsite or electronic diligence is otherwise permitted. The Subservicer and the Servicing Rights Owner acknowledge that the availability of certain information from the Subservicer's Vendors, Off-shore Vendors, Default Firms and/or other agents and representatives is subject to the requirements and limitations of the contractual relationship between the Subservicer and that party.

(e) For critical systems relied upon by the Subservicer in connection with its obligations under this Agreement, the Subservicer shall, for each year starting the year in which the Effective Date occurs and for so long as Subservicer performs the Subservicing under this Agreement and in accordance with the delivery timing set forth in Exhibit G, provide (i) the Servicing Rights Owner with a copy of the SOC 1 Type II report applicable to the services or products (or equivalent report(s), solely to the extent Subservicer proposes such equivalent report(s) in advance to Servicing Rights Owner and are reasonably satisfactory to Servicing Rights Owner) of Subservicer's data processing environment and internal controls related to the obligations or services under this Agreement, as well as (ii) copies of each SOC report or equivalent report(s) applicable to the services or products provided by the Critical Vendors. Each report described in clauses (i) and (ii) above must be performed by a nationally recognized independent audit firm (provided that current audit firm engaged by OLS as of the Effective Date shall be deemed acceptable) and shall be substantially consistent with the scope and form provided by OLS to New Residential Mortgage LLC in the report related to the period from October 1, 2015 to September 30, 2016, it being understood that Subservicer may combine any such reporting with the reporting provided to any NRZ O/S Entity under any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement and to the extent Subservicer provides such reporting to any NRZ O/S Entity under any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement, such reporting shall be deemed to be provided hereunder. Any requests by the Servicing Rights Owner to expand the scope of such reports shall be made in coordination with any such request by each NRZ O/S Entity under the related NRZ Servicing/Subservicing Agreements and the NRM Agency Subservicing Agreement and shall be subject to Section 2.8. To the extent any such SOC 1 Type II attestation (or permitted equivalent report(s)) described in clause (i) or (ii) above results in findings, the Subservicer shall make commercially reasonable efforts to remediate and respond promptly to any reasonable inquiries regarding any such findings from the Servicing Rights Owner and its external auditor, it being understood that the Servicing Rights Owner shall coordinate any such inquiries with any inquiries made in accordance with Section 2.16(e) of any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement, and, to the extent applicable, any response provided by Subservicer to such inquiries under any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement shall be deemed to have been provided hereunder. Subject to Section 9.16, in the event the Subservicer is prohibited from providing any of the reports or reviews required under this Section 2.16(e) to the Servicing Rights Owner, the Subservicer shall cooperate with the Servicing Rights Owner and use commercially reasonable efforts to obtain the necessary consents to provide such reports or reviews to the Servicing Rights Owner.

(f) The Subservicer shall promptly upon written request provide to the Servicing Rights Owner and any master servicer, or any Depositor (or any designee of the Depositor, such as an administrator) if a master servicer has not been identified under the applicable Servicing Agreement, a written description (in form and substance reasonably satisfactory to the Servicing Rights Owner) of the role and function of each Vendor utilized by the Subservicer, specifying (i) the identity of each such Vendor, (ii) which (if any) of such Vendors are "participating in the servicing function" within the meaning of Item 1122 of Regulation AB and (iii) which elements of the Servicing Criteria will be addressed in assessments of compliance provided by each Vendor identified pursuant to clause (ii) of this Section 2.16(f), it being understood that Subservicer may combine any such reporting with the reporting provided to any NRZ O/S Entity under any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement and to the extent Subservicer provides such reporting to any NRZ O/S Entity under any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement, such reporting shall be deemed to be provided hereunder. The Subservicer shall cause any Vendor determined by the Subservicer in its commercially reasonable discretion, applying substantially the same criteria in its determination as applied in the Subservicer's 2016 Regulation AB reporting, to be "participating in the servicing function" used by the Subservicer to comply with the provisions of Section 2.16(g) of this Agreement to the same extent as if such Vendor were the Subservicer.

(g) Each calendar year, on or before five (5) Business Days prior to the earliest due date under any Servicing Agreement applicable to Subservicer in its role as subservicer, the Subservicer shall (to the extent provided for under the applicable Servicing Agreement) with respect to each Investor:

(i) deliver to the Servicing Rights Owner a report regarding the Subservicer's assessment of compliance during the immediately preceding calendar year substantially in the form of the Subservicer's 2016 Regulation AB reports as primary servicer and master servicer (or as otherwise specified in the applicable Servicing Agreement), as required under Rules 13a-18(c) and 15d-18(c) of the Exchange Act and Item 1122(b) of Regulation AB. Such report shall be signed by an authorized officer of the Subservicer;

(ii) deliver to the Servicing Rights Owner a report of a nationally recognized independent audit firm that attests to, and reports on, the assessment of compliance made by the Subservicer and delivered pursuant to Section 2.16(g)(i). Such attestation shall be in accordance with Rules 1-02(a)(3) and 2-02(g) of Regulation S-X under the Securities Act and the Exchange Act;

(iii) cause each Vendor determined by the Subservicer pursuant to Section 2.16(f) to be “participating in the servicing function” within the meaning of Item 1122 of Regulation AB, to deliver to the Subservicer, an assessment of compliance and accountants’ attestation as and when provided in this Section 2.16(g), which shall be delivered with the Subservicer’s report as provided in Section 2.16(g)(i);

(iv) if required by the Servicing Agreement, deliver, and cause each Vendor described in Section 2.16(g)(iii) to deliver, to the Servicing Rights Owner, and any other Person that will be responsible for signing the certification (a “Sarbanes Certification”) required by Rules 13a-14(d) and 15d-14(d) under the Exchange Act (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002) on behalf of an asset-backed issuer with respect to a securitization transaction a certification, signed by the appropriate officer of the Subservicer, in the form set forth in the applicable Servicing Agreement; and

(v) deliver to the Servicing Rights Owner a statement of compliance addressed to the Servicing Rights Owner and such Depositor and signed by an authorized officer of the Subservicer, to the effect that (A) a review of the Subservicer’s activities during the immediately preceding calendar year (or applicable portion thereof) and of its performance under this Agreement (which shall be delivered as a separate statement to the Servicing Rights Owner only) and any applicable Servicing Agreement during such period has been made under such officer’s supervision, and (B) to the best of such officers’ knowledge, based on such review, the Subservicer has fulfilled all of its obligations under this Agreement and any applicable Servicing Agreement in all material respects throughout such calendar year (or applicable portion thereof) or, if there has been a failure to fulfill any such obligation in any material respect, specifically identifying each such failure known to such officer and the nature and the status thereof.

The parties agree that Subservicer may combine any such reporting with the reporting provided to any NRZ O/S Entity under any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement and to the extent Subservicer provides such reporting to any NRZ O/S Entity under any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement, such reporting shall be deemed to be provided hereunder.

Section 2.17. Insurance.

The Subservicer shall maintain, at its own expense, a blanket fidelity bond and an errors and omissions insurance policy (collectively, the “Fidelity and Errors and Omissions Insurance”), with broad coverage, and with respect to Agency Loans, with financially responsible companies that meet the current requirements of each Agency, on all officers, employees or other Persons acting in any capacity with regard to the Mortgage Loans to handle funds, money, documents and papers relating to the Mortgage Loans. The Fidelity and Errors and Omissions Insurance shall be underwritten by an Insurer that has a current rating acceptable under Fannie Mae and Freddie Mac requirements and the applicable Servicing Agreement. The Fidelity and Errors and Omissions Insurance shall protect and insure the Subservicer against Losses, including forgery, theft, embezzlement, errors and omissions, negligent and fraudulent acts of such Persons. The Fidelity and Errors and Omissions Insurance shall also protect and insure the Subservicer against Losses in connection with the failure to maintain any insurance policies required pursuant to this Agreement and Applicable Requirements and the release or satisfaction of a Mortgage Loan without having obtained payment in full of the indebtedness secured thereby.

No provision of this Section 2.17 requiring the Fidelity and Errors and Omissions Insurance shall diminish or relieve the Subservicer from its duties and obligations as set forth in this Agreement. The minimum coverage under any such Fidelity and Errors and Omissions Insurance shall be at least equal to the greater of (i) the corresponding amounts required pursuant to the Fannie Mae Guides or as otherwise waived or permitted by Fannie Mae, (ii) the corresponding amounts required by Applicable Requirements or (iii) such other amount required under the applicable Servicing Agreement, or if applicable, the applicable Agency Guidelines. Promptly following request of the Servicing Rights Owner or the Investor, the Subservicer shall cause to be delivered proof of coverage of the Fidelity and Errors and Omissions Insurance. At the timing set forth in Exhibit G, the Subservicer will deliver or make available its then-current Fidelity and Errors and Omissions Insurance and will notify the Servicing Rights Owner promptly if such Fidelity and Errors and Omissions Insurance is terminated without replacement, it being understood that to the extent Subservicer delivers or makes available to any NRZ O/S Entity such proof or notifies any NRZ O/S Entity of any such termination, Subservicer shall be deemed to have provided such proof or notice to Servicing Rights Owner hereunder.

Section 2.18. Advances.

(a) Servicing Advances.

The Subservicer shall, from time to time during the term of this Agreement, make Servicing Advances as required under the applicable Servicing Agreement and Applicable Requirements, provided, however, that such Servicing Advances shall be made in compliance with the Advance Policy. For the avoidance of doubt, the Advance Policy, as it relates to the making of Servicing Advances, does not apply to any Servicing Advance made prior to the applicable Servicing Transfer Date.

The Subservicer shall not make any Servicing Advance unless such Servicing Advance is in compliance with the Advance Policy or applicable Agency Guidelines unless otherwise expressly directed by Servicing Rights Owner in writing to make such

Servicing Advance in accordance with Section 2.8 of this Agreement.

The Subservicer shall not have any obligation to notify the Servicing Rights Owner before making any Servicing Advances that are permitted under the Advance Policy or applicable Agency Guidelines and the applicable Servicing Agreement.

The Subservicer shall provide the Servicing Rights Owner such loan-level detail and advance-level detail information regarding Servicing Advances made in the format and timing set forth in Exhibit G. On an as-needed basis, the Subservicer shall identify any outstanding Servicing Advances which the Subservicer has determined are not recoverable and the specific reason why such Servicing Advances are not recoverable and whether such Servicing Advance, if made by the Subservicer, complied with the Advance Policy or applicable Agency Guidelines. For the avoidance of doubt, the Subservicer shall make any advance necessary as required by all federal, state and local legal and regulatory requirements (including, without limitation, laws, statutes, rules, regulations and ordinances).

(b) P&I Advances.

The Subservicer shall, from time to time during the term of this Agreement, make P&I Advances as required under the applicable Servicing Agreement and Applicable Requirements, provided, however, that such P&I Advances shall be made in compliance with the Advance Policy or applicable Agency Guidelines.

The Subservicer shall not make any P&I Advance unless such P&I Advance is in compliance with the Advance Policy unless otherwise expressly directed in writing by Servicing Rights Owner to make such P&I Advance in accordance with Section 2.8 of this Agreement.

If the Subservicer reasonably determines that on any Remittance Date for an Investor there will not be adequate Custodial Funds in the related Custodial Account to be remitted for payment to an Investor, then the Subservicer shall provide the Servicing Rights Owner written notice of the amount required to be deposited in such Custodial Account pursuant to the applicable Servicing Agreement so that the Custodial Account will have funds on deposit at least equal to the amount required to be remitted to the applicable Investor. The Subservicer shall provide the Servicing Rights Owner and the Servicing Rights Owner's lender(s) (as identified to the Subservicer by the Servicing Rights Owner) such written notice no later than 1:00 p.m. New York City time on the first (1st) Business Day prior to the date on which the respective Custodial Accounts are required to be funded with regard to the respective Remittance Date which notice shall contain an estimate of the P&I Advance required to be advanced by the Servicing Rights Owner. Subject to resolution of any obvious or manifest errors in such estimate, on such date, the Servicing Rights Owner shall fund (or cause to be funded) the amount set forth in the written notice provided by the Subservicer (or such lesser amount as reasonably determined by the Subservicer) via wire transfer into the applicable Custodial Account or such other aggregation account as directed by the Subservicer. To the extent the amounts that the Servicing Rights Owner (or its lender(s)) fund exceed the amounts required to be remitted to the applicable Investor on the applicable Remittance Date, the Subservicer shall remit such excess funds to the Servicing Rights Owner or lender(s), as applicable, no later than two (2) Business Days after such Remittance Date (or netted against the next Business Days' advance reimbursements if mutually agreed by the parties).

(c) HELOC Loan Advances.

To the extent that Subservicer funds any HELOC Loan Advance, Subservicer shall use its commercially reasonable efforts to obtain reimbursement in accordance with the applicable Servicing Agreement and, if any such HELOC Loan Advance is not reimbursed from the related HELOC Loan investor, the Subservicer shall provide notice thereof and the Subservicer shall bill the Servicing Rights Owner for such funding as a Servicing Advance under this Agreement on a monthly basis. At any time, to the extent permitted under Applicable Requirements, the Subservicer shall freeze future draws under such HELOC Loan and, if such freezing is not permitted, the Subservicer shall fund future HELOC Loan Advances on such HELOC Loan and be reimbursed for the same as Servicing Advances under this Agreement in each case to the extent the Subservicer is unable to obtain reimbursement from the related HELOC Loan investor.

(d) Reimbursement of Servicing Advances.

(i) The Subservicer shall cooperate with the Servicing Rights Owner, Servicing Rights Owner's lender(s) and any Rating Agency or other third party in connection with the Servicing Rights Owner's financing of any Servicing Advances.

(ii) The Subservicer shall be entitled to be reimbursed for all Servicing Advances made by the Subservicer in accordance with this Agreement on a daily basis as further described in this Section 2.18(d). Each Business Day, the Subservicer shall provide the Servicing Rights Owner and the Servicing Rights Owner's lender(s) (as identified to the Subservicer by the Servicing Rights Owner) with a report as set forth on Exhibit G evidencing Servicing Advances made by the Subservicer in the previous Business Day. For the avoidance of doubt, images of invoices will not be required for purposes of reimbursement pursuant to this Section 2.18(d)(ii).

(iii) Promptly upon Servicing Rights Owner's lender's receipt of the information provided pursuant to Section 2.18(c)(ii) (the "Servicing Advances Reimbursement Date"), subject to resolution of any obvious or manifest errors, the Servicing Rights Owner shall remit (or cause to be remitted) the amount set forth in the written

invoice or other customary documentation provided by the Subservicer for all such Servicing Advances (or such lesser amount as reasonably determined by the Subservicer) via wire transfer to the Subservicer on such Servicing Advances Reimbursement Date. Notwithstanding any provision in this Agreement to the contrary, the Servicing Rights Owner shall not be responsible for any PMI Proceeding Advances and in no event shall the Subservicer be reimbursed by the Servicing Rights Owner for any PMI Proceeding Advances.

(iv) Except with respect to obvious or manifest errors, Subservicer and Servicing Rights Owner shall resolve any disputes regarding Servicing Advances in accordance with Section 2.18(e).

(v) Notwithstanding any provision in this Agreement to the contrary, the Subservicer shall reimburse the Servicing Rights Owner for any Servicing Advances (as part of the daily remittance of the Servicing Rights Owner Economics) made by the Subservicer and reimbursed by the Servicing Rights Owner in the event (x) the applicable Investor declines to reimburse such Servicing Advance as a result of the failure of the Subservicer to service the related Mortgage Loan in accordance with Applicable Requirements, (y) it is determined that such Servicing Advance is not eligible for reimbursement under the applicable Servicing Agreement (unless such Servicing Advance is permitted to be made under the Advance Policy and in accordance with Section 2.18(a)) or (z) such Servicing Advance has not been recovered within 120 calendar days after the earlier of (x) the date of repurchase of the related Mortgage Loan from the applicable Agency or (y) the date of a foreclosure sale of the related property; provided that the Subservicer shall make best efforts to obtain reimbursement as promptly as possible prior to such date. In connection therewith, in no event shall the Subservicer be entitled to any processing fees (or other similar fees) set forth on Schedule A to the extent the Servicing Rights Owner is entitled to reimbursement from the Subservicer pursuant to this Section 2.18(d)(v).

(vi) The Subservicer shall make best efforts to receive full reimbursement from the related Investor for all Servicing Advances, including but not limited to (i) submitting multiple claims to the Agency or Governmental Entity following denial(s) by such Agency or Governmental Entity and (ii) submitting an exception from such Investor even if the related Servicing Advance is customarily not reimbursed by such Investor.

(e) Recovery of P&I Advances and Servicing Advances from Mortgagors.

The Subservicer shall use commercially reasonable efforts to collect and recover from the related Mortgagors, Investors, or Insurers in accordance with Applicable Requirements and the Advance Policy, all P&I Advances, expenses of the Servicing Rights Owner (to the extent applicable) and Servicing Advances made by the Subservicer or any prior servicer or subservicer.

In the event a Servicing Advance is determined to be nonrecoverable under the applicable Servicing Agreement and such Servicing Advance was not in compliance of the applicable Agency Guidelines but made by the Subservicer as expressly directed by the Servicing Rights Owner in writing pursuant to Section 2.18(a), the Servicing Rights Owner shall reimburse the Subservicer for any such unreimbursed Servicing Advances.

The Subservicer shall withdraw funds from the Custodial Accounts to reimburse any Servicing Advances, expenses of the Servicing Rights Owner as expressly set forth in this Agreement and/or P&I Advances as soon as possible as permitted under the related Servicing Agreements and the Advance Policy or applicable Agency Guidelines; provided that, the Advance Policy shall allow for certain delays related to the protection of investment grade bonds. Any reimbursements of Servicing Advances and/or P&I Advances shall be deposited to the Subservicer's clearing account within one (1) Business Day after its receipt thereof. The Subservicer shall then remit any such reimbursements to such account or accounts designated in writing from time to time by the Servicing Rights Owner (or any transferee of the rights to reimbursement therefor) no later than two (2) Business Days after such amounts are deposited into the clearing account.

To the extent any Servicing Agreement does not have provisions or otherwise contemplate the prioritization for recovery of Servicing Advances, Servicing Fees and/or P&I Advances, the Subservicer shall calculate any loss at liquidation associated with nonrecoverable advances in a manner that minimizes such loss to the Servicing Rights Owner (i.e., utilizing loan-level proceeds to reduce items which do not benefit from a general collections backstop before items which may be reimbursed on a pool-level basis).

The Subservicer shall cooperate in good faith with the Servicing Rights Owner to pursue full reimbursement of outstanding P&I Advances, expenses of the Servicing Rights Owner (to the extent applicable) and Servicing Advances and shall indicate in the monthly reporting if it determines the recoverability of any such P&I Advances or Servicing Advances is at risk, it being understood that Subservicer may combine any such reporting with the reporting provided to Servicing Rights Owner under the NRM PLS Subservicing Agreement and delivery of such reporting under such NRZ Subservicing Agreement(s) shall be deemed to constitute delivery hereunder.

In the event a P&I Advance or a Servicing Advance is determined to be nonrecoverable under the applicable Servicing Agreement as a result of the Subservicer's failure to comply with the Advance Policy or applicable Agency Guidelines (other than as a result of Subservicer's compliance with the instruction of Servicing Rights Owner in accordance with Section 2.8), the Subservicer shall be required to reimburse the Servicing Rights Owner for the amount of any such advance that was funded or

reimbursed by the Servicing Rights Owner within ten (10) Business Days following the determination that such advance was nonrecoverable.

(f) Advance Dispute Resolution.

Except with respect to obvious and manifest errors otherwise resolved by the parties, disputes regarding P&I Advances or Servicing Advances shall be resolved in the manner set forth in Schedule 2.18(f).

Section 2.19. Solicitation.

Except as otherwise permitted under Exhibit C of this Agreement, the Subservicer, the Corporate Parent, their respective Affiliates, agents and representatives shall not, without the prior written consent of the Servicing Rights Owner, solicit Mortgages for a refinance of the Mortgage Loans, or for accident, health, life, property and casualty insurance, or any other non-mortgage related products or services, except for products or processes that facilitate normal servicing activities, such as “speedpay” or automatic payment plans. Only upon receipt of the prior written consent of the Servicing Rights Owner and in accordance with Applicable Requirements, shall the Subservicer be entitled to solicit individual Mortgages for accident, health, life, property and casualty insurance and any other mortgage refinancing or non-mortgage related products or services that the Subservicer and the Servicing Rights Owner deem appropriate. The Subservicer shall retain any resulting commission or other income in such amounts not to exceed those approved by the Servicing Rights Owner. The Subservicer covenants to the Servicing Rights Owner that it shall not solicit any Mortgages for prepaid single-premium credit life, credit disability, credit unemployment, credit property, accident or health insurance, or any other single-premium insurance product. For the avoidance of doubt, it is understood and agreed that advertising and promotions undertaken by the Subservicer or any Affiliate of the Subservicer which are directed to the general public at large or segments thereof that do not target the Mortgages, including, without limitation, mass mailing based on commercially acquired mailing lists, newspaper, radio, television advertisements and advertisements and offers appearing to the general public on Subservicer’s website, which may also appear on Subservicer’s webpages following log-in by consumers (provided such advertisements are not targeted to such consumers), shall not constitute solicitation under this Section 2.19.

Section 2.20. HAMP.

The Subservicer acknowledges that the Mortgage Loans may include mortgage loans modified under HAMP and Mortgage Loans that may now or in the future be subject to other local, state or federal government mortgage-related programs that currently exist or may exist in the future. The Subservicer confirms that it is aware of the special requirements for such Mortgage Loans that currently exist or may exist in the future and the Subservicer agrees to assume the additional responsibilities associated with servicing such Mortgage Loans and to take such actions as are necessary to comply with such programs. With respect to each Mortgage Loan subject to a trial payment period pursuant to HAMP as of the related Servicing Transfer Date, the Subservicer shall take all actions required of a servicer participating in HAMP to complete such trial payment period and implement the related loan modification. The Subservicer will cooperate in good faith in connection with any audit, inspection, review, or investigation of the Subservicer’s compliance with or reporting under HAMP or other government program related to the Mortgage Loans.

The Servicing Rights Owner shall take all commercially reasonable actions necessary to enable HAMP fees to be paid to Subservicer.

Section 2.21. [Reserved].

Section 2.22. Pending and Completed Loss Mitigation.

With respect to the Mortgage Loans, the Subservicer shall (a) accept and continue processing any loan modification, deed in lieu, short sale, or other Loss Mitigation requests pending at the time of the applicable Servicing Transfer Date in accordance with Applicable Requirements, (b) honor outstanding trial and permanent loan modification, deeds in lieu, short sales, or other Loss Mitigation agreements in accordance with Applicable Requirements, including without limitation, any trial or permanent loan modifications made under HAMP, and (c) correctly apply payments with respect to Mortgage Loans for which the related Mortgages is a debtor in a case under Chapter 13 of the United States Bankruptcy Code of 1986, as amended, at the time of the applicable Servicing Transfer Date. Servicing Rights Owner and Subservicer acknowledge and agree that the Mortgages under the Mortgage Loans subject to any of the modification or loss mitigation actions described in the preceding sentence shall be third party beneficiaries of the obligations in the preceding sentence.

Section 2.23. Disaster Recovery Plan.

The Subservicer shall maintain its current business continuity plan (“BCP”) that addresses the continuation of services if an incident (act or omission) impairs or disrupts the Subservicer’s obligation to provide the services contemplated under this Agreement, as may be modified from time to time. The Subservicer agrees to provide the Servicing Rights Owner (and any applicable regulatory agencies having jurisdiction over the Servicing Rights Owner) with a copy of its entire BCP promptly following the Servicing Rights Owner’s request. The Subservicer warrants that the BCP conforms to Applicable Requirements and generally accepted industry standards for business continuity planning (collectively, the “BCP Standards”), which include, but are not limited to, recovery strategy, loss of critical personnel, restoring access to documents and data to the Servicing Rights Owner, documented recovery plans covering all areas of operations pursuant to this Agreement, vital records protection, and testing plans.

The Subservicer will maintain and test the BCP at regular intervals (no less frequently than annually) to ensure that the BCP complies with BCP Standards and shall provide reporting of the test results to the Servicing Rights Owner upon request. The Subservicer will comply with the BCP during the term of this Agreement. The Subservicer shall notify the Servicing Rights Owner promptly of any material modifications to the BCP. To the extent that Subservicer provides such BCP reporting of test results or notices of material modifications to such BCP to any NRZ O/S Entity under any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement, such BCP reporting of test results or notices of material modifications to such BCP shall be deemed to have been delivered hereunder.

The Subservicer shall provide disaster recovery and backup capabilities and facilities through which it will be able to perform its obligations under this Agreement with minimal disruptions or delays. The recovery strategy shall, at a minimum, provide for recovery after short and long term disruptions in facilities, environmental support, workforce availability and data processing equipment. If requested by the Servicing Rights Owner, the Subservicer must provide evidence of its capability to meet any applicable regulatory requirement concerning business continuity applicable to the Servicing Rights Servicing Rights Owner or the Subservicer, it being understood that to the extent Subservicer has provided such evidence to any NRZ O/S Entity under any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement, such evidence shall be deemed to have been provided hereunder or the Subservicer. The Subservicer shall notify the Servicing Rights Owner immediately (and in any event, within twelve (12) hours) of the occurrence of any catastrophic event that affects or could affect the Subservicer's performance of the services contemplated under this Agreement.

The BCP shall include appropriate provisions to ensure the continued availability of critical third-party services and to ensure an orderly transition to new service providers should that become necessary. The Subservicer shall comply with the Vendor Oversight Guidance with respect to business continuity plans of Vendors. Subject to Section 9.16 and Section 2.10, the Subservicer shall require that any of its Vendors, Off-shore Vendors and Default Firms providing critical services with respect to this Agreement provide copies of their own business continuity plans to the Subservicer and the Subservicer shall make such plans available to the extent set forth in Exhibit Q, it being understood that to the extent Subservicer has provided such plans to any NRZ O/S Entity under any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement, such plans shall be deemed to have been provided hereunder.

Section 2.24. Subservicer Performance Standards.

The Subservicer shall perform its obligations under this Agreement in accordance with the following standards:

(a) The Subservicer shall (i) develop and maintain client management protocols (escalation procedures to be utilized by Servicing Rights Owner, if needed) as set forth in Exhibit Q and (ii) dedicate to its relationship with Servicing Rights Owner two (2) fulltime employees, who will be available to Servicing Rights Owner during normal business hours to answer questions, handle requests for information, coordinate change requests, monitor reporting timelines, and to schedule calls with business units in accordance with such protocols, it being understood that Servicing Rights Owner will coordinate with each NRZ O/S Entity, to the extent possible, in all such interactions with Subservicer and the protocol and dedicated employees applicable to the NRZ O/S Entity relationship under any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement shall be applicable to the relationship between Servicing Rights Owner and Subservicer hereunder.

(b) The Subservicer shall use commercially reasonable efforts to resolve to the reasonable satisfaction of the Servicing Rights Owner any instances of failure to service the Mortgage Loans in accordance with Applicable Requirements or this Agreement identified by the Servicing Rights Owner within a reasonable and mutually agreed upon timeframe.

(c) The Subservicer will maintain adequate staffing, training and procedures in fulfillment, collections, Loss Mitigation, customer service, customer complaint, foreclosure, REO and bankruptcy departments in accordance with Applicable Requirements, including without limitation guidance provided by the CFPB and other Governmental Authorities.

(d) The Subservicer will maintain adequate foreclosure/bankruptcy staffing to address market conditions and heightened industry focus on current mortgage servicing issues as it relates to defaulted loans and ownership.

(e) The Subservicer shall input all material information concerning each Mortgage Loan into the Subservicer's servicing system of record and shall image and maintain all correspondence and Subservicing documents it prepares or obtains relating to the Mortgage Loans.

(f) All data and information provided by the Subservicer to the Servicing Rights Owner or an Investor, or to any other third party at the request or on behalf of the Servicing Rights Owner pursuant to this Agreement, shall be true, accurate and complete in all material respects; provided, that, the Subservicer shall not be liable for inaccurate information that is based on information provided by the Servicing Rights Owner, an originator, or a prior servicer (other than the Subservicer or an Affiliate of the Subservicer) unless the Subservicer knew of such inaccuracy or reasonably should have known of such inaccuracy pursuant to Applicable Requirements.

(g) No later than forty-five (45) calendar days after the end of each calendar quarter, the Subservicer shall deliver to the Servicing Rights Owner the following platform-wide customer service statistics (or such other statistics reasonably requested by the Servicing Rights Owner): (i) staffing numbers changes, including turnover numbers and outsourced vs. internal; (ii) staffing location changes, including off-shore moves; (iii) advance notice of any outsourcing of consumer-facing staff; (iv) changes to staff scoring methodology; (v) changes to training programs; (vi) numbers of calls/month; (vii) numbers of calls monitored each month; (viii) changes to credit-reporting practice; and (ix) answer times, hold times and other measurements of consumer call performance as reasonably requested by the Servicing Rights Owner, it being understood that to the extent such statistics have been provided to any NRZ O/S Entity under any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement, such statistics shall be deemed to have been provided hereunder.

Section 2.25. Sanction Lists; Suspicious Activity Reports.

(a) The Subservicer represents, warrants and covenants that it has, and shall maintain, policies and internal controls reasonably designed to comply with the economic sanctions (the “Sanction Lists”) administered or enforced by the U.S. Department of Treasury’s Office of Foreign Assets Control (“OFAC”) and the requirements of this Section 2.25(a). The Subservicer shall screen all existing Mortgagors and related mortgage participants monthly against the Sanction Lists. The Subservicer’s policies shall detail steps (i) to identify and resolve potential matches against the Sanction Lists, and (ii) required for record retention in accordance with regulatory requirements. The Subservicer shall promptly notify the Servicing Rights Owner of any unresolved potential matches against the Sanction Lists.

(b) The Subservicer represents, warrants and covenants that is has, and shall maintain, policies, training and internal controls reasonably designed to detect and investigate potential suspicious activity and fraud by Mortgagors and related mortgage participants in compliance with the requirements of this Section 2.25(b). The Subservicer will promptly disclose to the Servicing Rights Owner potentially suspicious or unusual activity detected as part of the services performed on behalf of the Servicing Rights Owner. The Subservicer represents and warrants that it has processes in place for such escalation and disclosure process. The Subservicer represents that it will coordinate the filing of any necessary Suspicious Activity Reports (“SARs”) with respect to the Mortgagors and related mortgage participants with a designated representative of the Servicing Rights Owner, if appropriate, and will maintain records of all such SARs filed and investigations performed in accordance with regulatory requirements. The Subservicer further represents, warrants and covenants that it has, and shall maintain, policies regarding (i) conducting investigations in a timely manner that is consistent with regulatory expectations and requirements, (ii) maintaining appropriate records for reviews, investigations and escalations, and (iii) if applicable, reviewing requests made pursuant to Section 314(a) of the USA PATRIOT ACT through the Financial Crimes Enforcement Network.

Section 2.26. Litigation Management.

Any litigation related solely to a single Mortgage Loan and incidental to the Subservicer’s servicing obligations hereunder (other than litigation between or among the Servicing Rights Owner, on the one hand, and the Subservicer, on the other hand) shall be managed by the Subservicer or its counsel on behalf of the Servicing Rights Owner or the Investor, as applicable, such as foreclosure, evictions, quiet title and bankruptcy filings, at the Subservicer’s internal expense with respect to administration of such litigation (excluding, however, third party costs such as reasonable out-of-pocket attorneys’ fees and expenses for which the Servicing Rights Owner shall remain responsible and which shall be a Servicing Advance hereunder) unless reimbursed from a third party pursuant to Applicable Requirements. Any and all such proceedings described in this paragraph shall be taken by the Subservicer in its own name on behalf of the Servicing Rights Owner or the Investor, as applicable.

At any time subsequent to the Effective Date, the parties may mutually agree to specific litigation protocols for the purpose of managing litigation relating to the Mortgage Loans.

Section 2.27. Resolution of Disputes and Monetary Errors.

In the event either party, in good faith, disputes any sum the other party contends are due and payable hereunder, such disputing party shall deliver to the contending party a written notice explaining the justification for such dispute in sufficient detail to permit the contending party to evaluate and respond to such dispute, together with any documentation available to such disputing party to support such dispute. All sums that are not disputed shall be paid as and when due under this Agreement. If the contending party demonstrates that the disputed amount is properly due and payable, including by providing supporting documentation and/or analysis, the disputing party shall pay such amount within five (5) Business Days after receipt of such documentation. If the disputing party continues to dispute all or any portion of such amount and the parties cannot thereafter reconcile such dispute within a reasonable period of time not to exceed thirty (30) days, the contending party shall be entitled, upon ten (10) days’ written notice to the disputing party, to submit such matter to a dispute resolution process (other than litigation) and if such amounts are subsequently determined to be proper, contending party shall be entitled to recover as part of its claim its reasonable, out of pocket costs and expenses, including reasonable out-of-pocket attorneys’ fees, incurred in prosecuting such claim with interest on the disputed amount at an annual rate of five percent (5%) over the Prime Rate, but in no event greater than the amount permitted by applicable law. If such disputed amounts are subsequently determined not to be due and payable to the contending party, the

disputing party shall be entitled to recover as part of its claim its reasonable out-of-pocket costs and expenses, including attorneys' fees, incurred in connection with prosecuting such claim.

Section 2.28. Financial Covenants and Information; Covenant Compliance Reporting; [*].**

(a) The Subservicer shall at all times comply with all (i) minimum financial requirements set forth in the applicable Servicing Agreement [***].

(b) On a monthly basis, the Subservicer shall provide the Servicing Rights Owner with sufficient supporting documentation and backup that will allow the Servicing Rights Owner to verify and validate that the Subservicer is in compliance with the financial requirements set forth in the applicable Servicing Agreement [***]. No later than the last day of the month (or if such day is not a Business Day, the next succeeding Business Day) after the end of each month, the Subservicer shall provide the Servicing Rights Owner with a certificate, signed by the chief financial officer of the Subservicer and the Corporate Parent, in the form attached hereto as Exhibit J (the "Monthly Financial Covenant Certification"), with supporting documentation and backup (including but not limited to any interim and audited financial statements prepared by the Subservicer, Corporate Parent's and any accountant engaged by the Subservicer or Corporate Parent) that will allow the Servicing Rights Owner to verify, validate and corroborate the certifications made in each Monthly Financial Covenant Certification, it being understood that to the extent such a monthly Financial Covenant Certification and supporting documentation have been provided to any NRZ O/S Entity under any NRZ Servicing/Subservicing Agreement or the NRM Agency Subservicing Agreement, such a monthly Financial Covenant Certification and supporting documentation shall be deemed to have been provided hereunder.

(c) [***].

Section 2.29. Due Date of Payments; Penalties.

In the event either party fails to make a required payment under this Agreement to the other party, the owing party shall be required to pay the other party a finance charge on such amount for each day such payment is delinquent at an annual rate equal to one percent (1%) over the Prime Rate, but in no event greater than the amount permitted by applicable law. Such interest shall be paid by the applicable party on the date such late payment is made and shall cover the period commencing with the day following the Business Day on which such payment was due and ending with the Business Day on which such payment is made, both inclusive. The payment by Subservicer of any such interest shall not be deemed an extension of time for payment or a waiver of any rights the Servicing Rights Owner has under this Agreement. Subservicer shall be responsible for late payment interest or penalties incurred as a result of any late remittances made by Subservicer with respect to any of the Servicing Agreements, provided that the late remittance was not the result of the Servicing Rights Owner failing to timely make any required payments under this Agreement.

Section 2.30. PMI Litigation.

The parties agree that Subservicer has the authority to continue engaging in discussions, dealings or other communications with private mortgage insurers solely in connection with existing and active litigations, actions, suits, arbitrations, claims or other proceedings of any kind on or prior to initial Sale Date brought by Subservicer on behalf of any Investors against such private mortgage insurers related to rescission, denial, cancellation or curtailment of mortgage insurance with respect to any Mortgage Loan (collectively, the "PMI Proceedings"). Such authority is granted without regard to whether the form of such proceeding changes over the course of time. Solely with respect to such PMI Proceedings, the parties further agree that Subservicer has the authority to continue prosecuting legal or other action against such private mortgage insurers and to enter into related settlements in connection therewith.

In connection with any such PMI Proceeding, each party hereto shall reasonably cooperate with the other party in connection therewith (including, without limitation by providing a ratification, agency appointment, consent or authorization to Subservicer, or by assisting the Subservicer in obtaining a ratification, consent or authorization from a trustee, to permit Subservicer to act or continue acting on behalf of Servicing Rights Owner if Subservicer's authority to proceed with such action or to settle such action is challenged), and make available to the other party, all witnesses, pertinent records, materials and information in such party's possession or under such party's control relating thereto as may be reasonably required by the other party to bring or defend or settle such action, claim or proceeding; provided that, (i) in no event shall the Servicing Rights Owner be obligated to provide any records, materials and/or information which was previously provided to the Servicing Rights Owner by the Subservicer and (ii) the Servicing Rights Owner shall have no obligation to provide any witness to the extent any witness under the Subservicer's control can provide similar information/testimony. In no event shall the Subservicer make any admissions of liability on the part of the Servicing Rights Owner.

On a monthly basis and/or as otherwise reasonably requested by Servicing Rights Owner, the Subservicer shall provide updates on the status of each PMI Proceeding (which updates may be in-person, telephonic or via a secure web meeting) together with copies of any related legal pleadings. The Subservicer shall promptly notify the Servicing Rights Owner in writing of any material developments or changes in the status of any PMI Proceeding.

Section 2.31. Power of Attorney.

The Subservicer shall prepare and request the applicable Investors to execute limited powers of attorney that are reasonably necessary in connection with the Servicing of the Mortgage Loans under the applicable Servicing Agreement. The Servicing Rights Owner shall cooperate with the Subservicer as necessary to obtain such limited powers of attorney from the applicable Investors. Upon request of Subservicer, the Servicing Rights Owner shall execute a mutually agreed upon number of limited powers of attorney substantially in the form set forth in Exhibit N hereto and provide such original executed limited powers of attorney to the Subservicer for use in connection with the servicing activities contemplated in this Agreement. The Servicing Rights Owner agrees to provide additional original executed limited powers of attorney as may be requested by the Subservicer from time to time.

Section 2.32. DFS Consent Order.

The Subservicer shall notify the Servicing Rights Owner within five (5) Business Days of the receipt by the office of the Subservicer's general counsel of any notice from the NYDFS that the NYDFS has determined material noncompliance by the Subservicer with the DFS Consent Order in respect of the servicing of the Mortgage Loans. Subservicer shall make available to the Servicing Rights Owner via a secure web meeting (or such other medium reasonably acceptable to the Servicing Rights Owner) of any and all reports which Subservicer or its Affiliates have delivered to a Governmental Authority required under the DFS Consent Order within five (5) Business Day of Subservicer's submission to such Governmental Authority, unless disclosure to the Servicing Rights Owner is expressly prohibited by such entity or by Applicable Requirements. At the Servicing Rights Owner's request, the Subservicer agrees to participate in calendar quarterly basis (no later than 30 days following the end of each calendar quarter) (which meetings may be in-person, telephonic or via a secure web meeting) to discuss the DFS Consent Order, except with respect to any disclosure to the Servicing Rights Owner that is expressly prohibited by such entity or by Applicable Requirements.

No later than forty-five (45) calendar days after the end of each fiscal quarter after the initial Sale Date, the Subservicer shall deliver to Servicing Rights Owner, a certificate in the form of Exhibit S (the "Quarterly Report"), signed by the chief risk and compliance officer of the Subservicer or Corporate Parent.

ARTICLE III

REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE SERVICING RIGHTS OWNER

As of the date of this Agreement and as of each Servicing Transfer Date (or such other date as set forth below), the Servicing Rights Owner hereby represents, warrants and covenants to the Subservicer as follows:

Section 3.1. Authority.

The Servicing Rights Owner is a duly organized and validly existing limited liability company in good standing under the laws of its state of formation and has all requisite power and authority to enter into this Agreement and the Persons executing this Agreement on behalf of the Servicing Rights Owner are duly authorized to do so. The Servicing Rights Owner has all licenses necessary to carry on its business as now being conducted and is duly authorized and qualified to transact, in each state where a Mortgaged Property is located, any and all business contemplated by this Agreement, except where the failure of the Servicing Rights Owner to possess such qualifications or licenses would not be reasonably expected to have a Material Adverse Effect or where the Servicing Rights Owner is otherwise exempt under Applicable Requirements from such qualification, or is otherwise not required under Applicable Requirements to effect such qualification.

Section 3.2. Consents.

Except for approvals required from the applicable Investor or under the applicable Servicing Agreement in connection with any Servicing Transfer Date, no consent, approval or authorization of any Governmental Authority is required for the execution, delivery, and performance by the Servicing Rights Owner of or compliance by the Servicing Rights Owner with this Agreement or the consummation of the transactions contemplated by this Agreement, or if required, such consent, approval, authorization, or order has been obtained except where failure to obtain would not reasonably be expected to have a Material Adverse Effect.

Section 3.3. Litigation.

There is no action, suit, proceeding, or investigation pending or, to its knowledge, threatened against the Servicing Rights Owner that, either in any one instance or in the aggregate, would draw into question the validity of this Agreement or of any action taken or to be contemplated herein, or would be reasonably likely to impair materially the ability of the Servicing Rights Owner to perform under the terms of this Agreement.

Section 3.4. Broker Fees.

The Servicing Rights Owner has not dealt with any broker or agent or anyone else who might be entitled to a fee or commission in connection with this transaction.

Section 3.5. Ownership.

Following the applicable Servicing Transfer Date, the Servicing Rights Owner is the sole owner of all right, title and interest in and to the Servicing Rights related to the Mortgage Loans.

Section 3.6. Ability to Perform.

The Servicing Rights Owner does not believe, nor does it have any reason or cause to believe, that it cannot perform each and every covenant applicable to it and contained in this Agreement.

Section 3.7. Accuracy of Information.

Solely with respect to each Mortgage Loan which is not an Initial Mortgage Loan, all information provided to Subservicer by Servicing Rights Owner required by the Subservicer to perform its obligations hereunder is true and correct in all material respects; provided that, the Servicing Rights Owner makes no representation, warranty or covenant relating to any information provided to Subservicer which is based on or derived from any information or data provided to the Servicing Rights Owner by the Subservicer or the Corporate Parent or their respective Affiliates, vendors (other than any Vendors or Approved Parties selected by Servicing Rights Owner after the Effective Date) or agents.

**ARTICLE IV
REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE SUBSERVICER**

As of the date of this Agreement and as of each Servicing Transfer Date (or such other date if set forth below), the Subservicer hereby represents, warrants and covenants to the Servicing Rights Owner as follows:

Section 4.1. Good Standing.

The Subservicer is an approved servicer for, and in good standing with, each Agency and each Governmental Entity and is a HUD approved mortgagee. No event has occurred, including but not limited to, a change in insurance coverage, that would make the Subservicer unable to comply with eligibility requirements of each Agency and each Governmental Entity.

Section 4.2. Authority.

The Subservicer is a duly organized and validly existing limited liability company in good standing under the laws of the state of its formation and has all requisite power and authority to enter into this Agreement and the Persons executing this Agreement on behalf of the Subservicer are duly authorized so to do. The Subservicer has all licenses necessary to carry on its business as now being conducted and is duly authorized and qualified to transact, in each state where a Mortgaged Property is located, any and all business contemplated by this Agreement, except where the failure of the Subservicer to possess such qualifications or licenses would not be reasonably expected to have a Material Adverse Effect or where the Subservicer is otherwise exempt under Applicable Requirements from such qualification, or is otherwise not required under Applicable Requirements to effect such qualification.

Section 4.3. Consents.

Except for approvals required from the applicable Investor or under the applicable Servicing Agreement in connection with any Servicing Transfer Date, no consent, approval or authorization of any Governmental Authority is required for the execution, delivery, and performance by the Subservicer of or compliance by the Subservicer with this Agreement or the consummation of the transactions contemplated by this Agreement, or if required, such consent, approval, authorization, or order has been obtained except where failure to obtain would not reasonably be expected to have a Material Adverse Effect.

Section 4.4. Litigation.

There is no action, suit, proceeding or investigation pending or, to its knowledge, threatened against the Subservicer that, either in any one instance or in the aggregate, would draw into question the validity of this Agreement or of any action taken or to be contemplated herein, or would be reasonably likely to impair materially the ability of the Subservicer to perform under the terms of this Agreement or Applicable Requirements.

Section 4.5. Accuracy of Information.

Information furnished to the Servicing Rights Owner or, any Investor by the Subservicer regarding its financial condition or its servicing operations is true and correct as of the date specified in such information or, if not specified, the date provided, in all material respects.

Section 4.6. Broker Fees.

The Subservicer has not dealt with any broker or agent or anyone else who might be entitled to a fee or commission in connection with this transaction.

Section 4.7. MERS.

The Subservicer is a member of MERS in good standing.

Section 4.8. Ability to Perform.

The Subservicer does not believe, nor does it have any reason or cause to believe, that it cannot perform each and every covenant applicable to it and contained in this Agreement.

Section 4.9. HAMP.

The Subservicer is participating in HAMP. The Subservicer has entered into a Subservicer Participation Agreement (“SPA”) with Fannie Mae, as financial agent of the United States, pursuant to HAMP. As such, the Subservicer: (a) has implemented HAMP as required by the SPA; (b) will report to Fannie Mae throughout the term of this Agreement the transfer of servicing of any Mortgage Loans that are “Eligible Loans” (as defined by the SPA) to extent required in order to ensure compliance with the SPA; and (c) will service any of the Mortgage Loans that are “Eligible Loans” in accordance with HAMP requirements throughout the term of this Agreement to the extent HAMP is still in effect or otherwise applicable.

Section 4.10. Eligibility under the Servicing Agreements.

The Subservicer satisfies all applicable eligibility and other requirements as subservicer to the Servicing Rights Owner to act as servicer (including master, special, primary or subservicer) under the applicable Servicing Agreements as of the applicable Servicing Transfer Date.

Section 4.11. Advances.

As of each Advance Reimbursement Date, the Subservicer hereby represents and warrants to the Servicing Rights Owner that each related Servicing Advance (i) has been made in accordance with the applicable Agency Guidelines on the date of such Servicing Advance, and (ii) and, to the extent reimbursable in accordance with the applicable Agency Guidelines, is reimbursable in accordance with such Agency Guidelines on the date of the such Servicing Advance.

Section 4.12. [*].**

[***].

**ARTICLE V
SERVICING COMPENSATION**

Section 5.1. Servicing Compensation.

(a) In consideration of the servicing duties of Subservicer described in this Agreement, for each Mortgage Loan serviced by Subservicer hereunder, Subservicer shall be entitled to the applicable Servicing Fees specified in Schedule A.

(b) The Servicing Fee for a Mortgage Loan shall be payable on a monthly basis for each month or part thereof that such loan is serviced hereunder and (i) with respect the month in which the applicable Sale Date (as defined in the Purchase Agreement) occurs with respect to the Mortgage Loans, if such Sale Date is not the first (1st) Business Day of such month, such Servicing Fee shall be prorated, (ii) with respect the month in which the applicable Sale Date (as defined in the Purchase Agreement) occurs with respect to the Mortgage Loans, if such Sale Date is on the first (1st) Business Day of such month, such Servicing Fee shall not be prorated and (iii) with respect to servicing transfer of a Mortgage Loan from the Subservicer to a successor servicer, (x) to the extent the transfer date to such successor occurs on the first (1st) day of a calendar month, such Servicing Fee shall be prorated for such month or (y) to the extent the transfer date to such successor occurs on any day other than the first (1st) day of a calendar month, such Servicing Fee shall not be prorated for such month. The Servicing Rights Owner shall pay the Subservicer Economics on a monthly basis within ten (10) Business Days following receipt of each Reconciliation Report therefore.

(c) As additional compensation, Subservicer shall be entitled to:

- (i) receive and retain all Ancillary Fees (other than Float Benefit as described in Schedule A);
- (ii) such fees as are set forth on Schedule A; and
- (iii) Deboarding Fees to the extent due and payable under this Agreement.

(d) Notwithstanding anything to the contrary in this Agreement, in no event shall the Subservicer be entitled to any boarding fees or other similar fees with respect to any Initial Mortgage Loan.

**ARTICLE VI
TERM AND TERMINATION**

Section 6.1. Term.

(i) The initial term of this Agreement shall be from the initial Sale Date under the Original Agreement until the date that is the third (3rd) anniversary of such Sale Date (the "Initial Term"). Except as otherwise permitted in the Agreement, neither party shall be permitted to terminate this Agreement without cause during the Initial Term.

(ii) If this Agreement has not otherwise been terminated pursuant to this ARTICLE VI, then the term of this Agreement shall automatically be renewed for successive one (1) year terms after the expiration of the Initial Term; provided that, following the Initial Term, (A) the Servicing Rights Owner may terminate this Agreement, without cause, with 180 days prior written notice to the Subservicer and (B) the Subservicer may terminate this Agreement, without cause, with nine (9) months' prior written notice to the Servicing Rights Owner.

(iii) Notwithstanding anything to the contrary in this Agreement, the Servicing Rights Owner may terminate this Agreement without cause with respect to some of the Mortgage Loans and/or REO Properties from time to time after the end of the Initial Term; provided that (x) at any time, to the extent that an Agency has indicated that it is terminating, or will be terminating, the Servicing Rights Owner (not caused by the Subservicer's performance), subject to payment of the applicable Deboarding Fee, the Servicing Rights Owner may terminate this Agreement without cause with respect to the affected Mortgage Loans and REO Properties; and (y) that, at any time during each of the second and third years of the Initial Term (as measured based upon the anniversary of the first Sale Date under the Original Agreement), subject to payment of the applicable Deboarding Fee, Servicing Rights Owner may terminate an amount of Mortgage Loans and/or REO Properties that does not exceed twenty-five percent (25%) of Initial Mortgage Loans (calculated as of the date the applicable notice of termination is delivered by the Servicing Rights Owner to the Subservicer) upon not less than (A) 90 days prior notice if the number of Mortgage Loans is 50,000 or less and (B) 120 days prior notice if the number of Mortgage Loans is over 50,000.

(iv) This Agreement shall otherwise terminate upon the earliest of (i) the distribution of the final payment on or liquidation of the last Mortgage Loan and REO Property subject to this Agreement or (ii) as otherwise set forth in this ARTICLE VI.

Section 6.2. Successor to Subservicer; Requirements and Effect of Termination; Servicing Transfers.

Upon the termination of Subservicer's servicing responsibilities and duties under this Agreement, Servicing Rights Owner shall have the right, in its sole discretion, to (i) succeed to and assume the servicing of the Mortgage Loans and REO Properties or (ii) appoint a successor servicer to assume the servicing of the Mortgage Loans and REO Properties. If Subservicer's duties, responsibilities and liabilities under this Agreement should be terminated under this Agreement, then Subservicer shall continue to discharge such duties and responsibilities during the period from the date it acquires knowledge of such termination until a successor servicer or subservicer has been appointed by the Servicing Rights Owner or a Mortgage Loan Investor, as applicable, and a servicing transfer has been completed in accordance with Applicable Requirements (such period of time, the "Servicing Transition Period") all on the terms and conditions contained herein. The Subservicer shall not be relieved of its obligation under this Agreement until such time. During the Servicing Transition Period, the Servicing Rights Owner and the Subservicer shall discharge such duties and responsibilities with the same degree of diligence and prudence that it is obligated to exercise under this Agreement. Subject to applicable consents needed for transferring the servicing responsibilities and duties, the parties acknowledge and agree that time is of the essence in connection with any termination of this Agreement as to any or all of the Mortgage Loans and REO Properties.

Upon the effective date related to the termination of Subservicer's servicing responsibilities and duties under this Agreement in whole or in part, Subservicer shall promptly deliver to Servicing Rights Owner or the successor servicer the funds in the related Custodial Account, the HELOC Advance Account and the Escrow Accounts and the Mortgage Files (which are then in Subservicer's possession or control or otherwise reasonably obtainable by the Subservicer), any Mortgage Loan Documents (which are then in Subservicer's possession or control) and related documents and statements held by it hereunder and Subservicer shall account for all funds received by Subservicer on behalf of Servicing Rights Owner or the Investors. Subservicer shall execute and deliver such instruments and do such other things all as may reasonably be required to more fully and definitively vest and confirm in the successor all such rights, powers, duties, responsibilities, obligations and liability of Subservicer.

Upon (x) valid and proper termination of this Agreement, (y) the payment and/or reimbursement of the appropriate party of any amounts then due and payable to such party and (z) the expiration of the any Servicing Transition Period, no party hereto shall have any liability or further obligation to the other party hereunder, except as may exist as a result of the survival of provisions specified in this Agreement to so survive.

Section 6.3. Payment Obligations upon Termination and Transfer of Servicing

In the event either party terminates this Agreement with respect to some or all of the Mortgage Loans and REO Properties, Servicing Rights Owner shall, prior to the date of such termination, pay to Subservicer an amount equal to the sum of (i) all outstanding undisputed expenses and advances (including Servicing Advances and P&I Advances) for which Subservicer is entitled

to reimbursement under this Agreement, (ii) all outstanding Servicing Fees and other servicing compensation which have accrued as of the effective date of such termination and (iii) to the extent the Servicing Rights Owner terminates without cause pursuant to Section 6.1(a)(iii) or other applicable provisions of this Agreement, the applicable Deboarding Fee. To the extent that any such amounts are not invoiced by Subservicer prior to the date of termination, such amounts shall be reimbursed to Subservicer within ten (10) Business Days of invoice and customary back-up documentation is received by the Servicing Rights Owner therefor. Any disputed amounts shall be resolved as promptly as practicable with payment promptly after resolution thereof.

ARTICLE VII DEFAULT

Section 7.1. Events of Default.

In case one or more of the following events shall occur and be continuing:

(i) any failure by Subservicer to remit to Servicing Rights Owner any payment required to be made under the terms of this Agreement which continues unremedied for a period of one (1) Business Day after the date on which such payment was required to be remitted under the terms of this Agreement;

(ii) any failure on the part of Subservicer duly to observe or perform in any material respect any of the covenants, obligations or agreements on the part of Subservicer set forth in this Agreement which continues unremedied for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Subservicer by the Servicing Rights Owner;

(iii) any filing of an Insolvency Proceeding by or on behalf of Subservicer or Corporate Parent, any consent by or on behalf of Subservicer or Corporate Parent to the filing of an Insolvency Proceeding against Subservicer or Corporate Parent, any admission by or on behalf of Subservicer or Corporate Parent of their respective inability to pay its debts generally as the same become due or intention not to; or

(iv) any filing of an Insolvency Proceeding against Subservicer or Corporate Parent that remains undismissed or unstayed for a period of thirty (30) days after the filing thereof;

(v) (A) [***] and/or (B) deliver the Monthly Financial Covenant Certification to the Servicing Rights Owner with the timeframes set forth in Section 2.28, which failure in the case of clause (B) continues unremedied for a period of five (5) Business Days;

(vi) a decree or order of a court or agency or supervisory authority having jurisdiction for the appointment of a conservator or receiver or liquidator or other similar official in any insolvency, bankruptcy, readjustment of debt, marshalling of assets and liabilities or similar proceedings, or for the winding-up or liquidation of its affairs, shall have been entered against the Subservicer and/or Corporate Parent and such decree or order shall have remained in force, undischarged or unstayed for a period of thirty (30) days;

(vii) any representation or warranty made by the Subservicer hereunder shall prove to be untrue or incomplete in any material respect and, if such breach of a representation or warranty is capable of being cured, continues unremedied for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Subservicer by the Servicing Rights Owner;

(viii) (A) the Subservicer shall cease being an approved subservicer/servicer in good standing with any Agency or a HUD approved mortgagee, (B) any Agency provides a notice of termination to the Subservicer or the Servicing Rights Owner for failure of the Subservicer to comply with the applicable Investor Guidelines and the foregoing is not cured or otherwise resolved within sixty (60) days of the receipt of such notice of termination (or such lesser timeframe as set forth in such notice for such termination to be effective) or (C) any Agency directs or otherwise notifies the Servicing Rights Owner that such Agency demands that the Subservicer should be terminated;

(ix) failure of the Subservicer to maintain any required qualification, license or approval to do business, to service residential mortgage loans, or to otherwise collect debts or perform any activities relating to residential mortgage loans in any jurisdiction where the Mortgaged Properties are located, to the extent required under Applicable Requirements; provided that in jurisdictions where the Subservicer's servicing of affected Mortgage Loans is de minimis to the Subservicer's overall servicing of Mortgage Loans under this Agreement and such failure in such jurisdictions does not materially and adversely affect the related Servicing Rights, the Subservicer shall have thirty days to cure any such failure; provided, however, that if such failure is not cured within thirty days but is reasonably susceptible of a cure within an additional 30 days and the Subservicer is diligently pursuing a cure, the Subservicer shall have an additional 30 days to cure such failure;

(x) the then-current primary and/or special Subservicer rating (if any) of Servicing Rights Owner assigned by any rating agency is downgraded by the applicable rating agency from such rating (or any corresponding rating) which is caused by Subservicer's failure to service in accordance with Applicable Requirements;

(xi) the Subservicer attempts to assign its rights to servicing compensation hereunder or the Subservicer attempts, without the consent of the Servicing Rights Owner, to sell or otherwise dispose of all or substantially all of its property or assets or to assign this Agreement or the Subservicing responsibilities hereunder or to delegate its duties hereunder or any portion thereof without the consent of the Servicing Rights Owner; or

(xii) except for the DFS Consent Order, an investigation by any Governmental Authority that is commenced after the initial Sale Date has determined (by consent order or judicial or related enforcement action as to which relevant appeals have been exhausted) that material deficiencies in servicing performance or violation of Applicable Requirements by the Subservicer has occurred after the initial Sale Date which, in either case, has material adverse effect on the Subservicer or the Corporate Parent and its ability to perform under this Agreement,

(xiii) (A) the NYDFS has instituted additional requirements and/or obligations on the Subservicer in connection with the DFS Consent Order which have a material adverse effect on the Subservicer and its ability to perform under this Agreement and/or (B) the NYDFS has determined (by consent order or judicial or related enforcement action as to which relevant appeals have been exhausted) material noncompliance of the DFS Consent Order by the Subservicer with respect to the servicing of the Mortgage Loans, which has a material adverse effect on the Subservicer and its ability to perform under this Agreement;

(xiv) during the Initial Term, without the Servicing Rights Owner's prior written consent, a Change of Control has occurred with respect to the Subservicer or Corporate Parent; provided that, to the extent that the Subservicer has notified the Servicing Rights Owner of the occurrence of a Change of Control that has not received the Servicing Rights Owner's prior written consent, the Servicing Rights Owner must elect to exercise such Event of Default within five (5) Business Days of receipt of such notice;

(xv) the Servicing Rights Owner shall cease being an approved subservicer/servicer in good standing with Fannie Mae or Freddie Mac or a HUD approved mortgagee, which, in each case, is caused by the Subservicer's failure to service in accordance with Applicable Requirements;

then, and in each and every such case, so long as an Event of Default shall not have been remedied, Servicing Rights Owner, by notice in writing to Subservicer may, in addition to whatever rights Servicing Rights Owner may have at law or in equity to damages, including injunctive relief and specific performance, terminate all the rights and obligations of Subservicer under this Agreement and in and to the Mortgage Loans and the proceeds thereof subject to Section 6.2, without Servicing Rights Owner's incurring any penalty or fee of any kind whatsoever in connection therewith for exercising such right of termination; provided that no such termination shall relieve the obligation of Servicing Rights Owner to pay or reimburse Subservicer for amounts payable or reimbursable to it under this Agreement (other than any Deboarding Fee).

On or after the receipt by Subservicer of such written notice, all authority and power of Subservicer under this Agreement (whether with respect to the Mortgage Loans or otherwise) shall cease; provided that the parties acknowledge and agree that any such termination and transfer of servicing shall occur in such a manner as to comply with Applicable Requirements (and, accordingly, may occur in staged transfers over a number of months).

In the event Subservicer is terminated by Servicing Rights Owner under this Section 7.1, the Subservicer (i) shall not be entitled to any Deboarding Fees and (ii) shall be responsible for the Servicing Transfer Costs incurred in connection with the transfer of servicing of the Mortgage Loans and REO Properties to a successor servicer or subservicer.

Each party shall promptly notify the other party in the event of any event of default or other termination event with respect to such party set forth in this Agreement or any event that would become an Event of Default or termination event with the giving of notice and/or passage of time.

The rights of termination, as provided herein, are in addition to all other available rights and remedies, including the right to recover damages in respect of any breach.

Section 7.2. Waiver of Default

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

ARTICLE VIII INDEPENDENCE OF PARTIES; INDEMNIFICATION SURVIVAL

Section 8.1. Indemnification; Third Party Claims.

(a) Subservicer shall indemnify, defend and hold harmless Servicing Rights Owner, its directors, officers, agents, employees, and assignees (each, an "Indemnified Party") from and against any Losses suffered or sustained in any way by any such Person, no matter how or when arising (including Losses incurred or sustained in connection with any judgment,

award, or settlement, and claims by or on behalf of a third party, and regardless of whether any risk of the foregoing was known or unknown to Subservicer as of the Effective Date), in connection with or relating to (i) a breach by Subservicer of any of its representations and warranties contained herein, (ii) a breach by Subservicer of any of its covenants and other obligations contained herein including any failure to service the Mortgage Loans in compliance with the terms hereof and in accordance with the standard of care set forth in this Agreement, Applicable Requirements and Accepted Servicing Practices, including any Agency-imposed fees, penalties or curtailments or cancellation of insurance imposed on the Owner resulting from therefrom, (iii) the failure of Subservicer or any Vendors, Off-shore Vendors and/or Default Firms hired by Subservicer to perform its duties and service the Mortgage Loans in strict compliance with the terms of this Agreement, the Mortgage Loan documents and Applicable Requirements and (iv) the Subservicer's use or misuse of any power of attorney provided to the Subservicer under this Agreement. For the avoidance of doubt, the indemnification provided by Subservicer herein shall be with respect to claims involving third-parties and claims between Servicing Rights Owner and Subservicer.

(b) Servicing Rights Owner shall indemnify, defend and hold harmless Subservicer, its directors, officers, agents, employees, and assignees (each, a "Subservicer Indemnified Party") from and against any Losses suffered or sustained in any way by any such Person, no matter how or when arising (including Losses incurred or sustained in connection with any judgment, award, or settlement), in connection with or relating to (i) a breach by Servicing Rights Owner of any of its representations and warranties contained in herein, (ii) a breach by Servicing Rights Owner of any of its covenants and other obligations contained herein, (iii) compliance with the directions or policies of the Servicing Rights Owner (except where such directions or policies are in violation of Applicable Requirements unless Subservicer shall have given Servicing Rights Owner written notice of such potential violation and rationale thereof and Servicing Rights Owner has not withdrawn such direction or policies), and (iv) any claim that is brought against Subservicer after the Servicing Transfer Date that relates to the Mortgage Loans, except to the extent Subservicer is liable to the Servicing Rights Owner therefor under this Agreement or the Purchase Agreement. For the avoidance of doubt, the indemnification provided by Subservicer herein shall be with respect to claims involving third-parties and claims between Servicing Rights Owner and Subservicer.

(c) Notwithstanding anything contained herein to the contrary, Subservicer, Servicing Rights Owner, any Subservicer Indemnified Party or other Indemnified Party shall not be responsible or liable in any way for any indirect, special, incidental or consequential damages, including lost profits or savings, damage to business reputation or loss of opportunity, and any punitive and exemplary damages.

(d) Promptly after receipt by an indemnified party under Section 8.1 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party under this Section 8.1, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party will not relieve the indemnifying party from any liability that it may have to any indemnified party under this Section 8.1, except to the extent that it has been prejudiced in any material respect, or from any liability that it may have, otherwise than under this Section 8.1. The indemnifying party shall assume (with the consent of the indemnified party) the defense of any such claim and pay all expenses in connection therewith, including attorneys' fees, and promptly pay, discharge, and satisfy any judgment or decree which may be entered against it or the indemnified party in respect of such claim. The indemnifying party shall follow any reasonable written instructions received from the indemnified party in connection with such claim. The Subservicer shall provide the Servicing Rights Owner a monthly report of legal action(s) by individual Mortgagor(s) relating to the Mortgage Loans and against the Subservicer or the Servicing Rights Owner.

(e) The obligations set forth in this Section 8.1 shall survive the termination of this Agreement.

Section 8.2. Indemnification Procedures.

Promptly after receipt by an indemnified party under Section 8.2 or Section 8.3 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party under Section 8.2 or Section 8.3, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party will not relieve the indemnifying party from any liability that it may have to any indemnified party under Section 8.2 or Section 8.3, except to the extent that it has been prejudiced in any material respect, or from any liability that it may have, otherwise than under Section 8.2 or Section 8.3. The indemnifying party shall assume the defense of any such claim (provided, however, that counsel to the indemnifying party shall not (except with the consent of the indemnified party) also be counsel to the indemnified party) and pay all expenses in connection therewith, including attorneys' fees, and promptly pay, discharge, and satisfy any judgment or decree that may be entered against it or the indemnified party in respect of such claim. The indemnifying party shall follow any reasonable written instructions received from the indemnified party in connection with such claim. The Subservicer shall provide the Mortgagor Litigation Reports set forth in the related Formatted Servicing Report regarding legal action(s) by individual Mortgagor(s) relating to the Mortgage Loans and against the Subservicer or the Servicing Rights Owner, it being understood that the Subservicer may combine such reports with the reports required to be delivered under Section 8.4 of any NRZ Servicing/Subservicing Agreement of the NRM Agency Subservicing Agreement and delivery thereunder shall be deemed to constitute delivery hereunder. With respect to any third party claim subject to indemnification under this Agreement, the indemnified party agrees to reasonably cooperate and cause its Affiliates to reasonably cooperate in good faith with the indemnifying party in connection with the defense of any such claim. The indemnifying party shall pay the indemnified party any non-disputed Losses within thirty (30) days of the indemnifying party's receipt of an invoice therefor, together with reasonable supporting documentation.

Section 8.3. Limitation on Liability of Subservicer and Others.

Neither Subservicer nor any of the officers, employees or agents of Subservicer shall be under any liability to Servicing Rights Owner for any action taken or for refraining from the taking of any action pursuant to the terms of this Agreement or pursuant to the written directions or written policies of the Servicing Rights Owner; provided, that this provision shall not protect Subservicer or any such Person against any breach of warranties or representations made herein, or failure to perform its obligations in compliance with this Agreement or any liability which would otherwise be imposed by reasons of willful misfeasance, bad faith, negligence or any breach in the performance of the obligations and duties hereunder. Subservicer and any officer, employee or agent of Subservicer may rely in good faith on any document of any kind reasonably believed by Subservicer or such Person to be genuine and *prima facie* properly executed and submitted by the Servicing Rights Owner respecting any matters arising hereunder.

Subservicer shall not be under any obligation to appear in, prosecute or defend any legal action that is not incidental to its duties hereunder and which in its opinion may involve it in any expense or liability; provided, that Subservicer may in its discretion, and following the prior written consent of the Servicing Rights Owner, undertake any such action where it is a named party and that it may deem necessary or desirable in respect of this Agreement and the rights and duties of the parties hereto. In such event, the legal expenses and costs of such action and any liability resulting therefrom shall be expenses, costs and liabilities for which Subservicer shall be entitled to be reimbursed therefor as Servicing Advances in accordance with Section 2.18. This reimbursement right shall survive the termination of this Agreement.

Section 8.1. Independence of Parties; Average Third-Party Mark Payment.

Subservicer shall have the status of, and act as, an independent contractor. Nothing herein contained shall be construed to create a partnership or joint venture between the Servicing Rights Owner and the Subservicer.

Subservicer and Servicing Rights Owner will each promptly notify the other of any communication received in connection with a Servicing Agreement (and promptly deliver a copy of such communication to the other party) (i) from a trustee, master servicer (or other party entitled, or purporting to be entitled, to terminate) that is a solicitation of holders for a vote, or a request for direction regarding termination or (ii) from, or on behalf of, a trustee, master servicer (or other party entitled, or purporting to be entitled, to terminate) stating that such trustee, master servicer or other party has an intention to terminate Servicing Rights Owner or Subservicer as servicer, subservicer or master servicer under such Servicing Agreement. The parties will fully cooperate to resolve any such matter to avoid termination. To the extent Subservicer or the Servicing Rights Owner is terminated under any Servicing Agreement related to any Mortgage Loan subserviced hereunder and the basis of such termination is resulting from, arising out of or related to any enumerated items set forth in Section 8.1 (other than as a result of any delinquency or loss triggers with respect to such Servicing Agreement), such termination was “without cause,” “for convenience” or on a similar basis, then the Subservicer shall remit to the Servicing Rights Owner the Average Third Party Mark of the affected Servicing Rights within ten (10) Business Days following receipt of such Average Third Party Mark (the “Average Third Party Mark Payment”); provided, that if any such termination payments exceed the Average Third Party Mark of the affected Servicing Rights, the Servicing Rights Owner will pay such excess to the Subservicer.

Section 8.2. Mitigation.

Each party that is eligible for indemnification under Section 8.2 or Section 8.3 for reimbursement for costs and expenses under this Agreement shall use its commercially reasonable efforts consistent with requirements of Applicable Requirements with respect to mitigation of damages to mitigate such Loss and; provided, however, that the failure to mitigate by either party shall not affect the indemnifying party’s obligation to indemnify the indemnified party except to the extent such failure to mitigate results in any material prejudice to the indemnifying party and then only to the extent of such material prejudice and a violation of requirements of Applicable Requirements with respect to mitigation of damages.

Section 8.3. Reserved.

Section 8.4. Limitation of Damages.

NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, THE PARTIES AGREE THAT NEITHER PARTY WILL BE LIABLE TO THE OTHER FOR ANY PUNITIVE, CONSEQUENTIAL, INDIRECT OR SPECIAL DAMAGES, WHATSOEVER, IN EACH CASE WHETHER IN CONTRACT, TORT (INCLUDING NEGLIGENCE AND STRICT LIABILITY), OR ANY OTHER LEGAL OR EQUITABLE PRINCIPLE, EVEN IF APPRISED OF THE POSSIBILITY THEREOF; PROVIDED, HOWEVER, THAT SUCH LIMITATION WILL NOT BE APPLICABLE WITH RESPECT TO ANY SUCH DAMAGES PAID TO A THIRD PARTY AS A RESULT OF ANY THIRD PARTY CLAIMS MADE AGAINST A PARTY THAT IS SUBJECT TO AN INDEMNIFICATION OBLIGATION PROVIDED FOR UNDER SECTION 8.2 OR SECTION 8.3, AS APPLICABLE.

Section 8.5. Servicing Rights Owner’s Direction

Notwithstanding anything in this Agreement to the contrary and for the avoidance of doubt, in no event shall the Subservicer be required to comply with any instruction by the Servicing Rights Owner that would violate any federal, state and local legal and regulatory requirements (including, without limitation, laws, statutes, rules, regulations and ordinances); provided that the Subservicer shall address such conflict in accordance with the procedure set forth in Section 2.8(c).

ARTICLE IX MISCELLANEOUS

Section 9.1. Entire Agreement.

This Agreement and the Purchase Agreement (including the schedules and exhibits annexed hereto or referred to herein) contains the entire agreement between the parties hereto with respect to the transactions contemplated hereby and supersedes all prior agreements, written or oral, with respect thereto.

Section 9.2. [Reserved].

Section 9.1. Severability of Provisions.

If any one or more of the covenants, agreements, provisions or terms of this Agreement shall be for any reason whatsoever held invalid, the invalidity of any such covenant, agreement, provision or term of this Agreement shall in no way affect the validity or enforceability of the other provisions of this Agreement; provided, however, that if the invalidity of any covenant, agreement or provision shall deprive any party of the economic benefit intended to be conferred by this Agreement, the parties shall negotiate in good faith to develop a structure the economic effect of which is as nearly as possible the same as the economic effect of this Agreement.

Section 9.2. Governing Law; Jurisdiction.

THIS AGREEMENT AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING OUT OF THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS WITHOUT REGARD TO THE CONFLICT OF LAWS PROVISIONS THEREOF (OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW).

ANY LEGAL ACTION, SUIT OR OTHER PROCEEDING ARISING OUT OF, OR IN ANY WAY CONNECTED WITH, THIS AGREEMENT SHALL BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK, OR IN THE UNITED STATES COURTS FOR THE SOUTHERN DISTRICT OF NEW YORK. WITH RESPECT TO ANY SUCH PROCEEDING IN ANY SUCH COURT: (A) EACH PARTY GENERALLY AND UNCONDITIONALLY SUBMITS ITSELF AND ITS PROPERTY TO THE EXCLUSIVE JURISDICTION OF SUCH COURT; AND (B) EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION IT HAS OR HEREAFTER MAY HAVE TO THE VENUE OF SUCH PROCEEDING, AS WELL AS ANY CLAIM IT HAS OR MAY HAVE THAT SUCH PROCEEDING IS IN AN INCONVENIENT FORUM.

Section 9.3. Waiver of Jury Trial.

EACH OF THE SUBSERVICER AND THE SERVICING RIGHTS OWNER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY AND ALL RIGHTS IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OR ANY LITIGATION BASED ON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT.

Section 9.4. Notices.

Any notices or other communications permitted or required hereunder shall be in writing and shall be deemed conclusively to have been given if personally delivered, sent by courier with delivery against signature therefor, mailed by registered mail, postage prepaid, and return receipt requested or transmitted by telecopier and confirmed by a similar writing mailed or sent by courier as provided above, to (i) in the case of Servicing Rights Owner, New Residential Mortgage LLC, c/o New Residential Investment Corp., 1345 Avenue of the Americas, 45th Floor, New York, New York 10105, Attention: [***], or at such other address as may hereafter be furnished to Subservicer in writing by Servicing Rights Owner and (ii) in the case of Subservicer, PHH Mortgage Corporation, One Mortgage Way, Mt. Laurel, New Jersey 08054, Attention: Vice President, Servicing, or such other address as may hereafter be furnished to Servicing Rights Owner in writing by Subservicer.

Section 9.5. Schedules and Exhibits.

The schedules and exhibits that are attached to this Agreement are hereby incorporated herein and made a part hereof by this reference.

Section 9.6. General Interpretive Principles.

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

- (a) the terms defined in this Agreement have the meanings assigned to them in this Agreement and include the plural as well as the singular, and the use of any gender herein shall be deemed to include the other gender;
- (b) any reference in this Agreement to this Agreement or any other agreement, document, or instrument shall be a reference to this Agreement or any other such agreement, document, or instrument as the same has been amended, modified, or supplemented in accordance with the terms hereof and thereof (as applicable);
- (c) accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles, consistently applied;
- (d) references herein to “Articles,” “Sections,” “Subsections,” “Paragraphs,” and other subdivisions without reference to a document are to designated articles, Sections, subsections, paragraphs and other subdivisions of this Agreement, unless the context shall otherwise require;
- (e) a reference to a subsection without further reference to a Section is a reference to such subsection as contained in the same Section in which the reference appears, and this rule shall also apply to Paragraphs and other subdivisions;
- (f) a reference to a “day” shall be a reference to a calendar day;
- (g) the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular provision; and
- (h) the terms “include” and “including” shall mean without limitation by reason of enumeration.

Section 9.7. Assignment; Waivers and Amendments.

This Agreement may be amended, superseded, canceled, renewed or extended and the terms hereof may be waived, only by a written instrument signed by authorized representatives of the parties or, in the case of a waiver, by an authorized representative of the party waiving compliance of the other party’s obligation hereunder.

This Agreement may be assigned only with the written consent of both Subservicer and Servicing Rights Owner. The Servicing Rights Owner may also assign to an Affiliate without the consent of the Subservicer, provided that the assignment is made with respect to an least fifty thousand (50,000) Mortgage Loans and the Subservicer, the Servicing Rights Owner and the Affiliate enter into an assignment and assumption agreement pursuant to which the Affiliate assumes the obligations of the Servicing Rights Owner under this Agreement with respect to the applicable Mortgage Loans (including, without limitation, the representations, warranties and covenants of Servicing Rights Owner set forth in 0).

Section 9.8. Captions.

All Section titles or captions contained in this Agreement or in any schedule or exhibit annexed hereto or referred to herein, and the table of contents to this Agreement, are for convenience only, shall not be deemed a part of this Agreement and shall not affect the meaning or interpretation of this Agreement.

Section 9.9. Counterparts.

This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Agreement in Portable Document Format (PDF) or by facsimile transmission shall be effective as delivery of a manually executed original counterpart of this Agreement.

Section 9.10. Force Majeure.

Each party will be excused from performance under this Agreement, except for any payment obligations for services that have been or are being performed hereunder, for any period and to the extent that it is prevented from performing, in whole or in part, as a result of delays caused by the other party or any act of God, war, civil disturbance, court order, labor dispute, or other cause beyond its reasonable control, including failure, fluctuations, or unavailability of heat, light, air conditioning, or telecommunications equipment (a “Force Majeure Event”). A party excused from performance pursuant to this Section 9.10 shall exercise commercially reasonable efforts to continue to perform its obligations hereunder and shall thereafter continue with reasonable due diligence and good faith to remedy its inability to so perform, except that nothing herein shall obligate either party

to settle a strike or labor dispute when it does not wish to do so. Such nonperformance will not be deemed a breach of this Agreement as long as the party affected by the Force Majeure Event uses commercially reasonable efforts to expeditiously remedy the problem causing such nonperformance and to execute its disaster recovery plan then in existence. If the failure of a party to perform under this Agreement as a result of a Force Majeure Event exceeds fifteen (15) days, the other party may terminate this Agreement immediately without liability and the parties shall cooperate in good faith to facilitate the transfer of servicing to a successor servicer or subservicer designated by the Servicing Rights Owner. Notwithstanding the foregoing, in the event the force majeure provisions set forth in the Agency Guidelines, if any, are more restrictive as they relate to the Servicing Rights Owner or the Subservicer, such provisions in the Agency Guidelines shall control.

Section 9.11. Confidentiality; Security.

(a) Each party acknowledges that it may, in the course of performing its responsibilities under this Agreement, be exposed to or acquire Confidential Information that is proprietary to or confidential to the other party, its Affiliates, their respective clients and investors or to third parties to whom the other party owes a duty of confidentiality. The party providing Confidential Information in each case shall be called the “Disclosing Party” and the party receiving the Confidential Information shall be called the “Recipient”. With respect to all such Confidential Information, the Recipient shall (i) act in accordance and comply with all Applicable Requirements (including, without limitation, security and privacy laws with respect to its use of such Confidential Information), (ii) maintain, and shall require all third parties that receive Confidential Information from the Recipient as permitted hereunder to maintain, effective information security measures to protect Confidential Information from unauthorized disclosure or use, and (iii) provide the Disclosing Party with information regarding such security measures upon the reasonable request of the Disclosing Party and promptly provide the Disclosing Party with information regarding any material failure of such security measures or any security breach relating to the Disclosing Party’s Confidential Information. The Recipient shall hold the Disclosing Party’s Confidential Information in strict confidence, exercising no less care with respect to such Confidential Information than the level of care exercised with respect to the Recipient’s own similar Confidential Information and in no case less than a reasonable standard of care, and shall not copy, reproduce, summarize, quote, sell, assign, license, market, transfer or otherwise dispose of, give or disclose such information to third parties or use such information for any purposes other than the provision of the services to the Disclosing Party without the prior written authorization of the Disclosing Party. In addition, the Recipient shall not use the Confidential Information to make any contact with any of the parties identified in the Confidential Information without the prior authorization of the Disclosing Party, except in the course of performing its obligations under the terms of this Agreement.

(b) The Recipient may disclose the Disclosing Party’s Confidential Information only (i) to its and its Affiliates’ officers, directors, attorneys, accountants, employees, agents and representatives and, with respect to the Servicing Rights Owner only, Rating Agencies, consultants, bankers, financial advisors and potential financing sources (collectively, “Confidential Representatives”) who need to know such Confidential Information and who are subject to a duty of confidentiality (contractual or otherwise) with respect to such Confidential Information, (ii) to those Persons within the Recipient’s organization directly involved in the transactions contemplated in this Agreement, and who are bound by confidentiality terms substantially similar to the terms set forth herein, (iii) to the Recipient’s regulators and examiners, (iv) as required by Applicable Requirements, (v) to the extent such Recipient determines reasonably necessary or appropriate to defend itself in connection with a legal proceeding regarding the transactions contemplated in this Agreement; provided that Confidential Information may not be disclosed pursuant to this clause (v) without prior notice to the Disclosing Party and the Recipient shall use reasonable efforts to cooperate with the Disclosing Party’s reasonable requests to protect and preserve the confidential nature of such Confidential Information, (vi) in the case of the Servicing Rights Owner, and subject to, and otherwise limited to the information provided pursuant to, Section 2.7(h), to a backup servicer and (vii) to any third party mutually agreed upon by the Servicing Rights Owner and Subservicer. The Recipient shall be liable for any breach of its confidentiality obligations and the confidentiality obligations of its Confidential Representatives.

(c) The parties shall not, without the other party’s prior written authorization, publicize, disclose, or allow disclosure of any Confidential Information about the other party, its present or former partners, managing directors, directors, officers, employees, agents or clients, its or their business and financial affairs, personnel matters, operating procedures, organization responsibilities, marketing matters and policies or procedures, with any reporter, author, producer or similar Person or entity, or take any other action seeking to publicize or disclose any such information in any way likely to result in such information being made available to the general public in any form, including books, articles or writings of any other kind, as well as film, videotape, audiotape, or any other medium except as required by Applicable Requirements.

(d) The obligations under this Section 9.11 shall survive the termination of this Agreement.

(e) In addition to the foregoing, the parties agree that any information provided hereunder shall be subject to the terms of the Confidentiality Agreement; provided that if there exists any conflict between this Agreement and the terms of the Confidentiality Agreement, this Confidentiality Agreement shall control except as provided in Section 9.11(f) below). Furthermore, the parties agree that the Confidentiality Agreement shall be incorporated into this Agreement for purposes of confidentiality.

(f) Notwithstanding any contrary terms in the Confidentiality Agreement, the obligations under the Confidentiality Agreement shall survive indefinitely after the expiration or termination of the Sale Supplements (as defined in the New RMSR Agreement).

Section 9.12. Further Assurances.

Each party hereto shall take such additional action as may be reasonably necessary to effectuate this Agreement and the transactions contemplated hereby. In addition, the parties agree to cooperate and work in good faith to solve any and all issues or developments that arise during the course of the business relationship evidenced hereby.

The Subservicer shall reasonably cooperate with the Servicing Rights Owner, Servicing Rights Owner's lender(s) and any rating agency in connection with the Servicing Rights Owner's financing of any Servicing Advances, P&I Advances, Compensating Interest and, with respect to Private Label Mortgage Loans, deferred servicing fees.

In addition, from time to time and upon the reasonable request of the Servicing Rights Owner, the Subservicer shall provide, to the Servicing Rights Owner and Servicing Rights Owner's lender(s) such documentation, data and/or reports in the Subservicer's possession or control by the Servicing Rights Owner and/or Servicing Rights Owner's lender(s) to enable Servicing Rights Owner to finance the Servicing Advances and/or P&I Advances.

Section 9.13. Publicity.

The Subservicer and the Corporate Parent shall not issue any media releases, public announcements and public disclosures, relating to this Agreement or use the name or logo of the Servicing Rights Owner, including, without limitation, in promotional or marketing material or on a list of customers, without the prior written consent of the Servicing Rights Owner; provided, that nothing in this paragraph shall restrict compliance with this Agreement or any disclosure required by legal, accounting or regulatory requirements.

Section 9.14. Executory Contract.

Notwithstanding any provision in this Agreement to the contrary, the Subservicer acknowledges and agrees that, in the event it files bankruptcy under 11 U.S.C. § 101 et seq. (the "Bankruptcy Code"), this Agreement is an "executory contract" within the meaning of Section 365 of the Bankruptcy Code and, therefore, the Subservicer shall have no right to modify on any basis whatsoever (other than in accordance with the terms hereof), including without limitation Section 105 of the Bankruptcy Code, any of the terms, provisions or conditions of this Agreement in any such bankruptcy proceeding and hereby irrevocably waives any such right. Further, the Subservicer acknowledges and agrees that its services provided under this Agreement are essential and should the Subservicer fail to perform its obligations under this Agreement, the Servicing Rights Owner shall suffer irreparable harm and, consequently, the Servicing Rights Owner shall have the right to seek on an expedited basis an order from the bankruptcy court: (a) lifting the Section 362 automatic stay so as to permit the Servicing Rights Owner to terminate this Agreement; and (b) compelling the Subservicer to immediately assume or reject this Agreement in accordance with the provisions of Section 365 of the Bankruptcy Code. In the event this Agreement is rejected under Section 365 of the Bankruptcy Code, this Agreement shall be terminated and the Subservicer agrees to immediately comply with its obligations under this Agreement with respect to termination of this Agreement in accordance with ARTICLE VI hereof. Finally, the Subservicer acknowledges and agrees that Section 506(c) of the Bankruptcy Code has no application to this Agreement and, even if it did, the Subservicer hereby expressly waives any right to surcharge the Servicing Rights Owner under Section 506(c) of the Bankruptcy Code.

Section 9.15. [Reserved].

Section 9.16. Restrictions of Notices; Information and Disclosure.

Notwithstanding anything else herein, nothing in this Agreement shall require any party to provide any notice, information, investigation, audit, correspondence, and any other communication (collectively, "Information") to any other party (1) if providing such Information is prohibited by Applicable Requirements or any other contractual or legal obligation or legal restriction or (2) upon any advice of counsel (which may be internal counsel), if providing such Information may cause such party to lose attorney-client privilege, attorney work product privilege or other similar protections (governed by the applicable jurisdiction); provided that, in the case of clause (1), except with respect to any such prohibition imposed by a Governmental Authority, Freddie Mac or Fannie Mae, the disclosing party shall use commercially reasonable efforts to obtain consent to such disclosure from the applicable third party unless disclosing party reasonably believes that such consent will not be attainable.

[Signature Pages Follow]

IN WITNESS WHEREOF, each party has caused this instrument to be signed in its corporate name on its behalf by its proper officials duly authorized as of the day, month and year first above written.

PHH MORTGAGE CORPORATION

By: /s/ John McNeill
Name: John McNeill
Title: Vice President - Finance

NEW RESIDENTIAL MORTGAGE LLC

By: /s/ Nicola Santoro, Jr.
Name: Nicola Santoro, Jr.
Title: Chief Financial Officer and Chief Operating Officer

EXHIBIT A

FORM OF ACKNOWLEDGMENT AGREEMENT

On this _____ day of _____, 20____, NEW RESIDENTIAL MORTGAGE LLC (the “Servicing Rights Owner”) and PHH MORTGAGE CORPORATION (the “Subservicer”), hereby acknowledge that the Mortgage Loans listed on the Mortgage Loan Schedule attached hereto as Schedule I are subject to (a) that certain Amended and Restated Flow Mortgage Loan Subservicing Agreement, dated as of March 29, 2019, by and between the Servicing Rights Owner and the Subservicer (the “Agreement”) and (b) those certain servicing agreements (the “Underlying Servicing Agreements”), as listed on Schedule II attached hereto. Notwithstanding any provision to the contrary, the Servicing Rights Owner retains all rights and obligations to the Servicing Rights relating to the Mortgage Loans subject to the contractual provisions of the Agreement and the Underlying Servicing Agreements. The Subservicer hereby agrees to service such Mortgage Loans pursuant to the terms of the Agreement.

1. With respect to the Mortgage Loans made subject to the Agreement hereby, the Transfer Date shall be [_____].
2. With respect to the Mortgage Loans made subject to the Agreement hereby, the following terms shall apply:

[Insert any amendments to the Agreement, including any update Performance Triggers]

All other terms and conditions of this transaction shall be governed by the Agreement. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Agreement.

This Acknowledgment Agreement may be executed simultaneously in any number of counterparts. Each counterpart shall be deemed to be an original, and all such counterparts shall constitute one and the same instrument. Telecopy or electronically transmitted signatures shall be deemed valid and binding to the same extent as the original.

IN WITNESS WHEREOF, the Servicing Rights Owner and the Subservicer have caused their names to be signed hereto by their respective officers thereunto duly authorized as of the day and year first above written.

NEW RESIDENTIAL MORTGAGE LLC,
as the Servicing Rights Owner

By: _____

Name: _____

Title: _____

PHH MORTGAGE CORPORATION,
as the Subservicer

By: _____

Name: _____

Title: _____

EXHIBIT B-1

CRITICAL VENDORS

THIS PAGE AND THE FOLLOWING 5 PAGES OF THIS EXHIBIT HAVE BEEN OMITTED BECAUSE THEY ARE BOTH (I) NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED

[***]

EXHIBIT B-2

[Reserved.]

EXHIBIT C

MSR PORTFOLIO DEFENSE AGREEMENT

That certain MSR Portfolio Defense Agreement, dated as of June 12, 2017, by and between PHH Mortgage Corporation and New Residential Mortgage LLC.

EXHIBIT D

[Reserved.]

EXHIBIT E

CONTENTS OF EACH MORTGAGE FILE

To be mutually agreed upon from time to time by the parties based upon the mortgage loans.

EXHIBIT F

[Reserved.]

EXHIBIT G

LIST OF SERVICING REPORTS

| Critical Report | Regulatory Report | Name of Report | Report # | Updates # | Frequency | Implementation |
|------------------------|--------------------------|---|-----------------|------------------|--------------------|-----------------------|
| Yes | No | Servicing Delta Daily Data Feed | G-1 | * | Daily (by noon ET) | |
| Yes | No | P&I Advance/Repay & Service Fee Reporting (T691, 69W, P102) | G-2(a) | | Daily (by noon ET) | |
| | | [Reserved] | G-2(b) | | | |

| | | | | | | |
|-----|-----|---|---------|------|---|--|
| Yes | No | Remittance File | G-3 | * | Daily (by noon ET) | |
| Yes | No | Servicing Monthly Data Feed | G-4 | * | Monthly by 5th BU day | |
| Yes | No | Reconciliation Report | G-5 | * | As specified Section 5.1 | |
| | | [Reserved] | G-6(a) | | | |
| Yes | No | Advance Reports ("NRZ NBB Loan Level File") | G-6(b) | * | Monthly (by 7th BU day) | |
| Yes | No | Portfolio Strat Reports | G-7 | * | Monthly (by 7th BU day) | |
| No | No | Mortgagor Litigation Report | G-8 | * | Monthly (by 5th BU day) | |
| No | No | Corporate Matters Report | G-9 | * | Monthly (by 15th) | |
| No | No | Performance Reports | G-10 | * | Monthly (by 20th) | |
| No | No | Material Changes to Subservicer's, Subservicer's Parents or any of their respective Affiliates' Policies and Procedures | * | G-A1 | Monthly (by 20th) | |
| | | [Reserved] | G-11 | | | |
| No | No | Basic Complaint Report | G-12(a) | * | Monthly (by 5th BU day) | |
| No | No | Escalated Complaint Case Data Report | G-12(b) | * | Monthly (by 5th BU day) | |
| No | No | Request for Information Report | G-13 | * | Monthly (by 7th BU day) | |
| No | No | Portfolio Roll Rate Reports | G-14 | * | Monthly (by 7th BU day) | |
| No | No | Monthly Financial Covenant Certification | * | G-A2 | As provided in Section 2.28 | |
| No | No | Advance Threshold Report | G-15 | * | Monthly (by 20th) | |
| No | No | Back-up Servicer Files | G-16 | * | As agreed to with the Back-up Servicer | |
| No | No | MI Rescission Report | G-17 | * | Monthly (by 15th) | |
| No | No | Land Title Adjustment Report | G-18 | * | Monthly (by 7th BU day) | |
| No | No | Ancillary Income Report | G-19 | * | Monthly (by 15th) | |
| No | No | Exhibit Q Information | * | E-A3 | Quarterly (by 45th calendar day) | |
| No | No | Provide Fidelity and Errors and Omissions Insurance | * | E-A4 | Quarterly (by 45th calendar day) | |
| | | [Reserved] | G-20 | | | |
| | | [Reserved] | G-21 | | | |
| No | No | Customer Service Statistics | G-22 | * | Quarterly (by 45th calendar day) | |
| No | No | Tracking Report regarding Privacy Notices | G-23 | * | Quarterly (by 20th) | |
| No | Yes | NYS VOSR Template | G-24 | * | Quarterly (20 days after Quarter-End) | |
| No | Yes | MBFRF Template | G-25 | * | Quarterly (20 days after Quarter-End) | |
| No | Yes | MCR Template | G-26 | * | Quarterly (30 days after Quarter-End) | |
| No | Yes | Illinois Default and Foreclosure Template | G-27 | * | Semi-Annual (by 20th calendar day of July) | |
| No | Yes | California CRMLA Template | G-28 | * | Annual (by 45th calendar day after fiscal year-end) | |
| No | Yes | Illinois Report of Servicing Activity Template | G-29 | * | Annual (by 45th calendar day after fiscal year-end) | |
| No | Yes | Michigan Mortgage Brokers, Lenders and Servicers Template | G-30 | * | Annual (by 45th calendar day after fiscal year-end) | |
| No | Yes | Missouri Report of Residential Mortgage Loan Broker Activity Template | G-31 | * | Annual (by 45th calendar day after fiscal year-end) | |
| No | Yes | Washington Consumer Loan Assessment Report Template | G-32 | * | Annual (by 45th calendar day after fiscal year-end) | |
| No | Yes | Washington Consumer Loan Assessment Report Template | G-33 | * | Annual (by 45th calendar day after fiscal year-end) | |
| No | No | Regulation AB Compliance Report | * | G-A5 | As defined in Agreement | |
| No | No | Uniform Single Attestation Program Compliance Report | * | | As defined in Agreement | |
| No | No | SOC 1 Type II of Critical Vendors of Subservicer (or such other Type as may be reasonably satisfactory to Owner/Servicer) | * | G-A6 | Within 30 days of receipt, but no later than January 31 | |
| No | No | SOC 1 Type II of Subservicer covering a minimum period of nine (9) months | * | G-A7 | Within 30 days of receipt, but no later than January 31 | |
| No | No | SOC 1 Type II Bridge Letter of Subservicer covering a maximum period of three (3) months | * | G-A8 | No later than January 31 | |
| No | No | MI Report | G-34 | | Monthly (by 6th BU day) | |
| No | No | MERS to LPS Data Reconciliation Report | G-35 | | Monthly (by 6th BU day after MERS cut-off) | |
| | | | | | | |

| | | | | |
|----|----|--|------|---|
| No | No | Servicing Transactions Delta Daily Data Feed | G-36 | Daily (by noon ET) |
| No | No | Call Center Report | G-37 | Weekly (Monday) |
| No | No | Lien Release Report | G-38 | Monthly (by 6th BU day) |
| No | No | FC FHA Pipeline | G-39 | Monthly (by 6th BU day) |
| No | No | FC VA Pipeline | G-40 | Monthly (by 6th BU day) |
| No | No | FC Conventional Pipeline | G-41 | Monthly (by 6th BU day) |
| No | No | MODS Pipeline | G-42 | Monthly (by 6th BU day) |
| No | No | Claims Report | G-43 | Monthly (by 6th BU day) |
| No | No | Liquidations Approvals | G-44 | Monthly (by 6th BU day) |
| No | No | Liquidations Closings | G-45 | Monthly (by 6th BU day) |
| No | No | Call QA Reporting | G-46 | Quarterly (by 10th BU days after Quarter-End) |
| No | No | SLA Reporting | G-47 | Monthly (by 6th BU day) |
| No | No | Metro II | G-48 | Monthly (by 6th BU day) |
| No | No | Draw Activity Report - 4JE | G-49 | Daily (by noon ET) |

EXHIBIT H

FORMATTED SERVICING REPORTS

EXHIBIT I

| | | |
|-----|--|-----|
| *** | | |
| | | *** |
| *** | | *** |
| *** | | *** |
| *** | | *** |

EXHIBIT J

FORM OF MONTHLY FINANCIAL COVENANT CERTIFICATION

I, _____, chief financial officer of PHH Mortgage Corporation (“Subservicer”), do hereby certify that:

- (i) ***;
- (ii) ***;
- (iii) ***; and

(iv) the attached supporting documentation and backup attached to this Monthly Financial Covenant Certification are true and correct.

Capitalized terms used but not defined herein shall have the meanings assigned thereto in the Amended and Restated Flow Mortgage Loan Subservicing Agreement, dated as of March 29, 2019 (the “Agreement”), between New Residential Mortgage LLC and the Subservicer.

IN WITNESS WHEREOF, I have signed this certificate.

Date: _____, 20__

By: _____,

Name:
Title:

EXHIBIT K

[Reserved.]
EXHIBIT L

ADVANCE POLICY

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[*]**

EXHIBIT M

[Reserved.]

EXHIBIT N

FORM OF LIMITED POWER OF ATTORNEY

New Residential Mortgage LLC (the “Servicing Rights Owner”), a [_____] limited liability company, whose address is [_____] constitutes and appoints [_____] (the “Subservicer”), a [_____] limited liability company, its true and lawful attorney-in-fact, in its name, place and stead to take the following designated actions in connection with any mortgage loan or real estate owned property (each, a “Mortgage Loan”) owned by the Servicing Rights Owner and serviced by the Subservicer pursuant to that certain Subservicing Agreement, dated as of [_____] between the Servicing Rights Owner and the Subservicer:

1. To ask, demand, sue for, collect and receive all sums of money, debts or other obligations of any kind with respect to a Mortgage Loan which are now or shall after this date become due, owing or payable, or otherwise belong to the Servicing Rights Owner, to settle and compromise any of such debts or obligations that may be or become due to the Servicing Rights Owner, to endorse in the name of the Servicing Rights Owner for deposit in the appropriate account any instrument payable to or to the order of the Servicing Rights Owner; in each case with respect to a Mortgage Loan.
2. To make demand(s) on behalf of the Servicing Rights Owner upon any or all parties liable on a Mortgage Loan; to declare defaults with respect to a Mortgage Loan; to give notices of intention to accelerate; to give notices of acceleration and any other notices as the Subservicer deems reasonably appropriate; to post all notices as required by law and the documents securing a Mortgage Loan in order to foreclose such Mortgage Loan; to handle all aspects of foreclosure on behalf of the Servicing Rights Owner, including, but not limited to, conducting the foreclosure sale, bidding for the Servicing Rights Owner and executing all documents including all deeds and conveyances, needed to effect such foreclosure sale and/or liquidation; to execute any documents or instruments necessary for the offer, listing, closing of sale, and conveyance of real estate owned property, including, but not limited to, grant, warranty, quit claim and statutory deeds or similar instruments of conveyance; to execute any documents or instruments in connection with any bankruptcy or receivership of a mortgagor on a Mortgage Loan; to file suit and prosecute legal actions against all parties liable for amounts due under a Mortgage Loan, including, but not limited to, any deficiency amounts due following foreclosure; to take such other actions and exercise such rights which may be taken by the Servicing Rights Owner under the terms of any Mortgage Loan, including, but not limited to, satisfaction, release, cancellation or discharge of mortgage, eviction, unlawful detainer, or similar dispossessory proceeding, sale, taking possession of, release of security instruments, realization upon all or any part of a Mortgage Loan or any collateral therefor or guaranty thereof; and to assign, convey, accept or otherwise transfer, the Servicing Rights Owner’s interest in any Mortgage Loan.
3. To perform all other acts and do all other things as may be reasonably necessary to manage the Mortgage Loans.

Nothing herein shall give the attorney-in-fact hereunder the right or power to negotiate or settle any suit, counterclaim or action against the Servicing Rights Owner. The Servicing Rights Owner shall have no obligation to inspect or review any agreement or other document or item executed by the attorney-in-fact hereunder on behalf of the Servicing Rights Owner pursuant to this Limited Power of Attorney and as such, the attorney-in-fact hereunder expressly acknowledges that the Servicing Rights Owner is relying upon such attorney-in-fact to undertake any and all necessary procedures to confirm the accuracy of any such agreement, document or other item.

This Limited Power of Attorney shall continue in full force and effect unless terminated in writing by an officer of the Servicing Rights Owner so authorized to do so (a "Revocation").

Any third party may rely upon a copy of this Limited Power of Attorney, to the same extent as if it were an original, and shall be entitled to rely on a writing signed by the attorney-in-fact hereunder to establish conclusively the identity of a particular right, power, capacity, asset, liability, obligation, property, loan or commitment of such attorney-in-fact for all purposes of this Limited Power of Attorney, unless a Revocation has been recorded in the public records of the jurisdiction where this Limited Power of Attorney has been recorded, or unless such third party has received actual written notice of a Revocation.

No attorney-in-fact hereunder shall be obligated to furnish a bond or other security in connection with its actions hereunder.

The Servicing Rights Owner authorizes the Subservicer, by and through any of its directors or officers, or any other employee who is duly authorized by the Subservicer as attorney-in-fact appointed hereunder, to certify, deliver, and/or record copies and originals of this Limited Power of Attorney.

If any provision of this Limited Power of Attorney shall be held invalid, illegal or unenforceable, the validity, legality or enforceability of each of the other provisions hereof shall not be affected thereby.

[Signature Page Follows]

IN WITNESS WHEREOF, [] has caused this Limited Power of Attorney to be executed and subscribed in its name as of _____, ____.

NEW RESIDENTIAL MORTGAGE LLC

By: _____
Name:
Title:

WITNESS:

By:

Name:

WITNESS:

By:

Name:

STATE OF _____)

) ss

COUNTY OF _____)

I certify that _____, personally came before me and acknowledged that he/she, is the _____ of _____ and that he/she as _____ being authorized to do so, executed the foregoing Limited Power of Attorney on behalf of said company.

IN WITNESS WHEREOF, I have hereunto set my hand and have affixed my official seal.

Notary Public

My Commission Expires: _____

EXHIBIT O

CLIENT MANAGEMENT PROTOCOLS

Subservicer’s Client Management Protocols are comprised of five components (i) Client Relations/Issue Management, (ii) Client Integration, (iii) Change Management, (iv) Client Reporting and (v) Audit/Testing Management. The staff specifically dedicated to managing the relationship (“Client Relationship Managers” or “CRMs”) shall utilize the protocols herein, as may be changed from time to time and mutually agreed by both parties, to coordinate the resources of Subservicer to address the requests of Servicing Rights Owner.

THIS REMAINDER OF THIS PAGE AND THE FOLLOWING PAGE OF THIS EXHIBIT HAVE BEEN OMITTED BECAUSE THEY ARE BOTH (I) NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED

[***]

EXHIBIT P

[Reserved.]

EXHIBIT Q

LEVEL OF DISCLOSURE SCHEDULE

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[***]

EXHIBIT R

SERVICE LEVEL AGREEMENTS

| Service Level Agreement | | Service Level | Service Level Credit | Measurement Window |
|--|---|---------------|----------------------|--------------------|
| Advance Reimbursement (Applicable to FNMA & FHLMC) | [***] | 1 | [***] | Quarterly |
| Telephone Calls | Call Answer Rate Subservicer shall maintain a minimum answer rate of [***] (excluding abandons [***] seconds). Call Answer Time The average answer time for incoming calls shall be [***] seconds or less. Language line available for non-English speaking customers | 1 | [***] | Monthly |
| Customer Satisfaction Surveys | [***] or more Customers select the Required Rating in response to Question 1 of the Survey. 1. Surveys = Surveys conducted by PHH at the completion of calls to the PHH First Mortgage Call Center and the HELOC Call Center that consist of the following questions: [***] Required Rating = Customer responds with a positive rating of [***] to Question 1 of the Survey. Scores are based on a [***] scale with [***] being the best. | 1 | [***] | Monthly |

| | | | | |
|---|---|---|-------|-----------|
| | <ul style="list-style-type: none"> • [***] • [***] Neutral • [***] Negative | | | |
| Escalated Customer Service Issues | <p>Escalated Complaint Acknowledgment: [***] or more of Level 3 Escalated Complaints Acknowledged to the Customer and escalated to Investor within Required Time (as contractually agreed upon) or [***] following receipt of the Escalated Complaint by OOP. Office of the President (OOP) = centralized contact to address Escalated Complaints and Regulatory Complaints for PHH. For each Escalated Complaint and Regulatory Complaint, the OOP shall maintain a detailed log of the specific of the issues, status and resolution. PHH personnel shall promptly transfer all Escalated and Regulatory Complaints to the OOP.</p> | 2 | [***] | Quarterly |
| System Availability (Doc Viewer/Web Direct) | <p>Web Direct, Doc Viewer, PHHMyWay >= [***] Monthly Average (not to include scheduled maintenance) during Measurement Window</p> <p>The Subservicer shall provide the Servicing Rights Owner at least [***] notice prior to any scheduled maintenance or other scheduled access interruption of website portals; provided that the Subservicer shall immediately notify the Servicing Rights Owner of any unscheduled access interruptions.</p> <p>The Subservicer shall use commercially reasonable efforts to address any access or availability issues [***] such issues arises.</p> <p>During any such unscheduled access interruptions, the Subservicer shall use commercially reasonable efforts to provide Servicing Rights Owner certain reports and data in an alternative medium.</p> | 2 | [***] | Monthly |
| Foreclosure Referrals | [***] | 2 | [***] | Quarterly |
| Foreclosure Timelines | [***] | 2 | [***] | Quarterly |
| Response Times- Customer Requests/Inquiries | <p>PHH will respond within the time period indicated [***] of the time. Time period begins from the date of PHH's receipt of the request</p> <ol style="list-style-type: none"> 1. Lien Satisfaction – within [***] of state guidelines 2. Address change requests including: <ul style="list-style-type: none"> - First Mortgage - [***] - [***] - [***] <p>In each case, measurement begins after PHH receives the properly completed address change authorization</p> 3. Account history requests - [***] 4. Credit bureau disputes - [***] to research and send correction to the credit bureau and/or send explanation letter to the customer. 5. Missing payment inquiry - [***] 6. Monetary adjustments - [***] 7. Non-monetary adjustments - [***] 8. Payoff letter request - [***] after PHH receives the properly completed customer authorization form. | 3 | [***] | Monthly |
| Consumer Facing Website – Web Availability | <p>Consumer Facing Website online with a Monthly average availability greater than or equal to [***]. Measurement window is [***]. All scheduled maintenance will occur outside of operating hours. Availability for the purpose of the service level shall be calculated exclusive of scheduled service outages and emergency maintenance.</p> | 3 | [***] | Monthly |
| QWR/NOE/RFI | <p>QWR/NOE/RFI All valid borrower inquiries are acknowledged within [***]; and resolved within [***] or within a total of [***] if an extension is required in accordance with the Subservicing Compliance Requirements.</p> | 3 | [***] | Monthly |
| Continuous Monitoring | <p>PHH to provide daily continuous monitoring data to NRM for the following areas (data fields to be agreed upon between PHH and NRM)</p> | 2 | [***] | Monthly |
| Bankruptcy | <p>PHH to perform daily update of bankruptcy information from LexisNexis (Banko), Pacer, or equivalent service. All MFRs, Contractual and bankruptcy planning related ledgers meet FNMA Guidelines. In addition, filing performance must be met for the following timelines:</p> <ol style="list-style-type: none"> 1. [***] of POCs filed within [***] of bar date 2. [***] of payment change notices filed within [***] of payment change. This includes both interest and escrow related changes | 2 | [***] | Quarterly |

| | | | | |
|--------|--|---|-------|-----------|
| | <p>3. [***] of PPFN filed within [***] of service being incurred, minimum threshold of [***].</p> <p>4.</p> | | | |
| Claims | <p>[***] of all expenses will be filed within FNMA guideline of [***] of the applicable milestone, for conventional loans [***] after one of the following:</p> <ul style="list-style-type: none"> • Completion of a workout option • Third party sale completed • Date mortgage is reinstated or paid off • FNMA disposes of property acquired through foreclosure of FNMA mortgage release | 2 | [***] | Quarterly |

PHH shall perform the Subservicing Services in accordance with the Service Levels. PHH shall monitor, measure, collect and report performance against the Services Levels beginning with the transfer of servicing and provide reporting within [***] after month end.

In the event of a Service Level Default, the following shall apply:

(a) Level 1 Service Level Defaults. If PHH’s performance results in a Service Level Default with respect to a Level 1 Service Level, then PHH shall (i) pay the applicable Service Level Credit and (ii) promptly conduct a root cause analysis and prepare and provide for its review and approval a formal written remediation plan (including remediation time frames) designed to remediate the cause of the failure and prevent the reoccurrence of such Service Level Default (“Remediation Plan”). PHH shall promptly implement the final Remediation Plan at PHH’s sole cost.

(b) Level 2 Service Level Defaults. If PHH’s performance results in a Service Level Default with respect to a Level 2 Service Level for [***], then PHH shall provide a written plan of corrective actions to be implemented within [***], including a mutually agreed upon date by which such plan shall be implemented. PHH shall also pay the applicable Service Level Credit. If PHH fails to meet the same Level 2 Service Level for any [***] or more [***] in a rolling twelve month period, then PHH shall refund the applicable Service Level Credit for the applicable month and promptly conduct a root cause analysis and prepare and provide for its review and approval a Remediation Plan. PHH may implement at PHH’s sole cost the Remediation Plan in order to address the Service Level Default, pending receipt of a response from client. Upon receipt of client response, PHH promptly shall implement the final Remediation Plan at PHH’s sole cost.

(c) Level 3 Service Level Defaults. If PHH performance results in a Service Level Default with respect to a Level 3 Service Level for 2 consecutive reporting periods, PHH shall provide client with a written plan of corrective actions to be implemented within [***], including a mutually agreed upon date by which such plan shall be implemented. Notwithstanding the foregoing, if the failure has not be remedied and the Service Level fully satisfied within [***] after the initial failure triggering the Level 3 violation, PHH will provide a Service Fee Credit of [***] and continue until remediated to the agreed upon performance standard.

EXHIBIT S

Form of Quarterly Report

Schedule 2.7(h)

BACK-UP SERVICING REPORTS

THIS PAGE AND THE FOLLOWING PAGE OF THIS SCHEDULE HAVE BEEN OMITTED BECAUSE THEY ARE BOTH (I) NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED

[***]

SCHEDULE 2.18(f)

ADVANCE DISPUTE RESOLUTION MECHANICS

THIS PAGE AND THE FOLLOWING THREE PAGES OF THIS SCHEDULE HAVE BEEN OMITTED BECAUSE THEY ARE BOTH (I) NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED

[***]

SCHEDULE A

PRICING SCHEDULE

NEW RESIDENTIAL SUB SERVICING PRICING FOR PHH

Base Fee Monthly Servicing Fee

Base Fee [***]

Add on for FHA, VA or Non Agency Loans [***]

Add on for ARMs or Interest Only Loans [***]

Monthly Fees for Loans in Default

30 59 days past due [***]

60 89 days past due [***]

90+ days past due [***]

Bankruptcy [***]

Foreclosure [***]

REO [***]

Late Charges / Ancillary Fees [*]**

[***]

Loss Mitigation Incentives [*]**

[***]

Collection Accounts [*]**

Claims Fees [*]**

Fannie Mae/Freddie Mac [***]

MI Claim [***]

FHA Part A [***]

FHA Part B [***]

New Loan Setup Fee (Waived for Initial Mortgage Loans)

Automated transfer boarding fee [***]

-

Manual boarding fee [***]

Reporting [*]**

Mailed Monthly Statements [*]**

New York Mortgage Loans [*]**

[***]

Deboarding Fee, per Mortgage Loan

Without Cause, sale of Servicing Rights

Year 1 [***]

Year 2 [***]

Year 3 [***]

Without Cause, 11.01(a)(iii)(x) [***]

Without Cause, 11.01(a)(iii)(y) [***]

Without Cause, otherwise [***]

Tax Contract Transfer Fees (not applicable to Initial Mortgage Loans)

Tax contract transfer fee for any loan with tax contract not through CoreLogic [***]

(Seasoned Loan greater than 1 year with required info from previous tax provider)

Tax contract transfer fee for any loan with tax contract not through CoreLogic [***]

(Seasoned Loan greater than 1 year w/ limited info from previous tax provider, requiring legal description to complete search and place under tax service)

Tax contract transfer fee for any loan without a tax contract at time of transfer [***]

(New Originations/Less than 1 year require individual documents containing the HUD1/Closing Disclosure and Legal Description to complete search and place under tax service)

SCHEDULE B
RECONCILIATION REPORT

[**]

Schedule B-1

CERTIFICATIONS

I, Glen A. Messina, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of Ocwen Financial Corporation;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and the other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a—15(e) and 15d—15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a—15(f) and 15d—15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2019

/s/ Glen A. Messina

Glen A. Messina, President and Chief Executive Officer

CERTIFICATIONS

I, June C. Campbell, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of Ocwen Financial Corporation;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and the other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a—15(e) and 15d—15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a—15(f) and 15d—15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2019

/s/ June C. Campbell

June C. Campbell, Executive Vice President and Chief Financial Officer

CERTIFICATIONS

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

- (1) I am the principal executive officer of Ocwen Financial Corporation (the Registrant).
- (2) I hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that
 - the Quarterly Report on Form 10-Q of the Registrant for the quarter ended June 30, 2019 (the periodic report) containing financial statements fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
 - the information contained in the periodic report fairly represents, in all material respects, the financial condition and results of operations of the Registrant for the periods presented.

Name: /s/ Glen A. Messina
Title: President and Chief Executive Officer
Date: August 6, 2019

CERTIFICATIONS

I, June C. Campbell, state and attest that:

- (1) I am the principal financial officer of Ocwen Financial Corporation (the Registrant).
- (2) I hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that
 - the Quarterly Report on Form 10-Q of the Registrant for the quarter ended June 30, 2019 (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/ June C. Campbell
Title: Executive Vice President and Chief Financial Officer
Date: August 6, 2019